

FRAGRANCE GROUP LIMITED

ANNUAL REPORT FY 2017

CONTENTS

01 CORPORATE PROFILE

02 LETTER TO SHAREHOLDERS

04 BOARD OF DIRECTORS

06 CORPORATE INFORMATION

07 CORPORATE STRUCTURE

08 YEAR IN BRIEF 2017

09 FINANCIAL HIGHLIGHTS

11 FINANCIAL AND OPERATIONS REVIEWS

14 FINANCIAL CONTENTS

15 CORPORATE GOVERNANCE REPORT

95 SHAREHOLDING STATISTICS

97 PARTICULARS OF PROPERTIES OWNED BY THE GROUP

100 NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM



CORPORATE PROFILE



With a track record dating back to the mid-1980s, Fragrance Group Limited ("FGL" or "the Group") is a property developer with presence in three continents today, Asia, Australia and Europe. FGL is listed on the main board of the SGX-ST on 3 February 2005 and has a current market capitalization in excess of \$1 billion.

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

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

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

In Australia, the Group's property portfolio comprises of mixed-use developments, hotels, residential and commercial developments located in Melbourne, Perth and Tasmania. Our maiden hotel project, ibis Styles Hobart with 296 rooms, was completed in 2017 and has commenced operations.

In United Kingdom ("UK"), the Group's property portfolio includes primarily hotels in key cities outside London, namely, Manchester, Liverpool, Torquay, Harrogate and Blackpool.



LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Fragrance Group Limited ("FGL" or the "Group"), we are pleased to present the Group's Annual Report for the financial year ended 31 December 2017 ("FY 2017").

OVERVIEW

The Group's focus in recent years was to continue building a platform for sustainable growth. We have identified growth opportunities in new markets, such as Australia and United Kingdom (UK), and have acquired various properties in key cities in these countries. Our maiden hotel development project in Australia, ibis Styles Hobart, with 296 rooms in Tasmania, was completed in FY 2017 and has commenced operations since July 2017. Our first hotel in the United Kingdom, The Imperial Hotel, made its contribution to the Group's revenue since February 2017.

During the financial year under review, our Group's revenue surged 66.8% to \$198.0 million, which was boosted primarily by our property development, commercial and hospitality investment segments in Singapore, Australia and United Kingdom. Our Group reported a net profit attributable to shareholders of \$48.5 million, which saw 6 times increase as compared to last year. As at 31 December 2017, the Group is in a strong position with a total assets of approximately \$2.3 billion and maintained a healthy debt-to-total assets ratio of 48.7% thus placing the Group in a strategically advantageous position to seize any market opportunities.

LOOKING FORWARD

The Group is actively working on its various development projects in Australia and United Kingdom. Construction works for Premier Tower and NV Apartments are in full swing and marketing efforts are ongoing to sell the remaining units in these two projects as well as the newly launched 555 Collins project.

In the United Kingdom, the Group's four hotel properties, namely, The Imperial Hotel, The Crown Hotel, Lyndene Hotel and The Townhouse Hotel, will provide stable recurring income going forward, while the remaining properties will go through the redevelopment/refurbishment process and upon completion, the Group will have a good portfolio of hotel assets throughout the UK.

In Singapore, the Group has recently acquired two freehold properties, Eunost Mansions and 31 Jervois Road, for \$220.0 million and \$46.30 million respectively for redevelopment. The various commercial investment properties in Singapore are seeing improved occupancy and providing stable rental income to the Group.

Looking ahead, the Group will continue to look for growth opportunities guided by our core principle of prudence to ensure sustainable returns to our Group and its stakeholders.

ACKNOWLEDGEMENT

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

Koh Wee Meng
Executive Chairman and CEO

Periakaruppan Aravindan
Executive Director and Deputy CEO



BOARD OF DIRECTORS

KOH WEE MENG

Executive Chairman &
Chief Executive Officer

APPOINTMENT

Date of first appointment as a director:	28 July 2000
Date of last re-election as a director:	10 April 2015
Length of service as a director: (on 31 December 2017)	17 years 5 months

BOARD COMMITTEE(S) SERVED ON	Nominating Committee (Member)
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PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES	Nil
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OTHER PRINCIPAL COMMITMENTS (other than directorships in listed companies)	Nil
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DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS (from 31 Dec 2014 to 30 Dec 2017)	Global Premium Hotels Limited
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LIM WAN LOOI

Executive Director

APPOINTMENT

Date of first appointment as a director:	28 July 2000
Date of last re-election as a director:	15 April 2016
Length of service as a director: (on 31 December 2017)	17 Years 5 months

BOARD COMMITTEE(S) SERVED ON	Remuneration Committee (Member)
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PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES	Nil
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OTHER PRINCIPAL COMMITMENTS (other than directorships in listed companies)	Nil
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DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS (from to 31 Dec 2014 to 30 Dec 2017)	Nil
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PERIAKARUPPAN ARAVINDAN

Executive Director &
Deputy Chief Executive Officer

APPOINTMENT

Date of first appointment as a director:	28 April 2010
Date of last re-election as a director:	15 April 2016
Length of service as a director: (on 31 December 2017)	7 years 8 months

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

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES	AF Global Limited (Non-Executive Director, Member of Audit and Remuneration Committees)
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OTHER PRINCIPAL COMMITMENTS (other than directorships in listed companies)	Nil
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DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS (from to 31 Dec 2014 to 30 Dec 2017)	Global Premium Hotels Limited
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BOARD OF DIRECTORS

**LEOW CHUNG CHONG
YAM SOON**

Lead Independent Director

APPOINTMENT	
Date of first appointment as a director:	1 April 2014
Date of last re-election as a director:	10 April 2015
Length of service as a director: (on 31 December 2017)	3 years 9 months
BOARD COMMITTEE(S) SERVED ON	Audit Committee (Chairman) Nominating Committee (Member)
ACADEMIC & PROFESSIONAL QUALIFICATION(S)	Practising Member, ISCA, Fellow Member of the ACCA, United Kingdom, Certified Public Accountants, Colorado State Board of Accountancy, USA.
PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES	No Signboard Holdings Ltd (Chairman of Audit Committee and Member of Remuneration and Nominating Committees)
OTHER PRINCIPAL COMMITMENTS (other than directorships in listed companies)	Audit Partner (Ecovis Assurance LLP) Director (Ecovis Advisory Pte. Ltd.)
DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS (from 31 Dec 2014 to 30 Dec 2017)	Nil

TEO CHENG KUANG

Independent Director

APPOINTMENT	
Date of first appointment as a director:	20 December 2004
Date of last re-election as a director:	20 April 2017
Length of service as a director: (on 31 December 2017)	13 years
BOARD COMMITTEE(S) SERVED ON	Nominating Committee (Chairman) Audit Committee (Member) Remuneration Committee (Member)
ACADEMIC & PROFESSIONAL QUALIFICATION(S)	Nanyang University 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 Dec 2014 to 30 Dec 2017)	Nil

WATT KUM KUAN

Independent Director

APPOINTMENT	
Date of first appointment as a director:	23 January 2006
Date of last re-election as a director:	20 April 2017
Length of service as a director: (on 31 December 2017)	11 Years 11 months
BOARD COMMITTEE(S) SERVED ON	Remuneration Committee (Chairman) Audit Committee (Member) Nominating Committee (Member)
ACADEMIC & PROFESSIONAL QUALIFICATION(S)	Awarded Colombo Plan Fellowship during 1962 to 1964 in Sydney, Australia
PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES	Nil
OTHER PRINCIPAL COMMITMENTS (other than directorships in listed companies)	Nil
DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS (from 31 Dec 2014 to 30 Dec 2017)	Nil

CORPORATE INFORMATION

BOARD OF DIRECTORS

MR KOH WEE MENG
(Executive Chairman & CEO)

MS LIM WAN LOOI
(Executive Director)

MR PERIAKARUPPAN ARAVINDAN
(Executive Director & Deputy CEO)

MR LEOW CHUNG CHONG YAM SOON
(Lead Independent Director)

MR TEO CHENG KUANG
(Independent Director)

MR WATT KUM KUAN
(Independent Director)

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARIES

MR PERIAKARUPPAN ARAVINDAN
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

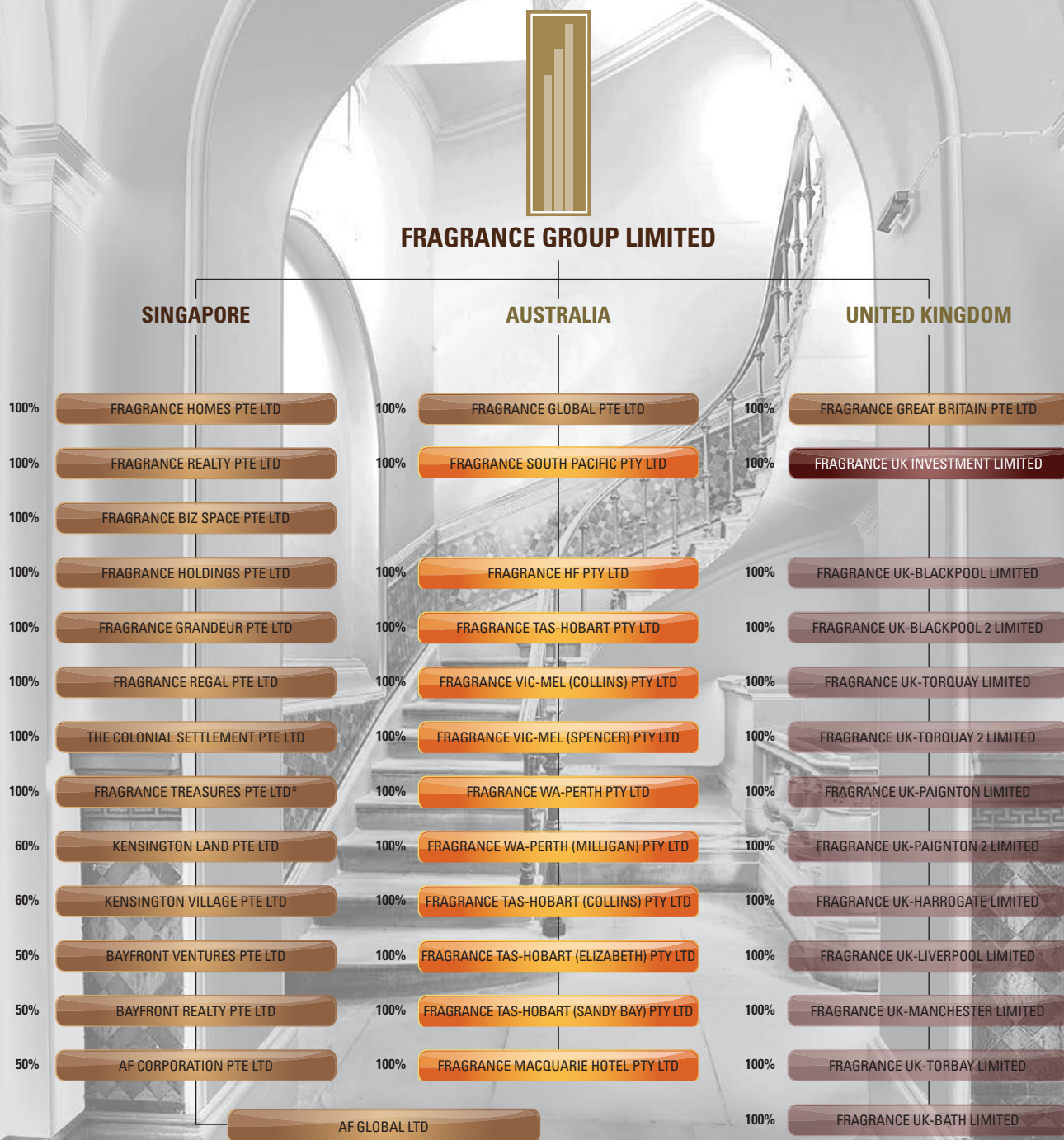
AUDITORS

DELOITTE & TOUCHE LLP
Public Accountants and Chartered Accountants
6 Shenton Way QUE Downtown 2 #33-00
Singapore 068809
Partner-in-charge: Mrs Wong-Yeo Siew Eng
Appointed since 10 April 2015

PRINCIPAL FINANCIAL INSTITUTIONS

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

CORPORATE STRUCTURE



* Incorporated in February 2018

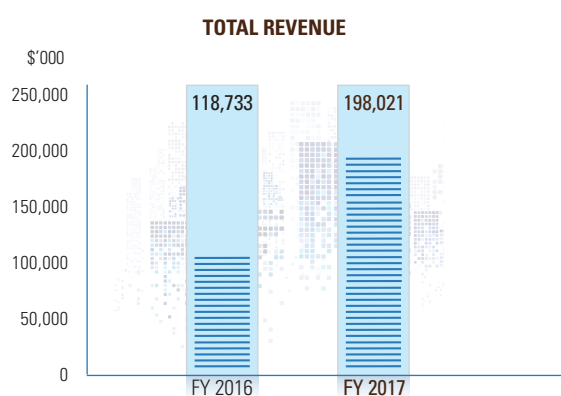
YEAR IN BRIEF 2017

January ❖ Full redemption of SGD85 million medium term notes. ❖ Commenced construction of Premier Tower.	February ❖ Completion of the acquisition of The Imperial Hotel in Blackpool, UK and commenced hotel operations.	March ❖ Completion of the acquisition of The Municipal Building in Liverpool, UK.	April ❖ Held annual general meeting with all the resolutions duly passed.
May ❖ Sales launch of 555 Collins, our premium residential project in Melbourne, Australia.	June ❖ Completion of the acquisition of 5-7 Sandy Bay Road, 9, 11 & 13 Wilmot Street and 4, 6 & 8 Healthfield Avenue Hobart, Tasmania.	July ❖ Completion of development works and commencement of operation of our maiden hotel project, ibis Style Hobart, Tasmania.	August ❖ Completion of the acquisition of The Palace Hotel in Torquay, UK. ❖ Completion of the acquisition of The Townhouse Hotel in Manchester, UK. ❖ Issuance of GBP 45 million medium term notes.
September ❖ Completion of the acquisition of the Lyndene Hotel in Blackpool, UK. ❖ Completion of the acquisition of The Crown Hotel in Harrogate, UK.	October ❖ Completion of the acquisition of the Corbyn Head Hotel in Torquay, UK.	November ❖ Issuance of SGD100 million medium term notes.	December ❖ Completion of the acquisition of The Lighthouse in Paignton, UK. ❖ Completion of the acquisition of The Park Hotel in Paignton, UK.

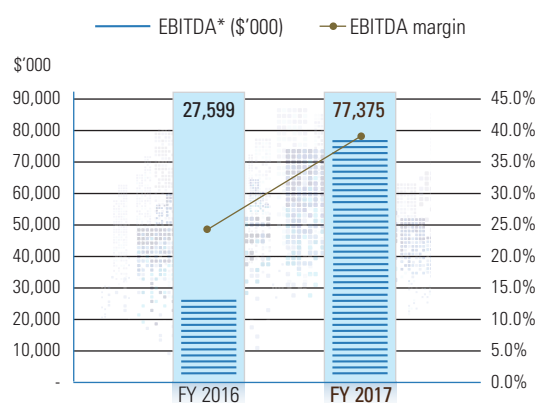
FINANCIAL HIGHLIGHTS

PERFORMANCE AT A GLANCE

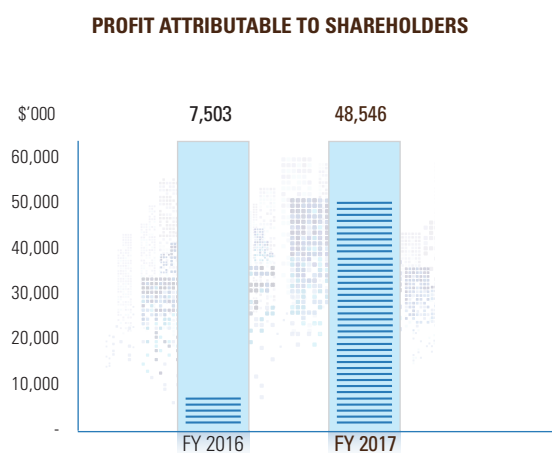
	FY 2016	FY 2017
Property development (\$'000)	100,281	159,193
Commercial investment (\$'000)	18,452	22,153
Hotel operations (\$'000)	—	15,357
Hospitality investment (\$'000)	—	1,318
Total Revenue	118,733	198,021



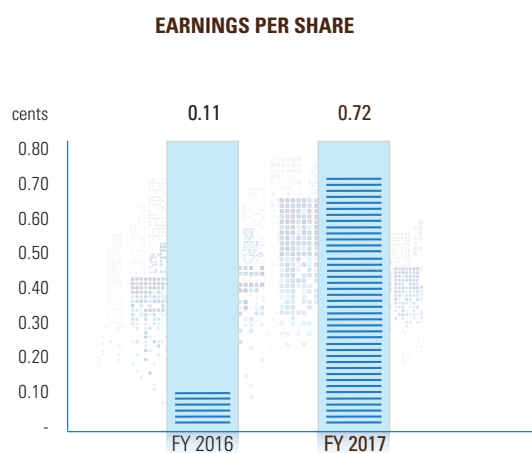
	FY 2016	FY 2017
EBITDA* (\$'000)	27,599	77,375
EBITDA margin	23.2%	39.1%



	FY 2016	FY 2017
Profit attributable to shareholders	7,503	48,546



	FY 2016	FY 2017
Earnings per share	0.11	0.72



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

FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	FY 2017 ¹	FY 2016 ¹	Variance
Revenue (\$'000)	198,021	118,733	66.8%
Gross Profit (\$'000)	71,520	43,322	65.1%
Finance Costs (\$'000)	17,711	17,502	1.2%
EDIDTA ² (\$'000)	77,375	27,599	180.4%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (AS AT 31 DECEMBER)	FY 2017	FY 2016	Variance
Total Assets (\$'000)	2,289,120	1,960,308	16.8%
Cash and Cash Equivalents (\$'000)	121,530	45,513	167.0%
Property, Plant and Equipment (\$'000)	104,532	18,903	453.0%
Investment Properties (\$'000)	1,290,235	1,172,223	10.1%
Total Borrowings (\$'000)	1,115,783	854,474	30.6%
Total Liabilities (\$'000)	1,177,287	907,021	29.8%
Total Equity (\$'000)	1,111,833	1,053,287	5.6%
Market Capitalisation (\$ million)	1,127.7	1,074.0	5.0%

FINANCIAL RATIOS	FY 2017	FY 2016	Variance
Net Tangible Assets Per Share (\$)	16.40	15.50	5.8%
Debt Equity Ratio (Net of Cash) (times)	0.89	0.77	0.13
Interest Coverage Ratio (times)	4.40	1.60	2.8
Earnings Per Share (cents)	0.72	0.11	0.61

Notes:

- 1 The financial year from 1 January to 31 December.
- 2 EBITDA: Earnings before Interest, Tax, Depreciation and Amortization.

FINANCIAL AND OPERATIONS REVIEW

FINANCIAL REVIEW

OVERVIEW

For the full year ended 31 December 2017 (FY 2017), the Group posted a turnover of \$198.0 million (FY2016: \$118.7 million). This represents a 66.8% increase from the revenue in the corresponding period in 2016. The increase came predominantly from the property development sector.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Revenue

Property development:

Property development segment contributed \$159.2 million in FY 2017 which is 58.7% higher than \$100.3 million recorded in FY 2016. This was mainly due to the substantial revenue contribution from the *City Gate* project.



CITY GATE

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

Commercial investment:

Commercial investment segment contributed \$22.2 million for FY 2017 which is 20.1% higher than \$18.5 million recorded in FY 2016. This was mainly due to the substantial revenue contribution from *Tower 15*, *Fragrance Empire Building*, *Victory Centre* and *The Punggol Settlement*.



THE PUNGGOL SETTLEMENT

A 2-STORY SEAFRONT F&B DEVELOPMENT



TOWER 15

A COMMERCIAL BUILDING
LOCATED WITHIN CBD



FRAGRANCE EMPIRE BUILDING

A COMMERCIAL BUILDING
LOCATED NEAR CBD

Hospitality investment:

Hospitality investment of \$1.3 million was derived from hotel rental income from the following properties in the United Kingdom which was rented out to third party operator.

- i) *Corbyn Head Hotel*
- ii) *Lyndene Hotel*
- iii) *The Townhouse Hotel*
- iv) *The Crown Hotel*

FINANCIAL AND OPERATIONS REVIEW

Hotel operations:

Income from hotel operations of \$15.4 million was derived from our first maiden project, *ibis Styles Hobart* in Tasmania, Australia and *The Imperial Hotel*, in Blackpool, United Kingdom.



IBIS STYLES HOBART, TASMANIA

Gross Profit

Our overall gross profit increased by 65.1% to \$71.5 million. This is in line with the increase in overall revenue.

Profit before income tax

Other operating income increased by \$29.8 million from \$3.9 million in FY 2016 to \$33.7 million which was mainly due to the increase in the fair value of the investment properties.

Administrative expenses increased from \$17.4 million in FY 2016 to \$23.8 million in FY 2017 mainly due to the following factors:

1. Increase in depreciation on additional fixed assets, utilities, repair and maintenance and payroll expenses due to the hotel operations in Australia and United Kingdom;
2. Increase in submission fee for the development properties in Australia and United Kingdom; and partly offset by
3. Decrease in property tax expenses.

Finance costs increased marginally by 1.2% in FY 2017 mainly due to:

- i) finance costs relating to additional loans drawn down;
- ii) debt notes issued during the period; and partly offset by
- iii) full redemption of the \$74.8 million debt notes in January 2017, thus reducing the related interest expense.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION & STATEMENT OF CASH FLOWS

Total assets mainly comprise i) land and building of our investment properties; ii) hotel properties and office which are accounted as property, plant and equipment; and iii) properties under/held for development. The Group's investment properties totaled at \$1.3 billion as at 31 December 2017.

Property, plant and equipment which primarily comprise i) office premises; and ii) hotel properties totaled \$104.5 million as at 31 December 2017. The increase was attributed to the addition of one UK property, namely, *The Imperial Hotel* in Blackpool, and the transfer of *ibis Styles Hobart* in Tasmania, Australia from properties under development.

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

Properties under/held for development include land costs, development costs, interest capitalised and other related costs and these accounted for \$428.0 million or 55.5% of total current assets as at 31 December 2017.

Trade and other receivables of \$159.3 million include \$93.3 million of revenue from our property development projects in Singapore which are recognised based on the percentage of completion method and have yet to be billed. Billing is based on the payment schedule in the standard sale and purchase agreement. The increase compared to the balance as at 31 December 2016 was mainly due to the additional revenue recognised, which was partially offset by collections from the buyers.

Total liabilities mainly comprise of secured and unsecured borrowings, which saw an increase of \$0.27 billion to \$1.18 billion. The increase was mainly due to additional drawdown of certain term loans and issuance of medium term notes, partly offset by repayment of medium term notes and term loans during the year.

During the year ended 31 December 2017, the net cash outflow from operating activities amounted to \$61.8 million. Cash used in investing activities amounted to \$114.4 million which was substantially used towards acquisition of hotel properties in the United Kingdom. Net cash inflow from financing activities amounted to \$251.1 million which comprise proceeds from project related loans and issuance of medium term notes, partially offset by repayment of medium term notes issued and

FINANCIAL AND OPERATIONS REVIEW

certain borrowings. Cash and cash equivalents stood at \$121.5 million as at the end of 31 December 2017 compared to \$45.5 million as at the end of 31 December 2016.

OPERATIONS REVIEW

The construction works for *Premier Tower* and *NV Apartments* are in full swing and the Group is actively marketing the remaining units in these two projects as well as the newly launched *555 Collins* project. The Group is actively working on the redevelopment plans/works for the following Australian properties:

- i) 171 Macquarie Street, Hobart, Tasmania – Commercial development
- ii) 28-30 Davey Street, Hobart, Tasmania – Hotel development
- iii) 2-6 Collins Street, Hobart, Tasmania – Hotel development
- iv) 234-250 Elizabeth Street, Hobart, Tasmania – Hotel & Residential development



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



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

- v) 39-47 Milligan Street and 453-471 Murray Street – Mixed-use development
- vi) 5-7 Sandy Bay Road; 9, 11 & 13 Wilmot Street and 4, 6 & 8 Heathfield Avenue, Hobart, Tasmania – Residential development

The Group has the following hotels in operation in UK:

- i) *The Imperial Hotel, Blackpool*
- ii) *Lyndene Hotel, Blackpool*
- iii) *The Crown Hotel, Harrogate*
- iv) *The Townhouse Hotel, Manchester*

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

- i) *The Palace Hotel*
- ii) *Park Hotel*
- iii) *Municipal Building – Hotel development*
- iv) *The Lighthouse – Hotel development*

ADDITIONAL INFORMATION:

Use of Proceeds

The Company issued £45.0 million and S\$100.0 million medium term notes in Aug 2017 and November 2017 due in 2021 respectively. As at 31 December 2017, the Company has fully utilised the proceeds of £45.0 million towards acquisition of various properties in the UK and utilised S\$37.5 million proceeds from the issuance of S\$100 million notes towards Australian development projects and working capital purposes.

SUSTAINABILITY REPORT

The Company will make available its sustainability report on SGXNet and its website in FY 2018.

FINANCIAL CONTENTS

- 15 CORPORATE GOVERNANCE REPORT
- 34 DIRECTORS' STATEMENT
- 37 INDEPENDENT AUDITOR'S REPORT
- 42 STATEMENTS OF FINANCIAL POSITION
- 43 CONSOLIDATED STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME
- 44 STATEMENTS OF CHANGES IN EQUITY
- 46 CONSOLIDATED STATEMENT OF CASH FLOWS
- 48 NOTES TO FINANCIAL STATEMENTS



CORPORATE GOVERNANCE REPORT

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

This report outlines the main corporate governance practices that were in place throughout the financial year ended 31 December 2017 (“FY 2017”), with specific reference made to the principles and guidelines of the Code of Corporate Governance issued in May 2012 (the “Code”).

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

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

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

Guideline 1.1 – Principal Duties of the Board

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

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

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

Guideline 1.2 – Objective Decision Making

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

The Company has in place a financial authority matrix and approval guidelines for the operations of the Group. Matters requiring specific written approval of the Board are set out under Guideline 1.5 of this Report.

Guideline 1.3 – Delegation by the Board

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

CORPORATE GOVERNANCE REPORT

Guideline 1.4 – Board and Board Committee Meetings and Attendance Records

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

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

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	5	1	1
Board members	No. of Meetings Attended			
Koh Wee Meng ¹	4	—	1	1
Lim Wan Looi	4	—	—	1
Periakaruppan Aravindan ²	4	4	1	1
Teo Cheng Kuang	3	4	1	1
Watt Kum Kuan	4	5	1	1
Leow Chung Chong Yam Soon	4	5	1	—

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

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

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, Cap. 50 ("Companies Act") and all other regulations of the Singapore Exchange Securities Trading Limited ("SGX-ST") are complied with.

Guideline 1.5 – Matters Requiring Board Approval

Matters specifically reserved to the Board for its approval are:

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

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

CORPORATE GOVERNANCE REPORT

Guideline 1.6 – Board Induction and Training

Guideline 1.7 – Appointment Letter to new Director

Newly appointed directors will receive a formal letter explaining their roles and responsibilities, and will be briefed by the Board to familiarise them with the Group's business, its strategic directions and corporate governance practices. All directors who have no prior experience as directors of a listed company will undergo training and briefing on the roles and responsibilities as directors of a listed company under the Companies Act and the SGX Listing Manual. No new director was appointed during FY 2017.

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

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

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

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

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

Guideline 2.1 – Independent Element of the Board Induction

Guideline 2.2 – Composition of Independent Directors

As at the date of this Report, the Board comprises six directors; of whom three are independent non-executive directors:

Executive Directors

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

Non-Executive Directors

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

Under Guideline 2.2 of the Code, the independent directors should make up at least half of the Board where i) the Chairman of the Board and the CEO is the same person; ii) the Chairman and CEO are immediate family members; iii) the Chairman is part of management team or the Chairman is not an independent director. The Board currently has six members, of which, three are independent directors. In accordance with Guideline 2.2, the Board currently has independent directors making up at least half of the Board.

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

CORPORATE GOVERNANCE REPORT

Guideline 2.3 – Independence of Directors

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

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

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

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

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

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

Guideline 2.5 – Board Composition

Guideline 2.6 – Competency of the Board

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

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

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

CORPORATE GOVERNANCE REPORT

Guideline 2.7 – Role of Non-Executive Directors

Guideline 2.8 – Meetings of the Non-Executive Directors

The Independent Directors constructively challenged and helped developed both the Group's short-term and long-term business strategies. The Management's progress in implementing such agreed business strategies is monitored by the 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 of Board meetings or outside of Board meetings. The Non-Executive and Independent Directors have convened sessions without the presence of management.

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER – PRINCIPLE 3

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

Guideline 3.1 – Separate Role for Chairman and CEO

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

Guideline 3.2 – Role and Responsibilities of Chairman

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

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

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

Guideline 3.3 – Lead Independent Director

Guideline 3.4 – Lead Independent Director to lead in Periodical Meetings

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

CORPORATE GOVERNANCE REPORT

4. BOARD MEMBERSHIP – PRINCIPLE 4

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

Guideline 4.1 – Nominating Committee

Guideline 4.2 – Role and Responsibilities of the Nominating Committee

The NC consists of the following directors with the majority, including the Chairman, being independent:

Nominating Committee

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

The NC key functions are as follows:

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

Guideline 4.3 – Review of Directors' Independence

Each Independent Director is required to make a declaration annually to confirm that there is no relationship as stated in the Code that would otherwise deem him not to be independent. The NC has reviewed the declarations of independence by the Independent Directors for FY 2017, and is satisfied that all Independent Directors are suitable to be considered as independent for the purpose of Principle 2 of the Code. Each Independent Director had recused himself in the determination of his own independence.

Guideline 4.4 – Multiple Board Representations

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

Guideline 4.5 – Alternate Directors

During FY 2017, the Company had no alternate director on its Board.

Guideline 4.6 – Appointment and Re-appointment of Directors

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

CORPORATE GOVERNANCE REPORT

The Company's Constitutions require at least one-third of the directors to retire by rotation at every Annual General Meeting ("AGM") and a retiring director is eligible for re-election by the shareholders of the Company at the AGM. A newly appointed director can only hold office until the next AGM and then be eligible for re-election. Having evaluated the performance and contributions, the NC recommends that Mr Koh Wee Meng and Mr Leow Chung Chong Yam Soon be re-elected at the forthcoming AGM.

Guideline 4.7 – Key Information on Directors

Key information regarding the directors is given in the 'Board of Directors' section of the Annual Report.

5. BOARD PERFORMANCE – PRINCIPLE 5

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

Guideline 5.1 – Conduct of Board performance

The NC will conduct an assessment of the effectiveness of the Board as a whole and its Committees, and the contribution by each Director to the effectiveness of the Board on an annual basis.

This process includes having the Directors evaluate the various aspects of Board performance, such as Board's level of governance, effective delegation to the Board Committees, leadership and accountability. The results of the assessment is discussed at the NC meeting. The Chairman will act on the results of the performance evaluation and propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors. The Board was satisfied with the results of the assessment for FY 2017.

In FY 2017, the Board did not engage an independent external consultant to facilitate the annual review of the performance of the Board and the Board Committees.

Guideline 5.2 – Board Performance Criteria

Guideline 5.3 – Individual Director Evaluation

Each financial year, the NC undertakes a process to assess the effectiveness of the Board and its Board Committees. This includes reviewing the Board's performance to enhance shareholders' value in terms of the Group's profitability, liquidity, gearing, dividend yield and total shareholder return against industry peers based on their published financial results.

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

The NC has reviewed the evaluations of the Board and is satisfied that the Board has been effective in the conduct of its duties and the Directors have each contributed to the effectiveness of the Board.

6. ACCESS TO INFORMATION – PRINCIPLE 6

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

Guidelines 6.1 & 6.2 – Complete and Adequate Information

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

CORPORATE GOVERNANCE REPORT

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.

Guidelines 6.3 – Company Secretary

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

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

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

During FY 2017, the Company Secretaries attended the meetings of the Board and its Committees and the minutes of such meetings were promptly circulated to all members of the Board and Board committees.

Guidelines 6.4 – Appointment and Removal of Company Secretary

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

Guidelines 6.5 – Independent Professional Advice

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

7. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES – PRINCIPLE 7

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

Guideline 7.1 – Remuneration Committee

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

Remuneration Committee

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

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

CORPORATE GOVERNANCE REPORT

The key functions of the RC are as follows:

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

Guideline 7.2 – Remuneration Framework

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

Guideline 7.3 – Expert Advice

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

During FY 2017, the RC did not require the services of an external remuneration consultant.

Guideline 7.4 – Termination Clauses

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

8. LEVEL AND MIX OF REMUNERATION – PRINCIPLE 8

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

Guideline 8.1 – Remuneration of Executive Directors and Key Management Personnel

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

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

Guideline 8.2 – Long-term Incentive Scheme

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

CORPORATE GOVERNANCE REPORT

Guideline 8.3 – Remuneration of Non-executive Directors

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

The Board concurred with the RC's proposal for Non-Executive directors' fees for FY 2017. The Board and the RC are of the view that the remuneration of these Directors is appropriate and not excessive taking into account factors such as effort and time spent.

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

Guideline 8.4 – Reclaim Incentives

Considering that the variable component of the Executive Directors and Key Management Personnel is moderate, the RC is of the view that there is no requirement to institute contractual provisions in the terms of the employment to reclaim incentive components of the remuneration paid in prior years.

9. DISCLOSURE ON REMUNERATION – PRINCIPLE 9

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

Guideline 9.1 – Remuneration Report

Details on the remuneration of Directors and Key Management Personnel for FY 2017 are presented below. In FY 2017, there was no termination, retirement and post-employment benefits granted to any Director and/or Key Management Personnel.

Guideline 9.2 – Directors' Remuneration

The details of the remuneration of the Directors for FY 2017 are as follows:

Directors Remuneration	Directors' Fee %	Base Salary %	Performance- based Bonus %
Non-Executive Directors			
<u>Below \$250,000</u>			
Teo Cheng Kuang	100	—	—
Watt Kum Kuan	100	—	—
Leow Chung Chong Yam Soon	100	—	—
Executive Directors			
<u>\$1,000,000 to \$1,500,000</u>			
Koh Wee Meng	—	31	69
<u>\$500,000 to \$1,000,000</u>			
Periakaruppan Aravindan	—	39	61
<u>Below \$500,000</u>			
Lim Wan Looi	—	24	76

CORPORATE GOVERNANCE REPORT

Guideline 9.3 – Remuneration of Top 5 Key Management Personnel

In FY 2017, as there were only two Key Management Personnel (who is not a director or the CEO), disclosure is only made in respect of the remuneration of these two Key Management Personnel ("KMP"). Details as follows:

Range	Base Salary	Performance-based Bonus	Others
	%	%	%
Below \$500,000			
KMP 1	61	39	–
KMP 2	88	10	2

In FY 2017, there was no termination, retirement and post-employment benefits granted to the above KMP.

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

Guideline 9.4 – Immediate Family Members of a Director or CEO

No employee who was an immediate family member of a Director was paid more than \$50,000 during FY 2017. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent of such person.

Guideline 9.5 – Employee Share Schemes

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

Guideline 9.6 – Executive Performance Conditions

The information on the link between remuneration of Executive Directors and Key Management Personnel, and performance is set out under Guideline 8.1 of this Report.

10. ACCOUNTABILITY – PRINCIPLE 10

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

Guideline 10.1 – Accountability for Accurate Information

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

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

CORPORATE GOVERNANCE REPORT

Guideline 10.2 – Compliance with Legislative and Regulatory Requirements

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

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

Guideline 10.3 – Management Accounts

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

11. RISK MANAGEMENT AND INTERNAL CONTROLS – PRINCIPLE 11

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

Guideline 11.1 – Risk Management and Internal Control Systems

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. The 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.

Since FY 2015, 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.

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

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

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

For the financial year ended 31 December 2017, the Board has received the assurance from the CEO and Deputy CEO that:

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

CORPORATE GOVERNANCE REPORT

Based on the review of the material risks identified through the ERM process, and the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by Management and the AC; and the aforesaid assurances from the CEO and Deputy CEO, the Board, with the concurrence of the AC, is of the opinion that the Group's existing internal controls and risk management system, including financial, operational, compliance and information technology controls are adequate and effective for the risks which the Group considers relevant and material to its operations for the financial year ended 31 December 2017.

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.

Guideline 11.4 – Risk Committee

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

12. **AUDIT COMMITTEE – PRINCIPLE 12**

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

Guideline 12.1 – Audit Committee

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

Audit Committee

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

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

Guideline 12.2 – Qualification of Audit Committee Member

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

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

The AC assists the Board in discharging its responsibility to safeguard the Group's assets, maintain adequate accounting records and develop and maintain effective systems of internal control, with the overall objective of ensuring that 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.

CORPORATE GOVERNANCE REPORT

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

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

In AC's review of the financial statements of the Group for FY 2017, it had discussed with Management the accounting principles that were applied and their judgement of items that could affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements.

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

Key Audit Matters	How these issues were addressed by the AC
Revenue from property development and associated cost	Revenue from the <i>City Gate</i> project accounted for 76.3% of total revenue. The AC considered the appropriateness of the accounting treatment and key judgements and accounting estimates applied by management in relation to recognition of revenue and cost from sale of properties for this project. In addition, the AC obtained an understanding on the work performed by the external auditors. As a result of the above procedures, the AC is satisfied that appropriate accounting treatment has been adopted and the basis of the estimates appear reasonable.

CORPORATE GOVERNANCE REPORT

Key Audit Matters	How these issues were addressed by the AC
Valuation of investment properties	The valuation of investments properties was conducted by external valuers. The AC considered the qualifications, competencies and scope of work of the valuer. In addition, the AC obtained assurance from Management that the valuation had been undertaken using appropriate methodology and assumptions used for the basis of projecting income, and estimating the capitalisation rate. The AC has also considered the disclosures in the financial statements in describing the subjectivity of the valuations, the key observable inputs and the relationships between the key unobservable inputs and fair value. The AC discussed with the external auditors on their review of the reasonableness and relevance of the assumptions used by the valuers. Following the above, the AC is satisfied that the carrying value of the investment properties is not materially misstated.
Recoverable amounts of development properties in Australia and United Kingdom	The AC evaluated the appropriateness of the key judgements and estimates applied by Management to compute the gross development value for the relevant projects. For residential developments which have been launched for sale, the AC also took into account the selling prices and the headroom relative to cost. 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 the assurance and concurred with Management's conclusion that no impairment loss was required as at 31 December 2017.
Classification of development properties, properties held for sale, investment properties and property, plant and equipment	The AC considered and evaluated the Group's process in the classification of development properties, properties held for sale, investment properties and property, plant and equipment. In addition, the AC took into account Management's intention on the use of these properties as disclosed in the financial statements. Following the above, the AC concurred with Management that the classification of the Group's development properties, properties held for sale, investment properties and property, plant and equipment in the financial statements were appropriate.

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

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

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

Guideline 12.5 – External Auditors

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

CORPORATE GOVERNANCE REPORT

Guideline 12.6 – Independence of External Auditors

The AC confirms that it has undertaken a review of all non-audit services provided by external auditors and such services would not, in the AC's opinion, affect the independence and objectivity of the external auditors. The breakdown of the estimated fees for the external auditors for audit and non-audit services can be found in the Note 30 to the Financial Statements in this Annual Report.

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

Guideline 12.7 – Whistle-blowing Policy

The Company has put in place whistle-blowing policies by which staff may raise concerns about fraudulent activities, malpractices or improprieties within the Group, without fear of reprisal. To ensure independent investigation of such matters and for appropriate follow up action, all whistle-blowing reports can be sent directly to the AC Chairman. There have been no significant incidents pertaining to whistle-blowing for the financial year ended 31 December 2017.

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

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

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

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

13. INTERNAL AUDIT – PRINCIPLE 13

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

Guideline 13.1 and 13.2 – Internal Auditor

The Company outsourced the internal audit function to a professional firm in FY 2017. The internal auditor reports directly to the AC Chairman on all internal audit matters and to Management on administrative matters. The AC will ensure the adequacy of the internal audit function at least annually.

Guideline 13.3 and 13.4 – Internal Audit Function

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

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

Guideline 13.5 Adequacy and Effectiveness of Internal Audit Function

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

Guideline 14.1 – Sufficient Information to Shareholders

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

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

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

Guideline 14.3 – Appointment of Proxies

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

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

Guideline 15.1 – Communication with Shareholders

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

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

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

Guideline 15.2 – Disclosure of Information on a Timely Basis

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

CORPORATE GOVERNANCE REPORT

Guideline 15.3 – Interaction with Shareholders

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

Guideline 15.4 – Soliciting and Understanding Views of Shareholders

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

Guideline 15.5 – Dividend Policy

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

For FY 2017, the Company is not proposing any dividend with a view towards conserving cash for future business growth.

Guideline 16.1 – 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.

Guideline 16.2 – Separate Resolutions at General Meetings

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

Guideline 16.3 – Attendees at General Meetings

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

Guideline 16.4 – Minutes of General Meetings

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

CORPORATE GOVERNANCE REPORT

Guideline 16.5 – 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.

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.

15. DEALINGS IN SECURITIES

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

16. INTERESTED PARTY TRANSACTIONS (IPT)

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

Details of IPT for the year ended 31 December 2017 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 Listing Manual)	Aggregate value of all IPT conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Global Premium Hotels Limited*		
– Rental Income	\$847,144	–
– Project Management Fee	\$65,000	
1899 Food Concepts Pte Ltd*		
– Rental Income	\$126,000	–

* A related party in which a director has interest.

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.

17. MATERIAL CONTRACTS

There was no material contracts entered into by the Company or any of its subsidiary companies involving the interests of the Group's CEO, any director and/or substantial shareholder as at the end of 31 December 2017.

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, 2017.

In the opinion of the directors, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company as set out on page 42 to 94 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, 2017 and of the financial performance, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

1 DIRECTORS

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

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

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of directors	Shareholdings registered in the name of directors			Shareholdings in which directors are deemed to have an interest		
	At beginning of year	At end of year	At January 21, 2018	At beginning of year	At end of year	At January 21, 2018
The company						
Ordinary shares						
Koh Wee Meng	5,010,300,000	5,015,500,000	5,015,500,000	735,000,000	735,000,000	735,000,000
Lim Wan Looi	735,000,000	735,000,000	735,000,000	5,010,300,000	5,015,500,000	5,015,500,000
Periakaruppan Aravindan	5,516,000	5,716,000	5,716,000	—	—	—

Subsequent to the year end, performance shares of 225,000 were awarded to Periakaruppan Aravindan.

DIRECTORS' STATEMENT

Name of directors and Companies In which interest are held		Direct Interest			Deemed interest	
	At beginning of year	At end of year	At January 21, 2018	At beginning of year	At end of year	At January 21, 2018
The company						
Term Notes						
Koh Wee Meng	–	GBP26,000,000	GBP26,000,000	–	GBP12,000,000	GBP12,000,000
Koh Wee Meng	–	SGD10,000,000	SGD10,000,000	–	SGD5,000,000	SGD5,000,000
Lim Wan Looi	–	GBP12,000,000	GBP12,000,000	–	GBP26,000,000	GBP26,000,000
Lim Wan Looi	–	SGD5,000,000	SGD5,000,000	–	SGD10,000,000	SGD10,000,000
Periakaruppan Aravindan	–	GBP100,000	GBP100,000	–	–	–
Periakaruppan Aravindan	–	SGD500,000	SGD500,000	–	–	–
The related party – GP Hotel						
Capital Pte Ltd						
Koh Wee Meng	–	–	–	–	SGD22,000,000	SGD22,000,000

The term notes have been issued under a multi-currency debt issuance program and are listed on Singapore Exchange Securities Trading Limited. The GBP term notes carry fixed coupon of 3.25% per annum and mature on August 23, 2021. The SGD term notes carry fixed coupon of 4.75% per annum and mature on November 23, 2021.

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

4 SHARE OPTIONS

a) Options to take up unissued shares

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

b) Options exercised

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

c) Unissued shares under options

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

DIRECTORS' STATEMENT

5 AUDIT COMMITTEE

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

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

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

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

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

.....
Koh Wee Meng

.....
Periakaruppan Aravindan

March 27, 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Fragrance Group Ltd (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at December 31, 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the group and statement of changes in equity of the company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 94.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at December 31, 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and of the changes in equity of the company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters

Revenue from property development and associated cost (Refer to note 3 and Note 24 to the financial statements.)

Share of revenue from property in Singapore jointly developed with another company account for \$151,105,000 or 76.3% of total revenue. Revenue is recognised based on percentage of completion which is the proportion of cost incurred relative to estimated total cost to completion. The cost to completion has been estimated by management after considering the remaining work to be done and the estimated total cost based on contracts awarded or experience from comparable past projects.

Cost of sale for residential and commercial components differ due to the different values attached to land cost and development cost for dissimilar types of properties with significantly different market value on a per square metre basis. The 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.

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

How the matter was addressed in the audit

The entity developing this property is audited by another firm of auditors. We reviewed the work papers of the other auditor to ascertain the procedures and evidence obtained by the other auditor which included the following:

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

We evaluated the scope and results of audit procedures as documented by the other auditor and the basis used to estimate and to allocate cost.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

Key audit matters

Valuation of investment properties (Refer to Note 3 and Note 13 to the financial statements)

Investment properties account for \$1,290,235,000 or 56.4% of total assets. These investment properties are stated at their fair values based on valuations of an 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.

Recoverable amounts of development properties in Australia and United Kingdom (Refer to Note 3 and Note 8 to the financial statements)

Total cost of nine properties in Australia and a property in United Kingdom amount to \$324,262,000 or 14.2% of total assets of the group as of December 31, 2017.

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.

How the matter was addressed in the audit

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

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

We 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.

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 macro economic 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.

Three residential developments have been launched for sale and in estimating recoverable amounts, we considered the selling prices and the headroom relative to cost.

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

Key audit matters	How the matter was addressed in the audit
Classification of development properties, properties held for sale, investment properties and property, plant and equipment	
Development properties or properties held for sale are stated at the lower of cost and net realisable value. Investment properties at stated at fair values. Property, plant and equipment are stated at depreciated cost less any impairment loss.	We obtained from management information about the intended type of development on all properties in Australia and United Kingdom; and the actions taken in respect of these properties.
Development properties or completed development properties held for sale are classified as current assets, whereas investment properties and property, plant and equipment are classified as non-current assets.	We read the terms of appointment of hotel operators or rental agreements with hotel operators in Australia and United Kingdom.
Consequently, the classification of properties affect both the amounts and net current assets presented in the statement of financial position.	We considered the adequacy of disclosures in the financial statements regarding the classifications of various properties in the group, the preliminary stages of development plans and the potential for changes in classifications as further disclosed in Note 3.1 (a).
Information on the classification of the group's properties are disclosed in Note 3.1(a).	

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

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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 Wong-Yeo Siew Eng.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 27, 2018

STATEMENTS OF FINANCIAL POSITION

December 31, 2017

		Group		Company	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	6	121,530	45,513	93,068	8,621
Trade and other receivables	7	159,263	75,276	98,752	40,583
Inventories		132	—	—	—
Properties under/held for development	8	427,988	476,476	104,686	181,795
Properties held for sale	9	61,443	67,731	636	636
Total current assets		770,356	664,996	297,142	231,635
Non-current assets					
Subsidiaries	10	—	—	834,193	750,152
Investment in joint venture	12	113,664	93,566	89,163	87,313
Other receivables and prepayment	7	7,839	9,366	491	1,238
Investment properties	13	1,290,235	1,172,223	—	—
Property, plant and equipment	14	104,532	18,903	—	—
Deferred tax asset	18	2,494	1,254	—	—
Total non-current assets		1,518,764	1,295,312	923,847	838,703
Total assets		2,289,120	1,960,308	1,220,989	1,070,338
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	15	42,627	32,920	33,715	40,159
Notes payable	16	1,452	76,048	1,452	76,048
Term loans	17	469,952	151,734	84,225	—
Derivative financial instrument		904	87	474	—
Income tax payable		1,608	16,848	607	11,440
Total current liabilities		516,543	277,637	120,473	127,647
Non-current liabilities					
Trade and other payables	15	—	—	2,193	2,000
Notes payable	16	180,941	—	180,941	—
Term loans	17	463,438	626,692	45,000	105,725
Deferred tax liabilities	18	16,365	2,692	8,170	2,692
Total non-current liabilities		660,744	629,384	236,304	110,417
Capital and reserves					
Share capital	19	150,000	150,000	150,000	150,000
Treasury shares	20	(945)	(999)	(945)	(999)
Performance share reserve	21	325	318	325	318
Revaluation reserve	22	50,892	35,682	—	—
Foreign currency translation reserve	23	(27,580)	(26,254)	—	—
Investment revaluation reserve		(120)	(141)	—	—
Accumulated profits		929,181	880,635	714,832	682,955
Equity attributable to owners of the company		1,101,753	1,039,241	864,212	832,274
Non-controlling interests		10,080	14,046	—	—
Total equity		1,111,833	1,053,287	864,212	832,274
Total liabilities and equity		2,289,120	1,960,308	1,220,989	1,070,338

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2017

		Group	
	Note	2017 \$'000	2016 \$'000
Revenue	24	198,021	118,733
Cost of sales		(126,501)	(75,411)
Gross profit		71,520	43,322
Investment gain	25	—	467
Other operating income	26	33,713	3,850
Other expenses	27	(808)	—
Selling and distribution costs		(8,186)	(5,426)
Administrative expenses		(23,772)	(17,383)
Finance costs	28	(17,711)	(17,502)
Share of results of joint venture	12	2,901	1,311
Profit before income tax		57,657	8,639
Income tax expense	29	(9,877)	(864)
Profit for the year	30	47,780	7,775
Other comprehensive income, net of tax:			
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Share of other comprehensive income of joint venture	12		
Revaluation of land and buildings		17,863	2,028
Income tax relating to components of other comprehensive income that will not be reclassified subsequently		(2,653)	388
		15,210	2,416
<u>Items that may be reclassified subsequently to profit or loss</u>			
Exchange differences on translation of foreign operations		(1,442)	3,871
Share of other comprehensive income of joint venture			
Transfer from foreign currency translation reserve to income statement upon deregistration of a foreign subsidiary company		(45)	
Share of exchange translation differences of joint venture	12	161	(3,404)
Fair value gain (loss) on investment securities	12	21	(69)
		(1,305)	398
Other comprehensive income for the year, net of tax		13,905	2,814
Total comprehensive income for the year		61,685	10,589
Profit attributable to:			
Owners of the company		48,546	7,503
Non-controlling interests	10(b)	(766)	272
		47,780	7,775
Total comprehensive income attributable to:			
Owners of the company		62,451	10,317
Non-controlling interests		(766)	272
		61,685	10,589
Earnings per share			
— Basic and Diluted	31	0.72 cents	0.11 cents

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2017

				Performance		Foreign	Investment		Attributable	Non-	
	Note	Share	Treasury	share	Revaluation	currency	revaluation	Accumulated	to equity	controlling	Total
		\$'000	\$'000	reserve	reserve	translation	reserve	profits	holders of	interests	\$'000
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	the company	\$'000	\$'000
<u>Group</u>											
Balance at January 1, 2016		150,000	(1,050)	308	33,266	(26,721)	(72)	879,844	1,035,575	13,774	1,049,349
Transactions with owners, recognised directly in equity											
Dividends paid	32	—	—	—	—	—	—	(6,712)	(6,712)	—	(6,712)
Award of performance shares	20 & 21	—	51	10	—	—	—	—	61	—	61
Total		—	51	10	—	—	—	(6,712)	(6,651)	—	(6,651)
Total comprehensive income for the year											
Profit for the year		—	—	—	—	—	—	7,503	7,503	272	7,775
Other comprehensive income for the year		—	—	—	2,416	467	(69)	—	2,814	—	2,814
Total		—	—	—	2,416	467	(69)	7,503	10,317	272	10,589
Balance at December 31, 2016		150,000	(999)	318	35,682	(26,254)	(141)	880,635	1,039,241	14,046	1,053,287
Transactions with owners, recognised directly in equity											
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	—	(3,200)	(3,200)
Award of performance shares	20 & 21	—	54	7	—	—	—	—	61	—	61
Total		—	54	7	—	—	—	—	61	(3,200)	(3,139)
Total comprehensive income for the year											
Profit for the year		—	—	—	—	—	—	48,546	48,546	(766)	47,780
Other comprehensive income for the year		—	—	—	15,210	(1,326)	21	—	13,905	—	13,905
Total		—	—	—	15,210	(1,326)	21	48,546	62,451	(766)	61,685
Balance at December 31, 2017		150,000	(945)	325	50,892	(27,580)	(120)	929,181	1,101,753	10,080	1,111,833

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2017

	Note	Share capital \$'000	Treasury shares \$'000	Performance share reserve \$'000	Accumulated profits \$'000	Total \$'000
<u>Company</u>						
Balance at January 1, 2016		150,000	(1,050)	308	606,115	755,373
Transactions with owners, recognised directly in equity						
Dividends declared	32	—	—	—	(6,712)	(6,712)
Award of performance shares	20 & 21	—	51	10	—	61
Total		—	51	10	(6,712)	(6,651)
Profit for the year, representing total comprehensive income for the year		—	—	—	83,552	83,552
Balance at December 31, 2016		150,000	(999)	318	682,955	832,274
Award of performance shares, representing transactions with owners recognised directly in equity	20 & 21	—	54	7	—	61
Total		—	54	7	—	61
Profit for the year, representing total comprehensive income for the year		—	—	—	31,877	31,877
Balance at December 31, 2017		150,000	(945)	325	714,832	864,212

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2017

	Group	
	2017	2016
	\$'000	\$'000
Operating activities		
Profit before income tax	57,657	8,639
Adjustments for:		
Depreciation of property, plant and equipment	1,197	486
Amortisation of prepaid land lease	780	780
Amortisation of rental incentives granted	(351)	(721)
Amortisation of processing fee on debt note issued	30	192
Property, plant and equipment written off	—	1
Change in fair value of held for trading investments	—	(467)
Fair value gain on investment properties	(29,678)	(2,208)
Fair value on derivative financial instrument	817	87
Impairment loss on property held for sale	264	—
Loss on disposal of investment property	808	—
Gain on disposal of property, plant and equipment	(3)	—
Interest income	(494)	(640)
Interest expense	17,711	17,502
Unrealised gain on foreign exchange differences	(611)	(91)
Bad debts written off	590	56
Performance share award expenses	61	61
Share of results of joint venture	(2,901)	(1,311)
Operating cash flows before movements in working capital	45,877	22,366
Trade and other receivables	(86,295)	178,824
Inventories	(132)	—
Development properties and properties held for sale	(2,685)	(6,722)
Trade and other payables	12,915	(52,398)
Cash (used in) generated from operations	(30,320)	142,070
Interest paid	(18,791)	(22,246)
Income tax paid	(12,702)	(17,127)
Net cash (used in) from operating activities	(61,813)	102,697
Investing activities		
Interest received	494	640
Investment in joint venture	(1,850)	(27,000)
Purchase of held for trading investments	—	(1,354)
Proceeds from disposal of held for trading investments	—	5,976
Proceeds from disposal of investment property	1,688	—
Proceeds from disposal of property, plant and equipment	13	—
Purchase/transfer of investment property (Note B)	(89,057)	(3,530)
Purchase of property, plant and equipment	(25,697)	(224)
Net cash used in investing activities	(114,409)	(25,492)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2017

	Group	
	2017	2016
	\$'000	\$'000
Financing activities		
Proceeds from borrowings	200,000	65,357
Proceeds from notes issued	178,094	–
Repayment of notes issued	(74,750)	(10,250)
Repayment of borrowings	(46,553)	(162,420)
Dividend paid to non-controlling interest	(3,200)	–
Dividends paid	–	(6,712)
Advances to non-controlling interests	(2,480)	(11,880)
Net cash generated from (used in) financing activities	251,111	(125,905)
Net increase (decrease) in cash and cash equivalents	74,889	(48,700)
Cash and cash equivalents at beginning of year (Notes A and 6)	45,513	94,354
Effect of exchange rate change on balances of cash held in foreign currencies	1,128	(141)
Cash and cash equivalents at end of year (Notes A and 6)	121,530	45,513

Note A: Included in the cash and cash equivalents is an amount of \$4,934,000 (2016: \$3,854,000) 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	
	2017	2016
	\$'000	\$'000
Addition of investment properties (Note 13)	90,830	2,760
Currency translation differences	(2,215)	–
Payment of cost accrued in preceding year	442	770
	89,057	3,530

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

1 GENERAL

The company (Registration No. 200006656M) is incorporated in Singapore with its principal place of business and registered office at 456 Alexandra Road, #26-01 Fragrance Empire Building, Singapore v119962. The company was admitted to the Mainboard of Singapore Exchange Securities Trading Limited on February 3, 2005.

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

The principal activities of its subsidiaries, joint operations and joint venture are described in Notes 10, 11 and 12 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, 2017 were authorised for issue by the Board of Directors on March 27, 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2017, the group adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the group’s and company’s accounting policies and has no material effect on the amounts reported for the current or prior years.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Convergence to the International Financial Reporting Standards ("IFRS") in 2018

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

Management has completed their assessment of the potential impact arising from SFRS(I) 1 *First-time adoption of SFRS(I)*, and has concluded that there is no change to the group's current accounting policies or material adjustments required on transition to the new framework.

New SFRS(I) and SFRS(I) INT yet to be adopted

At the date of authorisation of these financial statements, the following SFRS(I), SFRS(I) INT and amendments to SFRS(I) that are relevant to the group and the company were issued but not effective:

- SFRS(I) 9 *Financial Instruments*¹
- SFRS(I) 15 *Revenue from Contracts with Customers (with clarifications issued)*¹
- Amendments to SFRS(I) I-40 Investment Property: Transfers of Investment Property¹
- SFRS(I) 16 *Leases*²
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*²

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

¹ Applies to annual periods beginning on or after January 1, 2018

² Applies to annual periods beginning on or after January 1, 2019, with earlier application permitted

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

SFRS(I) 9 Financial Instruments

SFRS(I) 9 replaces FRS 39 *Financial Instruments: Recognition and Measurement*. It introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) general hedge accounting; (iii) impairment requirements for financial assets.

Based on the existing profile of financial instruments (absence of equity and debt investments and absence of financial liabilities designated as "fair value to profit and loss") new requirements for classification and measurement of financial instruments under SFRS(I) 9 will have no effect on the group.

In respect of hedge accounting, SFRS(I) 9 provides greater flexibility to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The group adopts hedge accounting for net investment in a foreign subsidiary by using borrowings denominated in the same currency as the net investment. Based on the position as of December 31, 2017, the company has no derivative contracts which qualify for hedge accounting and the adoption of SFRS(I) 9 will not result in a change for the group.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

The group has many sources of income. Generally for sale of properties, either title to property does not transfer to buyer until full payment or sale can be rescinded at option of the group if payment default occurs for property under construction, with some forfeiture of deposit. Deposits are collected from tenants with some residual risk if unpaid rent exceeds deposits. Management continues to evaluate the expected credit loss model and currently does not expect this to have a significant effect on operating results.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. SFRS(I) 15 supersedes FRS 18 Revenue, FRS 11 Construction Contracts and the related Interpretations with effect from January 1, 2018.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Based on the existing contractual arrangement for revenue, management has assessed that the implementation of SFRS(I) 15 will not result in a change in the amounts and timing of revenue recognition by the company in respect of properties under development which have already been sold as of December 31, 2017.

Amendments to SFRS(I) 1-40 Investment Property: Transfers of Investment Property

The amendments:

- retain the requirement that a transfer into, or out of, investment property can be made when, and only when, evidence of a change of use of the property exists.
- clarify that the current list of events in the Standard constituting evidence of a change of use has occurred are only examples.

At the date of initial application of SFRS(I) 1-40, the Group has to reassess the classification of property held as at January 1, 2018; and if applicable, reclassify the property applying the amendments to reflect the conditions existing as at January 1, 2018. Management has assessed and determined that the SFRS(I) 1-40 does not have an impact on the group on initial application.

SFRS(I) 16 Leases

SFRS(I) 16 will supersede FRS 17 *Leases* and its associated interpretative guidance effective from January 1, 2019 unless early adopted.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Upon adoption of SFRS(I) 16, the group will recognise liabilities for non-cancellable operating lease commitments (other than those which fall within the exceptions stated above); and recognise a corresponding right of use asset to be amortised on a straight line basis over the lease period. Note 35 provides an indication of the nature and extent of lease payment obligations which fall within SFRS(I) 16.

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The Interpretation provides guidance on determining the accounting tax position when there is uncertainty over income tax treatments.

The Interpretation requires an entity to:

- (a) determine whether uncertain tax positions are assessed separately or as a group; and
- (b) assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - if probable, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - if not probable, the entity should reflect the effect of uncertainty in determining its accounting tax position.

In respect of land and land related cost allocated between different components of a mixed development in tax computations submitted to the tax authority in Singapore, management considers the basis submitted to be supportable and appropriate. Management will respond to clarification requests from the tax authority from time to time. As explained in Note 3.2(d), there is no certainty that the eventual tax assessments will be similar to the group's submissions. Management will evaluate the requirements of SFRS(I)INT 23 prior to the implementation on the basis of information available at the date of implementation.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts to present value, the estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.

Loans and receivables

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets

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

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

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

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

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Other financial liabilities

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

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

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

Financial guarantees

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

Financial guarantee contracts are initially recognised at their fair value plus any transaction costs. They are recorded by the company as liabilities and as deemed additional investment in subsidiaries.

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

Derecognition of financial liabilities

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

Derivative financial instruments

The group uses foreign currency option contracts to manage its exposure to foreign exchange rate risk. It has options to purchase amounts of a foreign currency to meet possible future cash outflows in that currency.

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

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

The company does not adopt hedge accounting for derivative financial instruments.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities and equity instruments (cont'd)

The group as lessor

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

The group as lessee

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

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

PROPERTIES UNDER DEVELOPMENT – Development properties are stated at cost plus recognised profits on units sold, less progress billings and any impairment loss. Cost comprises the payment made for acquisition of land, development costs, finance costs and other related expenditure which are capitalised 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.

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

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

Building – office premises	–	2%
Building – hotel	–	over the estimated useful life of 60 years
Motor vehicles	–	20%
Furniture, fixtures and fittings	–	20%
Office equipment	–	20%
Computer	–	20% to 33 $\frac{1}{3}$ %
Renovation	–	20%

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities and equity instruments (cont'd)

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities and equity instruments (cont'd)

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities and equity instruments (cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities and equity instruments (cont'd)

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

DEFERRED COMMISSION EXPENSES – Commission paid in connection with sales of development properties are amortised as expense in profit or loss at 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 properties, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Development of properties are considered complete upon the issue of temporary occupation permits.

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities and equity instruments (cont'd)

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

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

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

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

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

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

SEGMENT – An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components.

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

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

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

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

Australia:

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

United Kingdom:

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

Singapore:

Some commercial units at a completed mixed use freehold development have been rented out within 2017 on 2 to 3 year lease terms. These remain classified as properties held for sale as management's original intention to sell remains and leases are arranged pending disposal at prices which management seek to achieve over time. The lease terms permit sale by the group without consultation with the lessees. Within this freehold development, one significantly larger commercial unit tenanted since 2016 has been classified as investment property since 2016.

Commercial units in 2 other completed mixed use buildings have been classified as investment properties since the prior years.

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

3.2 Key sources of estimation uncertainty

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

3.2 (a) Revenue and costs from properties under development

The revenue from property development is stated in Note 24 to the financial statements.

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

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

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

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

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

The amounts and nature of these properties are described in Notes 8 and 9 to the financial statements.

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

Total cost of nine properties in Australia and one property in United Kingdom amount to \$324,262,000 represent approximately 14.2% of total assets of the group as of December 31, 2017.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

3.2 Key sources of estimation uncertainty (cont'd)

3.2 (c) Valuation of investment properties

Investment properties are stated at fair values based on independent professional valuations. In determining the fair value, the valuer has used valuation techniques which involve certain estimates and significant unobservable inputs which are disclosed in Note 13.

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.

3.2 (d) Income tax

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

Information about the deferred tax and income tax expenses are disclosed in Notes 18 and 29 respectively.

3.2 (e) Recoverable amounts of trade and other receivables

A considerable amount of judgement and accounting estimates is required in assessing the ultimate realisation of trade and other receivables (Note 7). At December 31, 2017, 56% of total trade and other receivables comprise unbilled revenue recognised for development properties sold.

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

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	225,524	88,919	186,917	39,519
Financial liabilities				
Amortised cost	1,157,758	886,890	343,901	220,691
Derivative financial instrument	904	87	474	—
Financial guarantee contracts	—	—	3,625	3,050

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

(b) Financial risk management policies and object

The group is exposed to various financial risks in the normal course of business. There is no significant change in 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 2017.

(i) Foreign exchange risk management

The group has ten properties in Australia and nine properties in United Kingdom (Note 8, 13 and 14). Changes in exchange rates between Australian dollars, Great Britain Pounds and the group's reporting currency result in currency translation movements which are recognised in Other Comprehensive Income. The group equity accounts for its share of the results and net assets of a joint venture (Note 12) which has invested in another listed group with operations in a number of countries and exposures to variability in exchange rates.

(ii) Interest rate risk management

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

Interest rate sensitivity

If interest rates had been 50 basis points higher or lower and all other variables were held constant, interest cost would increase or decrease by approximately \$4,667,000 (2016: \$3,892,000).

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

(iii) Credit risk management

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

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

Deposits are collected from tenants to reduce exposure to 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.

(iv) Liquidity risk management

The group generally finance investments and projects with a long development cycle through a mix of internal funds and longer term debt which are secured over the assets of the group and/or subject to financial covenants such as debt to security ratio.

Management reviews the maturity profile of its borrowings relative to expected cash inflows, monitors compliance with financial covenants and maintains sufficient cash and cash equivalents to ensure liquidity for the group.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

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

(iv) Liquidity risk management (cont'd)

Liquidity and interest risk analyses

Financial liabilities

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

	Weighted average effective interest rate %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
<u>Group</u>						
2017						
Non-interest bearing	NA	41,975	—	—	—	41,975
Fixed interest rate instruments	4.08	8,832	201,641	—	(28,080)	182,393
Variable interest rate instruments	2.32	488,849	431,807	79,827	(67,093)	933,390
2016						
Non-interest bearing	NA	32,416	—	—	—	32,416
Fixed interest rate instruments	3.75	76,163	—	—	(115)	76,048
Variable interest rate instruments	2.12	159,460	563,483	129,474	(73,991)	778,426
<u>Company</u>						
2017						
Non-interest bearing	NA	32,283	—	—	—	32,283
Fixed interest rate instruments	4.08	8,832	201,641	—	(28,080)	182,393
Variable interest rate instruments	2.88	86,739	45,326	—	(2,840)	129,225
2016						
Non-interest bearing	NA	38,918	—	—	—	38,918
Fixed interest rate instruments	3.75	76,163	—	—	(115)	76,048
Variable interest rate instruments	2.78	2,939	107,195	—	(4,409)	105,725

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

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

(iv) Liquidity risk management (cont'd)

Financial assets

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

	Weighted average effective interest rate %	On demand or within 1 year \$'000	Adjustment \$'000	Total \$'000
<u>Group</u>				
2017				
Non-interest bearing	NA	151,448	—	151,448
Fixed interest rate instruments	1.15	74,089	(13)	74,076
2016				
Non-interest bearing	NA	87,917	—	87,917
Fixed interest rate instruments	1.00	1,003	(1)	1,002
<u>Company</u>				
2017				
Non-interest bearing	NA	116,517	—	116,517
Fixed interest rate instruments	1.17	70,413	(13)	70,400
2016				
Non-interest bearing	NA	39,519	—	39,519
Fixed interest rate instruments	NA	—	—	—

(v) 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 16.

(c) **Capital management policies and objectives**

The capital structure of the group consists of equity and reserves; and borrowings through term loans from financial institutions (Note 17) and notes issued on the capital market (Note 16).

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

(c) Capital management policies and objectives (cont'd)

Management monitors the following financial data relating to the group:

	Group	
	2017	2016
	\$'000	\$'000
Total assets	2,289,120	1,960,308
Total debts	1,115,783	854,474
Total equity	1,111,833	1,053,287
Debt-to-total assets	48.7%	43.6%
Debt-to-total equity	100.4%	81.1%

5 RELATED PARTY TRANSACTIONS

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

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

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

Transactions with the related parties include:

	Group	
	2017	2016
	\$'000	\$'000
Early redemption of a note by a director	—	10,337
Sale of two property units to be developed in Australia to a director	—	1,330
Rental income received from related parties in which directors has interest	973	564
Project management fee received from a related party in which directors has interest	65	28
Service fee paid to a related party in which directors has interest	(10)	—

Compensation of directors and key management personnel

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

	Group	
	2017	2016
	\$'000	\$'000
Short-term benefits	4,766	2,545
Post-employment benefits	74	69
Share-based payments	41	33

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash and bank balances	42,042	40,657	17,734	5,460
Fixed deposits	74,076	1,002	70,400	–
Project accounts	5,412	3,854	4,934	3,161
Total	121,530	45,513	93,068	8,621

Monies received from sale of units of the properties under development are deposited into the project accounts, withdrawals from which are governed by the Housing Developers (Control and Licensing) Act. Of the total in the project accounts, \$478,000 can be withdrawn without restrictions (2016: Nil).

All fixed deposits are for terms of approximately one to three months with interest rate of 1% at the end of the year (2016: 1%).

7 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Rental debtors – external parties	4,149	2,454	–	–
Less: Allowance for doubtful receivables	(590)	(56)	–	–
	3,559	2,398	–	–
Goods and services tax receivables	12,762	2,514	383	282
Unbilled revenue on completed properties	38	29,298	20	14,771
Unbilled revenue on properties under for development	92,905	5,091	92,905	5,091
Deposits	13,505	5,900	36	1,277
Prepayments	9,726	9,480	503	9
Subsidiaries	–	–	877	9,759
Advances to non-controlling interests	2,180	5,260	–	–
Deferred commission expenses	28,121	22,774	4,508	9,394
Others	4,306	1,927	11	1,238
	167,102	84,642	99,243	41,821
Less: Prepayment (non-current portion)	(7,839)	(8,128)	(491)	–
Other receivable (non-current portion)	–	(1,238)	–	(1,238)
	159,263	75,276	98,752	40,583
Contracts in progress at the end of the reporting period:				
Amounts due from customers on sale of completed properties	38	29,298	20	14,771
Amounts due from customers on sale of properties under development	92,905	5,091	92,905	5,091
	92,943	34,389	92,925	19,862
Contract costs incurred plus recognised profits	1,482,251	1,331,146	514,636	363,531
Less: Progress billings	(1,389,308)	(1,296,757)	(421,711)	(343,669)
	92,943	34,389	92,925	19,862

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

7 TRADE AND OTHER RECEIVABLES (CONT'D)

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

The group's trade receivables include receivables with a carrying amount of \$605,000 (2016: \$1,042,000) which are past due as at the end of the reporting period for which the group has not made any allowance for doubtful receivables as management considers this amount to be recoverable.

Allowance for doubtful receivables charged to profit and loss statement in 2017 amounted to \$590,000 (2016: \$56,000). These largely relate to uncollectible rental receivables.

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

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

Deposits comprise substantially advance payments of \$12,499,000 (2016: \$5,230,000) made to contractors for a property under development.

Prepayment includes prepaid operating lease of a land parcel amounting to \$8,129,000 (2016: \$8,909,000). The lease period of the land is 15 years. Prepaid land lease amortised during the year amounted to \$780,000 (2016: \$780,000).

Other receivables substantially comprise advances placed with legal firm for potential acquisition of land. In 2016, other receivables included deposits of \$1,238,000 for purchase of land for development properties. The purchase was completed on February 20, 2017.

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

	Group	
	2017 \$'000	2016 \$'000
Not past due and not impaired	2,954	1,412
Past due but not impaired	605	1,042
Trade receivables not impaired	3,559	2,454
Impaired receivables	590	56
Less: Bad debts written off	(590)	(56)
	—	—
Total trade receivables, net	3,559	2,454

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

	Group	
	2017 \$'000	2016 \$'000
Past due by:		
30 days to 60 days	304	112
60 days to 90 days	10	30
More than 90 days	291	900
	605	1,042

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

8 PROPERTIES UNDER/HELD FOR DEVELOPMENT

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Land and other related costs	421,097	408,604	185,879	185,879
Development costs	185,821	84,887	61,731	31,083
Interest, property tax and other costs	46,518	34,427	21,658	16,275
	653,436	527,918	269,268	233,237
Less: Cost of properties sold to date	(164,582)	(51,442)	(164,582)	(51,442)
Cost of properties transferred to property, plant and equipment (Note 14)	(60,866)	—	—	—
	427,988	476,476	104,686	181,795

The group's share of interest expenses capitalised in property under development through a joint operation was \$2,871,000 (2016: \$4,480,000) for the group and \$2,871,000 (2016: \$3,170,000) for the company. Interest rate of 2.79% (2016: 1.96% to 2.78%) per annum for the group; and 2.79% (2016: 2.78%) per annum for the company.

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

All properties in Singapore are mortgaged to the banks and finance companies to secure credit facilities of the subsidiaries (Note 17).

The properties under/held for development as at December 31, 2017 were as follows:

Property and address	Description of development	Tenure	Land area (sq m)
Lot 534W of TS 15 at 371 Beach Road ⁽¹⁾	30-storey building with apartments and commercial units	99 years leasehold	7,269
374 – 396 Murray Street Perth, Australia	Multi-storey hotel building with residential space	Freehold	4,926
134-160 Spencer Street Melbourne, Victoria	Multi-storey mixed development with commercial and residential space	Freehold	1,800
171 Macquarie Street Hobart, Tasmania	Proposed development of multi-storey hotel space	Freehold	525
28-30 Davey Street Hobart, Tasmania	Proposed development of multi-storey hotel building space	Freehold	1,153
39-47 Milligan Street and 453-471 Murray Street Perth, Australia	Proposed development of multi-storey mixed use, consisting of retail, office, hotel and residential use	Freehold	3,560
555 Collins Street Melbourne, Victoria	Multi-storey mixed development with commercial and residential space	Freehold	2,300

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

Property and address	Description of development	Tenure	Land area (sq m)
2 – 6 Collins Street Hobart, Tasmania	Multi-storey hotel building	Freehold	3,009
234-250 Elizabeth Street Hobart, Tasmania	Multi-storey mixed development with commercial and residential space	Freehold	3,501
5-7 Sandy Bay Road 9, 11 & 13 Wilmot Street and 4, 6 & 8 Healthfield Avenue Hobart, Tasmania	Proposed development of multi-storey residential space	Freehold	4,868
Orchard Cottage Babacombe Road Torquay TQ1 3TG UK	Proposed development of mixed use hotel building and residential space	Freehold	133

(1) This property is jointly developed by the group and another entity (Note 11). The land area indicated above is the total land area. The carrying cost of the property reflects only the group's proportionate share.

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

Property and address	Description of development	Tenure	Land area (sq m)
Lot 534W of TS 15 at 371 Beach Road ⁽¹⁾	30-storey building with apartments and commercial units	99 years leasehold	7,269
374 – 396 Murray Street Perth, Australia	Multi-storey hotel building with residential space	Freehold	4,926
173 – 177 Macquarie Street Tasmania	Multi-storey hotel building, consisting of 296 rooms	Freehold	2,000
134-160 Spencer Street Melbourne, Victoria	Multi-storey mixed development with commercial and residential space	Freehold	1,800
171 Macquarie Street Hobart, Tasmania	Proposed development of multi-storey commercial space	Freehold	525
28-30 Davey Street Hobart, Tasmania	Proposed development of multi-storey hotel building space	Freehold	1,153
39-47 Milligan Street and 453-471 Murray Street Perth, Australia	Proposed development of multi-storey mixed use, consisting of retail, office, hotel and residential use	Freehold	3,560
555 Collins Street Melbourne, Victoria	Multi-storey mixed development with commercial and residential space	Freehold	2,300
2 – 6 Collins Street Hobart, Tasmania	Multi-storey hotel building	Freehold	3,009
234-250 Elizabeth Street Hobart, Tasmania	Multi-storey mixed development with commercial and residential space	Freehold	3,501

(1) This property is jointly developed by the group and another entity (Note 11). The land area indicated above is the total land area. The carrying cost of the property reflects only the group's proportionate share.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

9 PROPERTIES HELD FOR SALE

	Group \$'000	Company \$'000
Balance as at January 1, 2016	29,162	–
Add: Additions during the year	66,262	636
Less: Transfer to cost of sales	(2,220)	–
Transfer to investment properties (Note 13)	(25,473)	–
Balance as at December 31, 2016	67,731	636
Add: Additions during the year	58	–
Less: Transfer to cost of sales	(6,082)	–
Less: Allowance for impairment loss	(264)	–
Balance as at December 31, 2017	61,443	636

In 2016, additions comprised transfer from properties under development (Note 8) upon completion of development.

The properties held for sale as at December 31, 2017 are as follows:

Property and address	Description	Tenure	Floor area (sq m)
#01-10/11/14/15 at Pasir Panjang Road	4 units of completed commercial retail units of shop and restaurant	Freehold	170
277 Wak Hassan Drive	1 unit of completed detached dwelling house	99 years leasehold	503
#01-48/49/50 at Tanah Merah Kechil Link	3 units of completed commercial retail units of shop	99 years leasehold	113
#01-08/09/10/11/12/13/14 15/16/17/19/20/23/40/45/46/47/ 49/50/51/52/54/56 at 2 Jalan Lokam	23 units of completed commercial retail units of shop and restaurant	Freehold	1,421

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

10 SUBSIDIARIES

	Company	
	2017	2016
	\$'000	\$'000
Unquoted equity shares, at cost	51,005	63,784
Additional funding provided to subsidiaries to support longer term funding needs of subsidiaries	762,404	665,474
Fair value of financial guarantees given by the company for credit facilities of subsidiaries ⁽³⁾	20,784	20,894
	834,193	750,152

(a) Details of the company's subsidiaries at December 31, 2017 are as follows:

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest		Proportion of voting power held		Principal activities
		%		%		
		2017	2016	2017	2016	
<u>Held by the company</u>						
Fragrance Land Pte Ltd	Singapore	—	100	—	100	Inactive
Fragrance Properties Pte Ltd	Singapore	—	100	—	100	Inactive
Fragrance Homes Pte Ltd ⁽¹⁾	Singapore	100	100	100	100	Development, dealing and trading in properties
Fragrance Realty Pte Ltd ⁽¹⁾	Singapore	100	100	100	100	Development, dealing and trading in properties
Fragrance Holdings Pte Ltd ⁽¹⁾	Singapore	100	100	100	100	Investment holding and investing in properties
Fragrance Biz Space Pte Ltd ⁽¹⁾	Singapore	100	100	100	100	Development, dealing and trading in properties
Fragrance Grandeur Pte Ltd ⁽¹⁾	Singapore	100	100	100	100	Investment holding and investing in properties
Fragrance Regal Pte Ltd ⁽¹⁾	Singapore	100	100	100	100	Investment holding and investing in properties
The Colonial Settlement Pte Ltd ⁽¹⁾	Singapore	100	100	100	100	Investment holding and investing in properties
Kensington Land Pte Ltd ⁽¹⁾	Singapore	60	60	60	60	Development, dealing and trading in properties
Kensington Village Pte Ltd ⁽¹⁾	Singapore	60	60	60	60	Development, dealing and trading in properties
Fragrance Global Pte Ltd ⁽¹⁾	Singapore	100	100	100	100	Investment holding
Fragrance Great Britain Pte Ltd ⁽²⁾	Singapore	100	100	100	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

10 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest		Proportion of voting power held		Principal activities
		% 2017	% 2016	% 2017	% 2016	
Held by FrAGRANCE Global Pte Ltd						
FrAGRANCE South Pacific Pty Ltd ⁽²⁾	Australia	100	100	100	100	Investment holding
FrAGRANCE WA-Perth Pty Ltd ⁽²⁾	Australia	100	100	100	100	Development, dealing and trading in properties
FrAGRANCE WA-Perth (Milligan) Pty Ltd ⁽²⁾	Australia	100	100	100	100	Development, dealing and trading in properties
FrAGRANCE TAS-Hobart Pty Ltd ⁽²⁾	Australia	100	100	100	100	Hotel owner and development in properties
FrAGRANCE TAS-Hobart (Collins) Pty Ltd ⁽²⁾	Australia	100	100	100	100	Development, dealing and trading in properties
FrAGRANCE TAS-Hobart (Elizabeth) Pty Ltd ⁽²⁾	Australia	100	100	100	100	Development, dealing and trading in properties
FrAGRANCE VIC-MEL (Collins) Pty Ltd ⁽²⁾	Australia	100	100	100	100	Development, dealing and trading in properties
FrAGRANCE VIC-MEL (Spencer) Pty Ltd ⁽²⁾	Australia	100	100	100	100	Development, dealing and trading in properties
FrAGRANCE Macquarie Hotel Pty Ltd ⁽²⁾	Australia	100	100	100	100	Hotel operations
FrAGRANCE TAS-Hobart (Sandy Bay) Pty Ltd ^{(2) (4)}	Australia	100	—	100	—	Development, dealing and trading in properties
FrAGRANCE HF Pty Ltd ^{(2) (4)}	Australia	100	—	100	—	Inactive

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

10 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest		Proportion of voting power held		Principal activities
		%		%		
		2017	2016	2017	2016	
<u>Held by Fragrance Great Britain Pte Ltd</u>						
Fragrance UK Investment Ltd ^{(2) (4)}	United Kingdom	100	—	100	—	Investment holding
Fragrance UK-Blackpool Limited ^{(2) (4)}	Britain	100	—	100	—	Hotel operations
Fragrance UK-Blackpool 2 Limited ^{(2) (4)}	Britain	100	—	100	—	Long term investment in hotel property
Fragrance UK-Harrogate Limited ^{(2) (4)}	Britain	100	—	100	—	Long term investment in hotel property
Fragrance UK-Manchester Limited (<i>previously known as Lyndene Hotel Management Limited</i>) ^{(2) (4)}	Britain	100	—	100	—	Long term investment in hotel property
Fragrance UK-Torquay Limited ^{(2) (4)}	Britain	100	—	100	—	Long term investment in hotel property
Fragrance UK-Torquay 2 Limited ^{(2) (4)}	Britain	100	—	100	—	Long term investment in hotel property
Fragrance UK- Paignton Limited ^{(2) (4)}	Britain	100	—	100	—	Long term investment in hotel property
Fragrance UK- Paignton 2 Limited (<i>previously known as Fragrance UK Hotel Management Limited</i>) ^{(2) (4)}	Britain	100	—	100	—	Long term investment in hotel property
Fragrance UK- Liverpool Limited ^{(2) (4)}	Britain	100	—	100	—	Long term investment in hotel property
Fragrance UK-Torbay Limited (<i>previously known as Crown Hotel Management Limited</i>) ^{(2) (4)}	Britain	100	—	100	—	Inactive

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

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

(3) Management estimates the fair value of the financial guarantees at 1% (2016: 1%) per annum of the loans guaranteed.

(4) Incorporated in 2017.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

10 SUBSIDIARIES (CONT'D)

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit (Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017	2016	2017	2016
				\$'000	\$'000	\$'000	\$'000
Kensington Land Pte Ltd	Singapore	40%	40%	10	(26)	2,019	5,209
Kensington Village Pte Ltd	Singapore	40%	40%	(776)	298	8,061	8,837
				(766)	272	10,080	14,046

(c) Non-controlling interests

The summarised financial information below represents amounts before intragroup eliminations.

	Kensington Land Pte Ltd		Kensington Village Pte Ltd	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current assets	5,449	13,435	54,267	69,403
Non-current assets	—	1	10,350	11,500
Current liabilities	401	412	40,941	58,810
Non-current liabilities	—	—	3,524	—
Equity attributable to owner of the company	3,029	7,815	12,091	13,256
Non-controlling interests	2,019	5,209	8,061	8,837
Revenue	1	17	1,454	16,653
Operating income (Expenses)	24	(80)	(3,395)	(15,909)
Profit (Loss), representing total comprehensive income for the year	25	(63)	(1,941)	744
Profit (Loss), representing total comprehensive income attributable to owners of the company for the year	15	(37)	(1,165)	446
Profit (Loss), representing total comprehensive income attributable to the non-controlling interest for the year	10	(26)	(776)	298
Total comprehensive income (loss) for the year	25	(63)	(1,941)	744
Net cash inflow (outflow) from operating activities	250	(606)	13,930	77,088
Net cash inflow (outflow) from investing activities	—	—	(8)	8
Net cash (outflow) inflow from financing activities	(200)	500	(14,240)	(82,420)
Net cash inflow (outflow)	50	(106)	(318)	(5,324)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

11 INVESTMENT IN JOINT OPERATIONS

Details of the company's joint operations at December 31, 2017 and 2016 are as follows:

Name of joint operations	Country of incorporation and operation	Proportion of ownership interest		Principal activities
		2017 %	2016 %	
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

(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 brother of an executive director of the company.

12 INVESTMENT IN JOINT VENTURE

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cost of equity investment in joint venture	5,000	5,000	5,000	5,000
Additional capital contributions	84,163	82,313	84,163	82,313
Share of post-acquisition profit (loss), net of dividend received	2,603	(298)	—	—
Share of other comprehensive income:				
Exchange loss on translation of foreign operations	(4,709)	(4,825)	—	—
Revaluation gain on land and buildings (net of tax)	26,727	11,517	—	—
Fair value loss on investment securities	(120)	(141)	—	—
	113,664	93,566	89,163	87,313

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

Name of joint ventures	Country of incorporation and operation	Effective proportion of ownership interest		Principal activities
		2017 %	2016 %	
AF Corporation Pte Ltd ⁽¹⁾	Singapore	50	50	Investment holding
<u>Held by AF Corporation Pte Ltd⁽¹⁾</u>				
AF Global Limited	Singapore	41.75 ⁽²⁾	41.75 ⁽²⁾	Property investment, development and consultancy; and hospitality

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

(2) At December 31, 2017, AF Corporation Pte Ltd controls 83.50% (2016: 83.50%) of the voting rights attached to shares in AF Global Limited. The group's effective equity interest in AF Global Limited 41.75%.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

12 INVESTMENT IN JOINT VENTURE (CONT'D)

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	
	2017	2016
	\$'000	\$'000
Current assets	41,850	36,292
Non-current assets	490,100	441,167
Current liabilities	(244,701)	(195,110)
Non-current liabilities	(103,242)	(148,307)
Net assets	184,007	134,042

Information relating to the joint venture:

	Group	
	2017	2016
	\$'000	\$'000
Cash and cash equivalent	24,490	20,827
Current financial liabilities (excluding trade and other payables and provision)	(62,474)	(68,916)
Non-current financial liabilities (excluding trade and other payables and provision)	(64,919)	(68,043)
Revenue	55,742	54,237
Profit for the year	10,081	8,286
Profit for the year:		
– attributable to owners of the company	5,802	2,622
– attributable to non-controlling interests	4,279	5,664
	10,081	8,286
Other comprehensive (loss) income:		
– attributable to owners of the company	30,696	(2,114)
– attributable to non-controlling interests	13,709	(4,123)
	44,405	(6,237)
Total comprehensive income:		
– attributable to owners of the company	36,498	508
– attributable to non-controlling interests	17,988	1,541
Total comprehensive income for the year	54,486	2,049
The above profit (loss) for the year include the following:		
Depreciation and amortisation	6,817	7,236
Interest income	387	320
Interest expense	(3,187)	(3,566)
Income tax expense	(2,676)	(1,860)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

12 INVESTMENT IN JOINT VENTURE (CONT'D)

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	
	2017	2016
	\$'000	\$'000
Net assets of the joint venture*	184,007	134,042
Proportion of the group's ownership interest in the joint venture	50%	50%
	92,004	67,021
Excess of net assets acquired over consideration paid on additional investment of joint venture	(10,530)	(10,448)
Pre-acquisition loss	(415)	(415)
Pre-acquisition reserve	374	374
Non-controlling interest	(51,932)	(45,279)
	29,501	11,253
Additional contribution to joint venture*	84,163	82,313
Carrying amount of the group's interest on the joint venture	113,664	93,566

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

13 INVESTMENT PROPERTIES

	Group	
	2017	2016
	\$'000	\$'000
At fair value:		
At January 1	1,172,223	1,141,782
Addition	90,830	2,760
Transfer from properties held for sale (Note 9)	—	25,473
Disposal of investment property	(2,496)	—
Gain from fair value adjustments included in profit or loss (Note 26)	29,678	2,208
At December 31	1,290,235	1,172,223

The investment properties held by the group as at December 31, 2017 are as follows:

Location	Tenure	Description
The Palace Hotel Babacombe Road, Torquay TQ13TG	Freehold	Proposed development of multi-story hotel building
Corbyn Head Hotel, Torbay Road, Livermead, Torquay	Freehold	Independent hotel with 45 bedrooms, bar and restaurant slated for redevelopment into a hotel building
Municipal Building, Dale Street, Liverpool, L2 2DH	250 years-lease with an option to purchase	Proposed development of multi-story hotel building
Park Hotel, Esplanade Road, Paignton TQ4 6BQ	Freehold	Proposed development of multi-story hotel building

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

13 INVESTMENT PROPERTIES (CONT'D)

Location	Tenure	Description
The Lighthouse, Esplanade Road, Paignton, Devon, TQ4 TBG	Freehold	Proposed development of multi-story hotel building
Lyndene Hotel, 303-315 Promenade, Blackpool	Freehold	Detached hotel with 141 bedrooms, 2 large restaurants and 2 cabaret lounges
The Crown Hotel, Montpellier Road, Harrogate	Freehold	Independent hotel with 115 bedrooms, a restaurant and 7 meeting and conference facilities
The Townhouse Hotel, 101 Portland Street, Manchester M1 6DF	Freehold	Independent hotel with 85 bedrooms, a bar and restaurant and 8 meeting rooms
110 Lor 23 Geylang	Leasehold (remaining 55 years lease)	7 storey high-specification ramp-up B1 business space building with commercial facilities located at roof level
#01-12, #02-02/03/04/05/ 09/10/12/13/15/16 at 218 Pasir Panjang Road	Freehold	Retail units at first and second level within a part 2/part 5-storey residential cum commercial development with attic
#01-09/13/14/15/21/22/ 23/25/26/28/33/37/39/40/ 41/42/43/44 at 275 Thomson Road	Freehold	Retail units on first level within a 4-storey residential cum commercial development with carpark facility
15 Hoe Chiang Road	Freehold	29-storey commercial building with a 3-storey hotel block and a multi-level carpark
456 Alexandra Road ⁽¹⁾	Freehold	26-storey commercial building with a carpark podium
3 Punggol Point Road	Leasehold (remaining 11 years lease)	2-storey food and beverage outlets
168 Changi Road	Freehold	5-storey commercial building
#01-37 at 2 Jalan Lokam	Freehold	Supermarket unit on first level within a 5-storey residential cum commercial development with carpark facility

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

13 INVESTMENT PROPERTIES (CONT'D)

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

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

(1) The property is partly occupied by the group. Investment property relates to the areas rented to external parties.

Fair value measurement of the group's investment properties

The fair values of the group's investment properties as at December 31, 2017 and December 31, 2016 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.

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

13 INVESTMENT PROPERTIES (CONT'D)

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

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

Description	Fair value as at December 31, 2017 \$'000	Valuation technique(s)	Significant unobservable input(s)	Inputs
Industrial building	97,500	Direct comparison method	price per square meter ⁽¹⁾	\$6,179
		Investment method	capitalisation rate ⁽²⁾	5%
Retail units in mixed development	88,155	Direct comparison method	price per square meter ⁽¹⁾	\$21,754, \$33,387, \$67,705
Commercial buildings	1,001,000	Direct comparison method	price per square meter ⁽¹⁾	\$18,550 \$19,748
		Investment method	long-term net rental income margin ⁽¹⁾	61% to 80%
			capitalisation rate ⁽²⁾	3% to 4.25%
Land and hotel buildings	87,580	Direct comparison method	value per room ⁽¹⁾	\$69,254 to \$119,653
		Investment method	discount rate	9% to 20%
Building for food & beverage and retail	16,000	Direct comparison method	price per square meter ⁽¹⁾	\$5,333
		Investment method	long-term net rental income margin ⁽¹⁾	82%
			capitalisation rate ⁽²⁾	5.5%

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

13 INVESTMENT PROPERTIES (CONT'D)

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

Description	Fair value as at		Significant unobservable input(s)	Inputs
	December 31, 2016	Valuation technique(s)		
	\$'000			
Industrial building	100,000	Direct comparison method	price per square meter ⁽¹⁾	\$6,337
		Investment method	capitalisation rate ⁽²⁾	5.25%
Retail units in mixed development	94,286	Direct comparison method	price per square meter ⁽¹⁾	\$24,538, \$37,097, \$67,683
Commercial buildings	960,437	Direct comparison method	price per square meter ⁽¹⁾	\$17,787 to \$19,111
		Investment method	long-term net rental income margin ⁽¹⁾	36% to 80%
			capitalisation rate ⁽²⁾	3.25% to 3.5%
Building for food & beverage and retail	17,500	Direct comparison method	price per square meter ⁽¹⁾	\$5,833
		Investment method	long-term net rental income margin ⁽¹⁾	86%
			capitalisation rate ⁽²⁾	5.5%

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

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

Rental income from the group's investment properties which are leased out under operating lease amounted to \$236,498,000 (2016: \$18,835,000). Direct operating expenses (including repairs and maintenance) relating to these properties amounted to \$6,592,000 (2016: \$6,269,000).

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

14 PROPERTY, PLANT AND EQUIPMENT

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

	Freehold land – Office & hotel premises \$'000	Building – Office & hotel premises \$'000	Motor vehicles \$'000	Furniture, fixtures and fittings \$'000	Office equipment \$'000	Computer \$'000	Renovation \$'000	Total \$'000
Group								
Cost or valuation:								
At January 1, 2016	–	19,063	87	24	74	333	–	19,581
Additions	–	–	28	–	–	56	140	224
Written off	–	–	–	(1)	–	–	–	(1)
At December 31, 2016	–	19,063	115	23	74	389	140	19,804
Additions	23,854	37	–	1,220	148	438	–	25,697
Transfer from development property (Note 8)	4,556	56,310	–	–	–	–	–	60,866
Disposal	–	–	(60)	–	–	–	–	(60)
Written off	–	–	–	–	–	(1)	–	(1)
Currency realignment	275	–	–	(2)	(2)	(7)	–	264
At December 31, 2017	28,685	75,410	55	1,241	220	819	140	106,570
Accumulated depreciation:								
At January 1, 2016	–	51	61	16	35	252	–	415
Depreciation	–	381	11	2	10	70	12	486
At December 31, 2016	–	432	72	18	45	322	12	901
Depreciation	–	858	9	161	26	115	28	1,197
Disposal	–	–	(50)	–	–	–	–	(50)
Written off	–	–	–	–	–	(1)	–	(1)
Currency realignment	–	(8)	–	–	–	(1)	–	(9)
At December 31, 2017	–	1,282	31	179	71	435	40	2,038
Carrying amount:								
At December 31, 2017, at cost	28,685	74,128	24	1,062	149	384	100	104,532
At December 31, 2016, at cost	–	18,631	43	5	29	67	128	18,903

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

15 TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Development work-in-progress	–	147	–	147
Retention sums payable	2,394	1,438	1,698	724
Goods and services tax payable	652	357	–	44
Subsidiaries (Note 10)	–	–	24,644	33,993
Amounts due to non-controlling interests [Note 10(c)]	–	5,560	–	–
Financial guarantee contracts	–	–	3,625	3,050
Deposits received	7,435	5,235	4	–
Accruals	20,096	8,437	4,421	2,289
Sundry creditors	11,373	10,805	1,516	1,912
Others	677	941	–	–
	42,627	32,920	35,908	42,159
Less: Non-current portion of financial guarantee contract	–	–	(2,193)	(2,000)
	42,627	32,920	33,715	40,159
Development work-in-progress				
Progress billings	–	147	–	147
Less: Contract costs incurred plus recognised profits	–	–	–	–
	–	147	–	147

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

16 NOTES PAYABLE

	Group and Company	
	2017	2016
	\$'000	\$'000
Notes payables	182,393	76,048
Less: Amount due for settlement within 12 months (shown under current liabilities)	(1,452)	(76,048)
Amount due for settlement after 12 months	180,941	–
Fair value as at end of reporting period	182,183	75,545

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

17 TERM LOANS

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Secured – At amortised cost				
Term loans	933,390	778,426	129,225	105,725
Less: Amount due for settlement within 12 months (shown under current liabilities)	(469,952)	(151,734)	(84,225)	–
Amount due for settlement after 12 months	463,438	626,692	45,000	105,725

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

The term loans from banks and finance companies bear interest rates from 1.91% to 2.79% (2016: 1.79% to 2.78%) per annum for the group and at 2.79% (2016: 2.78%) 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 \$1,530,179,000 (2016: \$1,440,176,000) and of the company with carrying amounts of \$104,686,000 (2016: \$181,795,000) (Notes 9, 10, 13 and 14); and covered by corporate guarantees by the company and assignment of developer's rights and benefits in the sale and purchase agreements.

Reconciliation of liabilities arising from financing activities

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

	January 1, 2017 \$'000	Financing cash flows ⁽ⁱ⁾ \$'000	Other changes ⁽ⁱⁱ⁾ \$'000	December 31, 2017 \$'000
Group				
Term loans (Note 17)	778,426	153,447	1,517	933,390
Note payables (Note 16)	76,048	103,344	3,001	182,393
	854,474	256,791	4,518	1,115,783

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

18 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
<u>Group</u>				
At January 1, 2016	14,698	—	(743)	13,955
Charge (Credit) to profit or loss for the year	3,021	—	(511)	2,510
Transfer to income tax payable	(15,027)	—	—	(15,027)
At December 31, 2016	2,692	—	(1,254)	1,438
Transfer from income tax payable	3,509	—	—	3,509
Charge (Credit) to profit or loss for the year	5,478	4,152	(720)	8,910
Currency realignment	—	—	14	14
At December 31, 2017	11,679	4,152	(1,960)	13,871

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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Deferred tax assets	2,494	1,254	—	—
Deferred tax liabilities	(16,365)	(2,692)	(8,170)	(2,692)
	(13,871)	(1,438)	(8,170)	(2,692)

19 SHARE CAPITAL

	Group and Company		
	2017 Number of ordinary shares ('000)	2016 \$'000	2016 \$'000
Issued and paid up:			
At beginning and end of the year	6,720,000	6,720,000	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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

20 TREASURY SHARES

	Group and Company			
	2017	2016	2017	2016
	Number of ordinary shares		\$'000	\$'000
At beginning of the year	7,230,000	7,600,000	(999)	(1,050)
Award of performance shares	–	(370,000)	54	51
At end of the year	7,230,000	7,230,000	(945)	(999)

In 2016, the company settled performance share awards by issuing 370,000 of treasury shares amounting to 2016: \$51,000 to the recipients of the performance share plan (Note 21).

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

21 PERFORMANCE SHARE RESERVE

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

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

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.

22 REVALUATION RESERVE

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

23 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	
	2017	2016
	\$'000	\$'000
At January 1	(26,254)	(26,721)
Exchange (loss) gain on translation of foreign operations during the year, included in other comprehensive income	(1,326)	467
At December 31	(27,580)	(26,254)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

24 REVENUE

	Group	
	2017	2016
	\$'000	\$'000
Property development	157,561	97,058
Rental income	24,923	21,174
Hotel revenue	15,357	—
Others	180	501
	<u>198,021</u>	<u>118,733</u>

Rental income comprise income earned from the investment properties (Note 13) and income earned from existing buildings on land in Australia, which have been acquired for development purposes (Note 8).

25 INVESTMENT GAIN

	Group	
	2017	2016
	\$'000	\$'000
Loss on disposal of financial assets classified as held for trading	—	(636)
Unrealised gain arising from change in fair value of financial assets classified as held for trading	—	1,103
	<u>—</u>	<u>467</u>

26 OTHER OPERATING INCOME

	Group	
	2017	2016
	\$'000	\$'000
Fair value gain on investment properties (Note 13)	29,678	2,208
Interest income	494	640
Gain on foreign exchange option premium	1,459	607
Others	2,082	395
	<u>33,713</u>	<u>3,850</u>

27 OTHER EXPENSES

	Group	
	2017	2016
	\$'000	\$'000
Loss on disposal of investment property (Note 13)	808	—
	<u>808</u>	<u>—</u>

28 FINANCE COSTS

	Group	
	2017	2016
	\$'000	\$'000
Interest expense on term loans (Note 17)	16,146	14,396
Interest expense on notes payable (Note 16)	1,565	3,106
	<u>17,711</u>	<u>17,502</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

29 INCOME TAX EXPENSE

	Group	
	2017	2016
	\$'000	\$'000
Current tax	1,576	15,648
Deferred tax	4,547	(12,517)
Overprovision in prior years – current tax	(609)	(2,267)
Underprovision in prior years – deferred tax	4,363	–
	<u>9,877</u>	<u>864</u>

The income tax varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2016: 17%) to profit before income tax as a result of the following differences:

	Group	
	2017	2016
	\$'000	\$'000
Profit before income tax	57,657	8,639
Income tax expense at the statutory rate	9,802	1,469
Effect of income exempted from taxation	(198)	(79)
Tax effect of items that are not (taxable) deductible in determining taxable profit	(4,671)	1,945
Effects of different tax rates of subsidiaries operating in other jurisdictions	(106)	(202)
Effect of utilisation of deferred tax benefits previously not recognised	(145)	–
Effect of unutilised tax losses not recognised as deferred tax assets	1,354	–
Under (Over) provision in prior years – current and deferred tax	3,754	(2,267)
Others	87	(2)
Net	<u>9,877</u>	<u>864</u>

Subject to the agreement by the tax authorities, at the end of the reporting period, the group has unutilised tax losses of \$7.9 million (2016: \$Nil million) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

30 PROFIT FOR THE YEAR

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

	Group	
	2017	2016
	\$'000	\$'000
Audit fees for auditors of the company	208*	137
Non-audit fees for auditors of the company	85	89
Directors' remuneration	4,249	2,180
Directors' fee	185	185
Cost of development properties recognised as expenses	119,240	75,411
Depreciation of property, plant and equipment	1,197	486
Amortisation of prepaid land lease	780	780
Fair value gain on investment properties	(29,678)	(2,208)
Employee benefits expense (including directors' remuneration)	7,501	4,380
Cost of defined contribution plans included in employee benefits expense	265	278
Interest expense	<u>17,711</u>	<u>17,502</u>

* Included prior year underprovision of \$39,700.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

31 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	
	2017	2016
	\$'000	\$'000
Net profit attributable to equity holders of the group	48,546	7,503
	2017	2016
	Number of shares ('000)	
Weighted average number of ordinary shares for purposes of earnings per share	6,712,770	6,712,402

There are no dilutive ordinary shares for 2017 and 2016.

32 DIVIDENDS AND DISTRIBUTIONS

	Group and Company	
	2017	2016
	\$'000	\$'000
Interim tax-exempt dividend of \$Nil (2016: \$0.001) per ordinary share in respect of financial year ended December 31, 2017 (2016: December 31, 2016)	—	6,712
	—	6,712

33 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 refer to hotel managed by appointed operators with the group retaining variability in operating results. Hospitality investment relate to lease of hotels to operators with limited variability in rental income.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

33 SEGMENT INFORMATION (CONT'D)

Business segments (cont'd)

Group	Commercial investment \$'000	Property development \$'000	Hotel operations \$'000	Hospitality investment \$'000	Total \$'000
<u>2017</u>					
REVENUE	22,153	159,193	15,357	1,318	198,021
RESULT					
Segment result	22,153	39,953	8,096	1,318	71,520
Other operating income (loss)	32,990	3,504	7	(2,788)	33,713
Other expenses	(808)	—	—	—	(808)
Operating expenses	(9,320)	(17,555)	(4,668)	(415)	(31,958)
Finance costs	(14,217)	(3,494)	—	—	(17,711)
	30,798	22,408	3,435	1,885	54,756
Share of results of joint venture					2,901
Profit before income tax					57,657
Income tax					(9,877)
Profit after income tax					47,780
<u>2016</u>					
REVENUE	18,452	100,281	—	—	118,733
RESULT					
Segment result	18,452	24,870	—	—	43,322
Other operating income	2,748	1,569	—	—	4,317
Operating expenses	(8,227)	(14,582)	—	—	(22,809)
Finance costs	(13,382)	(4,120)	—	—	(17,502)
	(409)	7,737	—	—	7,328
Share of results of joint venture					1,311
Profit before income tax					8,639
Income tax					(864)
Profit after income tax					7,775

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

33 SEGMENT INFORMATION (CONT'D)

Business segments (cont'd)

Group	Commercial investment \$'000	Property development \$'000	Hotel operations	Hospitality investment	Total \$'000
<u>2017</u>					
Segment assets					
Assets:					
Segment assets	1,245,416 ⁽¹⁾	906,694	31,266	105,744	2,289,120
Segment liabilities					
Liabilities:					
Segment liabilities	732,837	319,767	3,706	120,977	1,177,287
OTHER INFORMATION					
Addition of non-current assets	523	14	25,615	90,375	116,527
Amortisation of land lease	780	—	—	—	780
Depreciation expense	432	47	718	—	1,197
<u>2016</u>					
Segment assets					
Assets:					
Segment assets	1,113,638 ⁽¹⁾	846,670	—	—	1,960,308
Segment liabilities					
Liabilities:					
Segment liabilities	593,467	313,554	—	—	907,021
OTHER INFORMATION					
Addition of non-current assets	2,813	171	—	—	2,984
Amortisation of land lease	780	—	—	—	780
Depreciation expense	447	39	—	—	486

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

Geographical information

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

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

	Revenue		Non-current assets	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Singapore	179,927	116,341	1,342,654	1,294,058
Australia	7,623	2,392	61,377	—
United Kingdom	10,471	—	112,239	—
Total	198,021	118,733	1,516,270	1,294,058

Information about major customers

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

34 COMMITMENT

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Contracted construction costs of properties yet to be incurred and not provided for in the financial statements	524,713	393,128	24,716	55,700

35 OPERATING LEASE ARRANGEMENTS

The group as lessor

Rental income earned by the group from operating leases of properties amounted to \$24,923,000 (2016: \$21,174,000).

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

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Within one year	22,197	18,334	27	—
In the second to fifth years inclusive	28,308	10,635	10	—
After fifth years	28	67	—	—
	50,533	29,036	37	—
The group as lessee				
Payment recognised as an expense during the year	(895)	(1,010)	—	—

At the end of the reporting period, the group's contractual lease payment obligation is as follow:

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Within one year	—	105	—	—
	—	105	—	—

36 EVENTS AFTER THE REPORTING PERIOD

On March 9, 2018, the group through its newly incorporated wholly owned subsidiary, Fragrance Treasures Pte Ltd has entered into a collective sales and purchase agreement to acquire a property located at 205 Jalan Eunus Singapore 419535 at the purchase price of \$220,000,000. The sale and purchase is subject to various terms and conditions inter alia the vendors obtaining an Order from the Strata Titles Board or the High Court under the Land Titles (Strata) Act approving the collective sale of all units in the property.

SHAREHOLDING STATISTICS

As at 19 March 2018

SHAREHOLDERS' INFORMATION

No. of issued shares	:	6,713,160,000 (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	:	6,840,000 (with no voting rights)

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	9	0.27	266	0.00
1,00 – 1,000	44	1.34	32,886	0.00
1,001 – 10,000	563	17.12	4,288,248	0.06
10,001 – 1,000,000	2,580	78.44	264,839,401	3.95
1,000,001 AND ABOVE	93	2.83	6,443,999,199	95.99
	3,289	100.00	6,713,160,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	KOH WEE MENG	4,290,500,000	63.91
2	LIM WAN LOOI	735,000,000	10.95
3	DBS NOMINEES PTE LTD	339,016,141	5.05
4	HONG LEONG FINANCE NOMINEES PTE LTD	305,337,500	4.55
5	SING INVESTMENTS & FINANCE NOMINEES (PTE) LTD	125,400,000	1.87
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	114,304,100	1.70
7	TAN SU KIOK OR SIA LI WEI JOLIE (SHE LIWEI JOLIE)	51,122,000	0.76
8	MAYBANK KIM ENG SECURITIES PTE LTD	50,283,423	0.75
9	JIMMY LEE PENG SIEW	49,512,000	0.74
10	CITIBANK NOMINEES SINGAPORE PTE LTD	37,422,300	0.56
11	PHILLIP SECURITIES PTE LTD	37,326,600	0.56
12	UOB KAY HIAN PTE LTD	36,920,200	0.55
13	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	22,812,335	0.34
14	LEE AH POY	16,693,000	0.25
15	LIM KWEE HUA (LIN GUIHUA)	14,932,000	0.22
16	KOH KIAN SOO	13,870,000	0.21
17	RAFFLES NOMINEES (PTE) LTD	10,993,200	0.16
18	OCBC NOMINEES SINGAPORE PTE LTD	9,654,500	0.14
19	OCBC SECURITIES PRIVATE LTD	9,627,000	0.14
20	LAI CHOOI FOONG	7,596,000	0.11
	TOTAL	6,278,322,299	93.52

SHAREHOLDING STATISTICS

As at 19 March 2018

SUBSTANTIAL SHAREHOLDERS

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

Notes:

- (1) Koh Wee Meng is the husband of Lim Wan Looi. Each of them deemed to be interested in the shares held by each other.
- (2) Of the 5,015,500,000 shares in which Koh Wee Meng has an interest, 300,000,000 shares are held through DBS Nominees Pte Ltd. 300,000,000 shares are held through Hong Leong Finance Nominees Pte Ltd and 125,000,000 are held through Sing Investments & Finance Nominees (Pte) Ltd.

SHAREHOLDINGS HELD IN THE HANDS OF THE PUBLIC

Based on information available to the Company as at 19 March 2018, approximately 10.58% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

PARTICULARS OF PROPERTIES OWNED BY THE GROUP

as at December 31, 2017

A CLASSIFIED AS PROPERTY UNDER DEVELOPMENT (NOTE 8 TO THE FINANCIAL STATEMENTS)

Location	Tenure	Approximate Land Area (Sqm)	Approximate Gross Floor Area (Sqm)	Stage of completion as at 26 March 2017	Expected date of completion	Effective stake	Description and existing use
Lot 534W of TS15 At 371 Beach Road	99 years leasehold	7,269	39,615	Structural works in progress	2019	50%	Development of 30-storey building with apartments and commercial units
374 – 396 Murray Street, Perth, Australia	Freehold	4,926	73,181	Basement structural works in progress	2020	100%	Proposed development of multi-storey hotel building and residential apartments
134 – 160 Spencer Street Melbourne, Victoria	Freehold	1,800	92,601	Basement structural works in progress	2021	100%	Proposed development of multi-storey building with hotel, commercial space and residential apartments
171 Macquarie Street Hobart, Tasmania	Freehold	525	TBA	N.A	To be commenced	100%	Proposed development of multi-storey hotel building
28 – 30 Davey Street Hobart, Tasmania	Freehold	1,153	TBA	N.A	To be commenced	100%	Proposed development of multi-storey hotel building
39 – 47 Milligan Street and 453 – 471 Murray Street, Perth, Australia	Freehold	3,560	26,700	N.A	To be commenced	100%	Proposed development of multi-storey hotel building and residential apartments
555 Collins Street Melbourne, Victoria	Freehold	2,300	54,980	N.A	To be commenced	100%	Proposed development of multi-storey building with commercial space and residential apartments
2 – 6 Collins Street Hobart, Tasmania	Freehold	3,009	TBA	N.A	To be commenced	100%	Proposed development of multi-storey hotel building
234 – 250 Elizabeth Street Hobart, Tasmania	Freehold	3,501	TBA	N.A	To be commenced	100%	Proposed development of multi-storey hotel building and residential apartments
5 – 7 Sandy Bay Road, 9, 11 & 13 Wilmot Street and 4, 6 & 8 Healthfield Avenue Hobart, Tasmania	Freehold	4,868	TBA	N.A	To be commenced	100%	Proposed development of multi-storey residential apartments
Orchard Cottage Babbacombe Road Torquay TQ1 3TG UK	Freehold	133	TBA	N.A	To be commenced	100%	Proposed development of residential bungalow

N.A – Not applicable

TBA – To be advised

PARTICULARS OF PROPERTIES OWNED BY THE GROUP

as at December 31, 2017

B CLASSIFIED AS PROPERTIES HELD FOR SALE (NOTE 9 TO THE FINANCIAL STATEMENTS)

Location	Tenure	Approximate Floor area (Sqm)	Effective stake	Description and existing use
Icon @ Pasir Panjang #01-10/11/14/15 at Pasir Panjang Road	Freehold	170	100%	4 units of completed commercial retail units of shop and restaurant
277 at Wak Hassan Drive	99 years leasehold	503	100%	1 unit of completed detached dwelling houses
Urban Vista #01-48/49/50 at Tanah Merah Kechil Link	99 years leasehold	113	100%	3 units of completed commercial retail units of shop
Kensington Square #01-08/09/10/11/12/13/14/ 15/16/17/19/20/23/40/45/ 46/47/49/50/51/52/54/56 at Jalan Lokam	Freehold	1,421	100%	23 units of completed commercial retail units of shop and restaurant

C CLASSIFIED AS INVESTMENT PROPERTIES (NOTE 13 TO THE FINANCIAL STATEMENTS)

Name and location	Tenure	Effective Stake	Description and existing use
Fragrance Empire Building 456 Alexandra Road Singapore 119962	Freehold	100%	26-storey commercial building with a carpark podium
Tower 15 15 Hoe Chiang Road Singapore 089316	Freehold	100%	29-storey commercial building with a 3-storey hotel block and a multi-level carpark
Icon @ Pasir Panjang #01-12, #02-02/03/04/05/09/10/ 12/13/15/16 at 218 Pasir Panjang Road Singapore 118579	Freehold	100%	Retail units at first and second level within a part 2/part 5-storey residential cum commercial development with attic
Novena Regency #01-09/13/14/15/21/22/ 23/25/26/28/33/37/39/40/ 41/42/43/44 at 275 Thomson Road Singapore 307645	Freehold	100%	Retail units on first level within a 4-storey residential cum commercial development with carpark facility
Fragrance Building 168 Changi Road Singapore 419730	Freehold	100%	5-storey commercial building
Victory Centre 110 Lor 23 Geylang Singapore 388410	55 years leasehold	100%	7 storey high-specification ramp-up B1 business space building with commercial facilities located at roof level
The Punggol Settlement 3 Punggol Point Road Singapore 828694	11 years leasehold	100%	2-storey food and beverage outlets

PARTICULARS OF PROPERTIES OWNED BY THE GROUP

as at December 31, 2017

Name and location	Tenure	Effective Stake	Description and existing use
Kensington Square 2 Jalan Lokam #01-37 Singapore 537864	Freehold	60%	Supermarket unit on first level within a 5-storey residential cum commercial development with carpark facility
The Palace Hotel Babbacombe Road, Torquay TQ13TG	Freehold	100%	Proposed development of multi-storey hotel building
Municipal Building Dale Street Liverpool, L2 2DH	250 years-lease with an option to purchase	100%	Proposed development of multi-storey hotel building
Park Hotel Esplanade Road, Paignton TQ4 6BQ	Freehold	100%	Proposed development of multi-storey hotel building
The Lighthouse 26 Esplanade Road, Paignton, Devon, TQ4 TBG	Freehold	100%	Proposed development of multi-storey hotel building
Corbyn Head Hotel Torbay Road, Seafront, Torquay TQ2 6RH	Freehold	100%	45 bedrooms independent hotel with a bar and restaurant slated for redevelopment into a hotel building
Lyndene Hotel 303-315 Promenade, Blackpool, Lancashire FY1 6AN	Freehold	100%	141 bedrooms detached hotel with two large restaurants and two cabaret lounges
The Crown Hotel Crown Place, Harrogate, North Yorkshire HG1 2RZ	Freehold	100%	115 bedrooms independent hotel with a restaurant and seven meeting & conference facilities
The Townhouse Hotel 101 Portland Street, Manchester M1 6DF	Freehold	100%	85 bedrooms independent hotel with a bar and restaurant and eight meeting rooms

D CLASSIFIED AS PROPERTY, PLANT AND EQUIPMENT (NOTE 14 TO THE FINANCIAL STATEMENTS)

Location	Tenure	No of Rooms	Effective Stake
Ibis Style Hobart 173 Macquarie Street, Hobart, Tas 7000, Australia	Freehold	296	100%
The Imperial Hotel North Promenade, Lancashire Blackpool FY1 2HB	Freehold	180	100%

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Fragrance Group Limited will be held on 26 April 2018 at 9.00 a.m. at 456 Alexandra Road #02-03 Fragrance Empire Building Singapore 119962, to transact the following business:—

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended December 31, 2017 together with the Directors' Statement and the Report of the Auditors thereon. **[Resolution 1]**
2. To approve the proposed Directors' fees of \$185,000/- for the financial year ended December 31, 2017. [2016: \$185,000/-] **[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]**
4. To re-appoint Messrs Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **[Resolution 5]**
5. To transact any other ordinary business that may be properly transacted at the Annual General Meeting.

SPECIAL BUSINESS

To consider and if thought fit, to pass 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 Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS that the aggregate number of shares and convertible securities to be issued pursuant to this Resolution shall not exceed 50% of the total issued shares excluding treasury shares of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed 20% of the total issued shares excluding treasury shares of the Company, and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the Company's next Annual General Meeting is required by law or by the Constitution of the Company to be held, whichever is the earlier." **[Resolution 6]**

[See Explanatory Note on Special Business (ii)]

NOTICE OF ANNUAL GENERAL MEETING

7. Authority to issue shares under the Fragrance Performance Share Plan.

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

[Resolution 7]

[See Explanatory Note on Special Business (ii)]

By Order of the Board

PERIAKARUPPAN ARAVINDAN (MR)

KELOTH RAJ KUMAR (MR)

Company Secretaries

Date: 10 April 2018

Notes:–

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

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

2. A proxy need not be a Member of the Company.
3. Members wishing to vote by proxy/proxies at the meeting may use the proxy form enclosed. The completed proxy form must be deposited at the Registered Office of the Company at 456 Alexandra Road #26-01 Fragrance Empire Building Singapore 119962 not less than 72 hours before the time appointed for the Meeting.

Note to item no. 3:–

- (a) Mr Koh Wee Meng is the Executive Chairman and CEO 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.
- (b) Mr Leow Chung Chong Yam Soon is an 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.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note on Special Business to be transacted:

- (i) In the proposed Resolution 6 above, the percentage of issued share capital is calculated based on the issued shares excluding treasury shares at the time of the passing of the resolution approving the mandate after adjusting for:— (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate; and (c) any subsequent bonus issue, consolidation or subdivision of shares. The proposed Resolution 6, if passed, will empower the Directors of the Company from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue new shares in the Company (whether by way of rights, bonus or otherwise). The number of shares which the Directors may issue under this Resolution shall not exceed 50% of the total issued shares excluding treasury shares of the Company. For issue of shares other than on a pro-rata basis to all existing shareholders of the Company, the aggregate number of shares and convertible securities to be issued shall not exceed 20% of the total issued shares excluding treasury shares of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
- (ii) The proposed Resolution 7, if passed, will empower the Directors of the Company from the date of the above meeting until the next Annual General Meeting, or the day by which the next Annual General Meeting is required by law to be held, whichever is the earlier, to issue shares up to an amount in aggregate not exceeding fifteen per cent (15%) of the total number of issued shares excluding treasury shares of the Company from time to time pursuant to the vesting of the awards under the Share Plan.

Personal Data Privacy

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

FRAGRANCE GROUP LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 200006656M

IMPORTANT

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

PROXY FORM ANNUAL GENERAL MEETING

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

of _____

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

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

or failing the person or both of the persons above, the Chairman of the Annual General Meeting ("AGM") as *my/our proxy/proxies to vote for me/us on my/our behalf at the AGM of the Company to be held on April 26, 2018 at 9.00 a.m. at 456 Alexandra Road #02-03 Fragrance Empire Building Singapore 119962 and at any adjournment thereof.

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

No.	Resolution	For**	Against**
1.	To receive and adopt the Audited Financial Statements for the financial year ended December 31, 2017 together with the Directors' Statement and the Report of the Auditors thereon		
2.	To approve the proposed Directors' Fees of \$185,000/- for the financial year ended December 31, 2017 [2016: \$185,000/-]		
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-appoint Messrs Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration		
6.	Authority to allot and issue shares up to 50% of issued share capital		
7.	Authority to issue shares under the Fragrance Performance Share Plan		

* Delete accordingly

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

Signed this _____ day of _____ 2018

Total No. of Shares
held (Note a):

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



Notes:

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

Personal Data Privacy

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

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