FIRST SPONSOR GROUP LIMITED

ANNUAL REPORT **2019**

Hampton by Hilton Utrecht Centraal Station
Utrecht, the Netherlands

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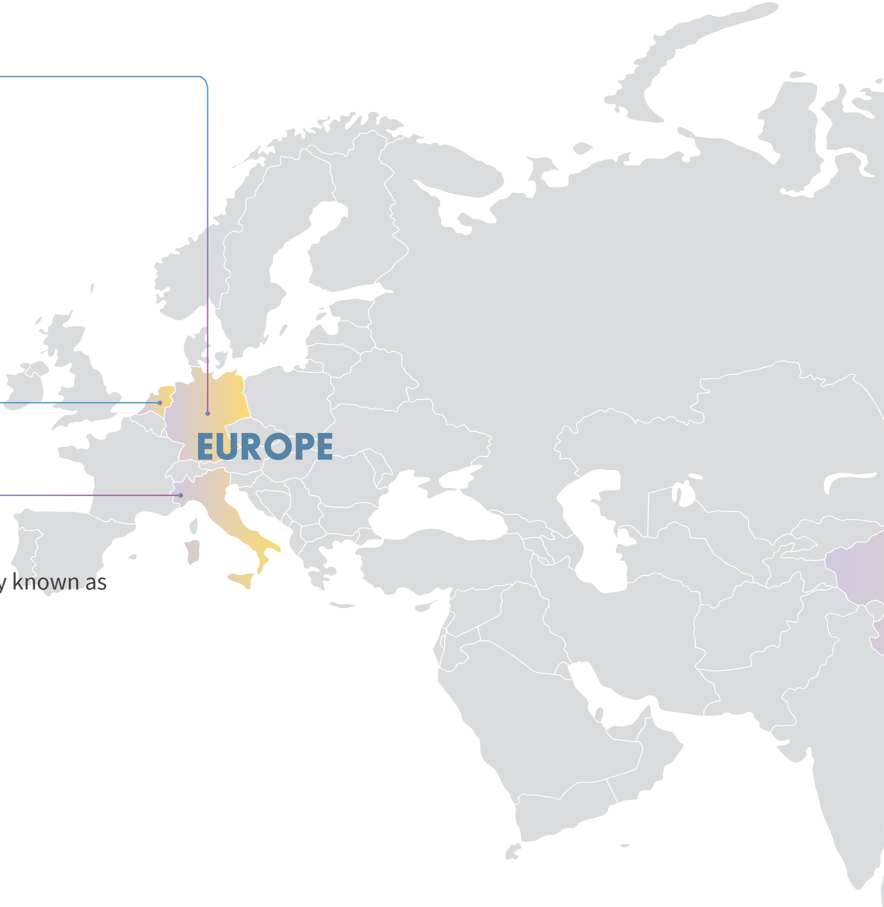
Based on artist's impression of
Plot F, Chengdu Millenium Waterfront
Chengdu, PRC

OUR PRESENCE



Germany

Property Holding

HOTELS

Bilderberg Bellevue Hotel Dresden
Dresden

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Frankfurt

Property Financing

Italy

Property Holding

HOTELS

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Rotterdam

Property Holding

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Bilthoven

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Amsterdam

Oliphant
Amsterdam

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Amsterdam

HOTELS

Hampton by Hilton Utrecht Centraal Station & Crowne Plaza Utrecht Centraal Station
Utrecht

Hilton Rotterdam
Rotterdam

Bilderberg Château Holtmühle
Tegelen

Bilderberg Europa Hotel Scheveningen
The Hague

Bilderberg Garden Hotel Amsterdam
Amsterdam

Bilderberg Grand Hotel Wientjes
Zwolle

Bilderberg Hotel De Bovenste Molen
Venlo

Bilderberg Hotel De Keizerskroon
Apeldoorn

Bilderberg Hotel 't Speulderbos
Garderen

Bilderberg Kasteel Vaalsbroek
Vaals

Bilderberg Parkhotel Rotterdam
Rotterdam

Bilderberg Résidence Groot Heideborgh
Garderen

Hotel de Bilderberg
Oosterbeek

Property Financing

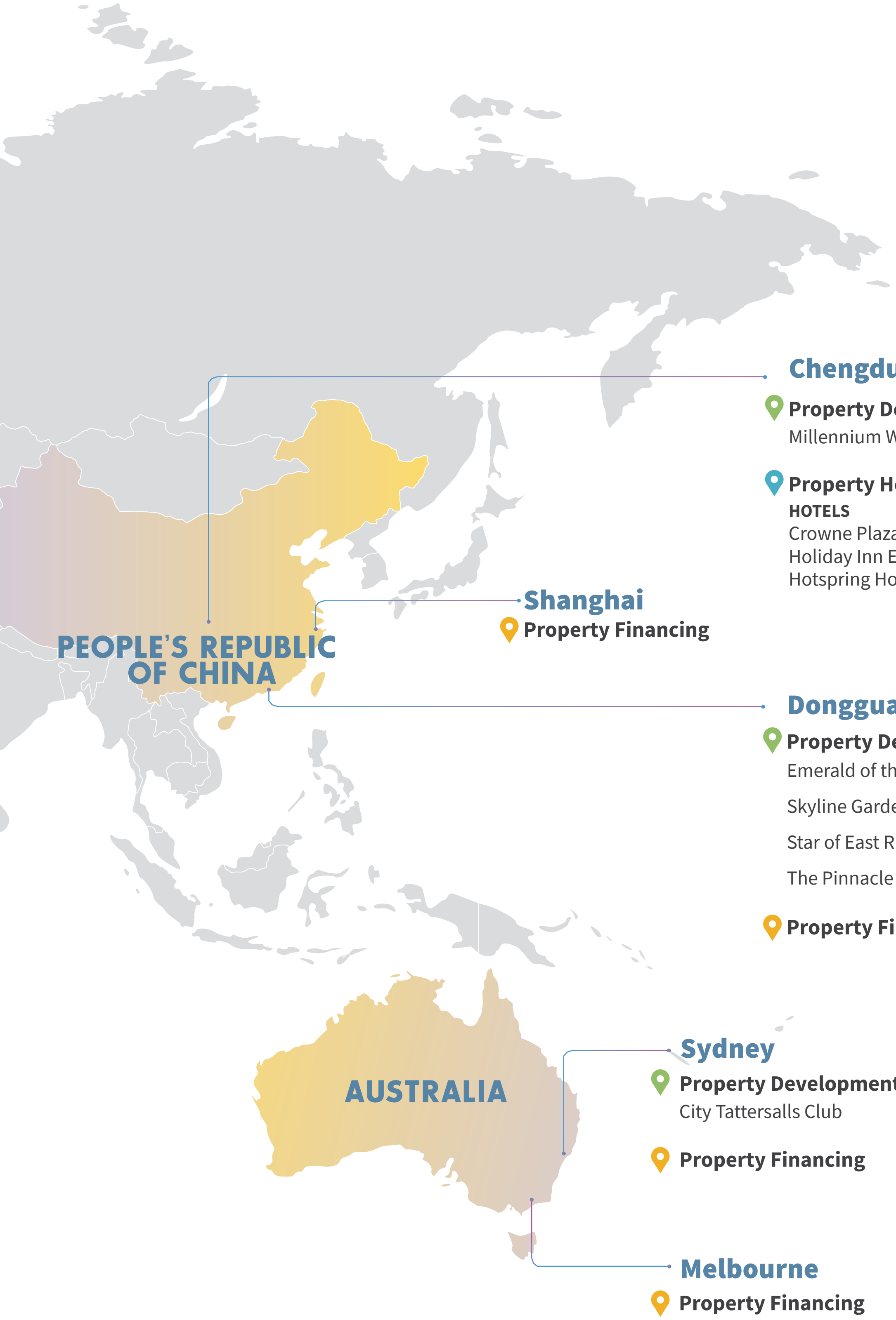
OUR THREE KEY OPERATING SEGMENTS

PROPERTY DEVELOPMENT

Residential and commercial property developments in tier-two cities in the PRC, namely, Chengdu and Dongguan.

Residential and commercial property developments in the Netherlands and Australia.

OUR PRESENCE



Chengdu, Sichuan Province

Property Development
Millennium Waterfront

Property Holding
HOTELS
Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel

Shanghai

Property Financing

Dongguan, Guangdong Province

Property Development
Emerald of the Orient

Skyline Garden

Star of East River

The Pinnacle

Property Financing

Sydney

Property Development
City Tattersalls Club

Property Financing

Melbourne

Property Financing

PROPERTY HOLDING

Hotel ownership and operations as well as investment properties held for rental income, primarily in the PRC, the Netherlands and Germany.

We plan to build our portfolio to generate a stable stream of recurrent income and future capital gain.

PROPERTY FINANCING

Loan arrangements primarily in the PRC (via entrusted loans), the Netherlands, Germany and Australia.

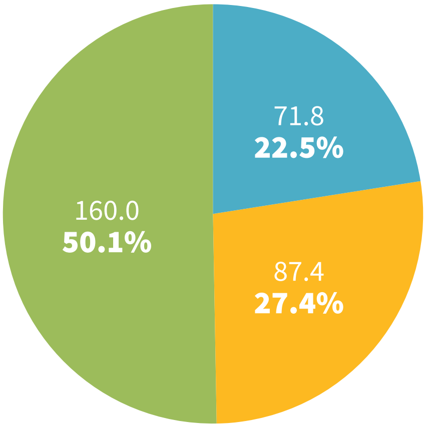
Based on artist's impression of
Skyline Garden
Dongguan, PRC

Year	2015	2016	2017	2018	2019
	(S$'million)	(S$'million)	(S$'million)	(S$'million)	(S$'million)
(A) Consolidated Statement of Profit or Loss					
Property development	165.4	162.1	308.1	139.4	**160.0**
Property holding[1]	14.1	18.9	28.5	55.7	**71.8**
Property financing	36.3	18.1	47.8	82.3	**87.4**
Revenue	**215.8**	**199.1**	**384.4**	**277.4**	**319.2**
Property development	46.3	20.8	98.6	65.7	**78.8**
Property holding[1]	10.9	15.2	11.4	22.0	**30.5**
Property financing	36.2	15.8	43.0	73.8	**79.7**
Gross profit	**93.4**	**51.8**	**153.0**	**161.5**	**189.0**
Profit before tax	**91.0**	**118.4**	**121.2**	**144.5**	**194.2**
Net profit attributable to equity holders of the Company	**67.4**	**113.1**	**88.3**	**113.0**	**167.1**
(B) Consolidated Statement of Financial Position					
Cash and cash equivalents	112.0	280.6	319.3	125.7	**313.4**
Other investments (current)[2]	-	-	38.9	39.3	**-**
Net debt[3]	368.8	81.3	261.7	530.7	**315.5**
Total assets	1,800.8	1,796.1	2,106.5	2,381.8	**2,760.5**
Equity attributable to owners of the Company	**974.7**	**1,024.6**	**1,080.2**	**1,150.5**	**1,421.9**
Perpetual convertible capital securities	**-**	**-**	**-**	**161.3**	**146.5**
Total equity	**978.1**	**1,029.7**	**1,086.9**	**1,323.5**	**1,598.6**
(C) Ratio Analysis					
Net gearing ratio[4]	0.38	0.08	0.24	0.40	**0.20**
(D) Per Share					
Net asset value (cents)[5]	165.26	173.71	183.13	202.21	**197.27**
Adjusted net asset value (cents)[6]	165.26	173.71	183.13	164.81	**165.16**
Basic earnings (cents)[7]	10.38[8]	17.43[8]	13.61[8]	16.72	**21.64**
Diluted earnings (cents)	10.38[8]	17.43[8]	13.61[8]	15.02	**17.12**
Dividends (tax-exempt (one-tier))					
- interim ordinary dividend (cents)	0.7	1.0	1.0	1.0	**1.1**
- final ordinary dividend (cents)[9]	1.0	1.0	1.2	1.3	**1.6**
- total dividends (cents)	1.7	2.0	2.2	2.3	**2.7**

Notes:
(1) Property holding represents property investment and hotel operations.
(2) Other investments (current) relate to principal-guaranteed structured deposits placed with financial institutions.
(3) Net debt = gross borrowings – cash and cash equivalents – other investments (current) as defined in (2) above.
(4) Net gearing ratio is net debt divided by total equity including non-controlling interests and perpetual convertible capital securities ("PCCS").
(5) Computed based on the equity attributable to owners of the Company (including PCCS and excluding non- controlling interests) and the number of shares in issue (excluding treasury shares) as at the end of each respective financial year.
(6) Computed based on net asset value per share adjusted for the full conversion of PCCS and exercise of all warrants to ordinary shares where applicable.
(7) Computed based on the net profit attributable to equity holders of the Company and the weighted average number of shares for the respective financial year. The weighted average number of shares excluded 307,682 shares in the Company held by a subsidiary since August 2018 which are accounted for as treasury shares in the consolidated financial statements of the Group in accordance with IAS32 *Financial Instruments: Presentation.*
(8) For comparative purposes, the number of ordinary shares for the prior years have been adjusted to include the effect of the issue of one bonus share for every ten (10) existing ordinary shares in April 2018.
(9) Final tax-exempt (one-tier) ordinary dividends proposed for FY2019 will be subject to the approval of the ordinary shareholders at the forthcoming annual general meeting.

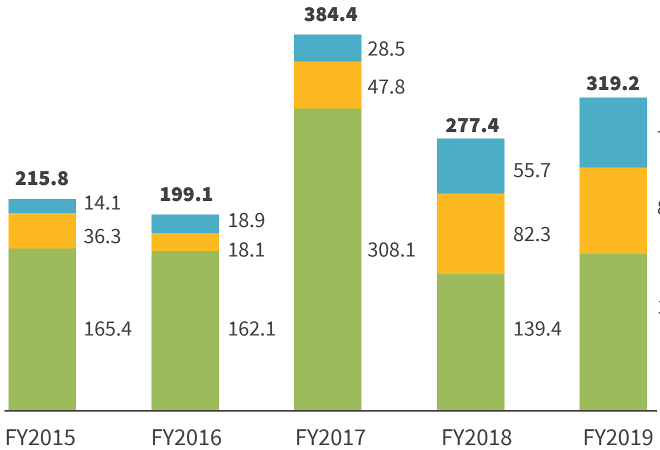
FINANCIAL HIGHLIGHTS

FY2019 REVENUE BY SEGMENT
(S$'MILLION)

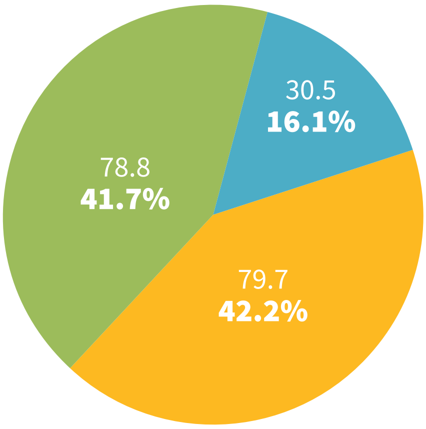


TOTAL:
S$319.2 MILLION

REVENUE BY SEGMENT
(S$'MILLION)

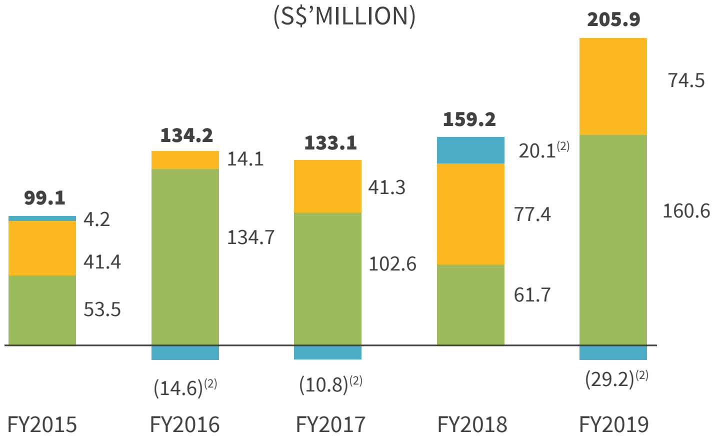


FY2019 GROSS PROFIT BY SEGMENT
(S$'MILLION)



TOTAL:
S$189.0 MILLION

SEGMENT PROFIT BEFORE TAX[1]
(S$'MILLION)

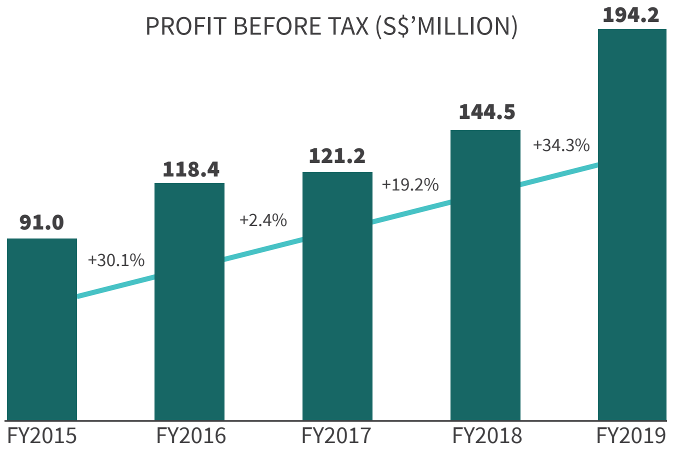


(1) This is excluding unallocated expenses of S$11.7 million (FY2018: S$14.7 million, FY2017: S$11.9 million, FY2016: S$15.8 million and FY2015: S$8.1 million)

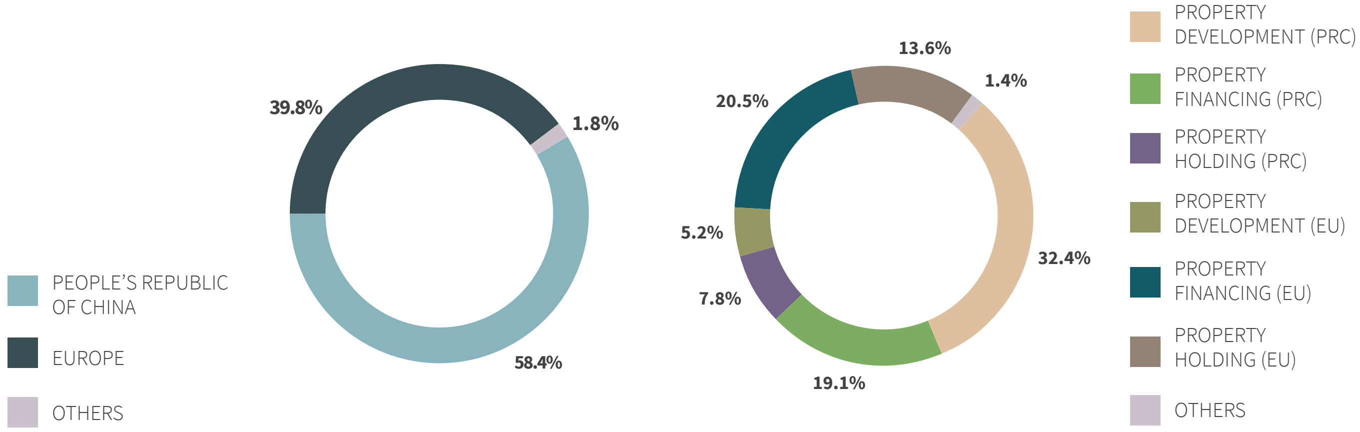
(2) This is net of impairment charge of S$46.2 million (FY2018: S$14.1 million, FY2017: S$9.3 million, FY2016: S$10.3 million and FY2015: Nil), depreciation charge of S$9.0 million (FY2018: S$5.8 million, FY2017: S$5.1 million, FY2016: S$1.2 million and FY2015: S$1.2 million) and pre-opening expenses and base stocks written off in relation to the Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel and a hotspring facility within the Millennium Waterfront project of S$1.4 million (FY2018: Nil, FY2017: S$3.2 million, FY2016: S$4.9 million and FY2015: Nil)

PROPERTY DEVELOPMENT
PROPERTY FINANCING
PROPERTY HOLDING

PROFIT BEFORE TAX (S$'MILLION)

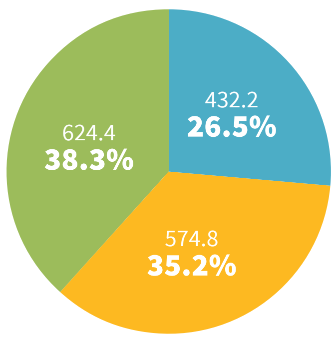


TOTAL ASSETS – BY BUSINESS AND GEOGRAPHICAL SEGMENTS
AS AT 31 DECEMBER 2019



TOTAL: S$2,760.5 MILLION

NET ASSETS BY SEGMENT
AS AT 31 DECEMBER 2019[3]
(S$'MILLION)

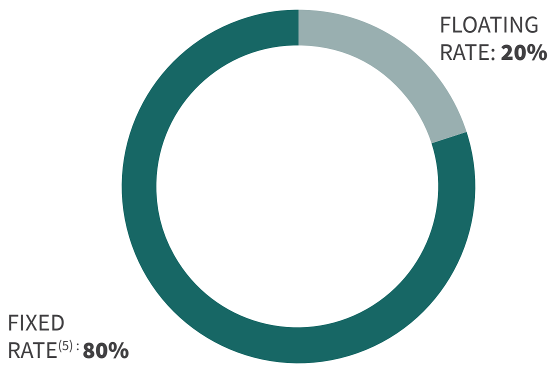


TOTAL:
S$1,631.4 MILLION

PROPERTY DEVELOPMENT | PROPERTY FINANCING | PROPERTY HOLDING

[3] This is excluding unallocated net liabilities of S$32.8 million

DEBT[4] COMPOSITION - FIXED vs FLOATING RATE
AS AT 31 DECEMBER 2019
(ALL UNSECURED)



TOTAL:
S$628.9 MILLION

[4] Debt represents gross borrowings
[5] Done via cross currency swaps

CHAIRMAN'S STATEMENT

First Sponsor achieved a record net profit of S$167.1 million for FY2019, an increase of 47.9% over that of FY2018. In recognition of the good results, the Board is recommending a final tax-exempt (one-tier) dividend of 1.6 Singapore cents… an increase of 23.1% over that of FY2018. With a low gearing and ample credit headroom of S$410.2 million… the Group is ready to expand its footprint in existing and new established regions that may offer good opportunities.

Dear Shareholders,

On behalf of the Board of Directors, I am delighted to report that the Group achieved a record net profit of S$167.1 million for FY2019, an increase of 47.9% over that of FY2018. In recognition of the good results, the Board is recommending a final tax-exempt (one-tier) dividend of 1.6 Singapore cents per ordinary share which represents an increase of 23.1% from the final dividend for FY2018. If the proposed final dividend is approved, the total dividend payout for FY2019 will add up to 2.7 Singapore cents per ordinary share. Since its IPO in July 2014, the Company has steadily increased its total annual dividend payout in line with the good performance of the Group.

FY2019 was an eventful year with a number of firsts for the Group. In January 2019, the Group acquired its first hospitality asset in Milan, Italy - a bare shell 65-room hotel located in the heart of Milan city centre, which is in the midst of being converted into a hostel with over 280 beds. Subsequently in June 2019, the Group commenced operations of its first owner-managed hotel, the Hampton by Hilton Utrecht Centraal Station in the Netherlands, which performed well in its first six months of operations. November 2019 then saw the Group entering into its first Australian property development project to redevelop the iconic 125-year old City Tattersalls Club in Sydney. In addition to taking an equity stake of 39.9% in the property development project, the Group expanded on its Australia property financing business via the provision of a A$370.0 million construction financing facility to fund the project. On the PRC property financing front, the Group successfully resolved the Case 1 defaulted loan, maintaining its track record of not having incurred any bad debt loss. The PRC property financing business also achieved a record average loan book of RMB2.2 billion for FY2019, which is a 40% increase over the previous year's average loan book of RMB1.6 billion.

The year also saw the Group increasing its investment in the Dongguan property development market. In February 2019, the PRC government unveiled the timeline for the development of the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA"). As part of the GBA plan, Hong Kong and 10 other cities in the Pearl River Delta area within a two-hour radius of Hong Kong (comprising Macau, Guangzhou, Shenzhen, Zhuhai, Dongguan, Huizhou, Zhongshan, Foshan, Zhaoqing and Jiangmen) will boost collaboration by 2022 in areas including the central pillars of science and technology, intellectual property rights and even ecological conservation. The GBA is envisaged to be developed into a cluster of vibrant world-class cities with an economic system largely driven by innovation by 2035. Given the affirmative vision, the Group is upbeat on the Dongguan residential market and has further increased its Dongguan property development exposure in 2019 with the acquisition of The Pinnacle, Chang'an and the Skyline Garden, Wanjiang (formerly known as Wanjiang Victory Land) projects. Both projects are expected to be launched for pre-sales in the course of 2020. The Group also entered into a property development and financing transaction with the Sunac group in December 2019 which is expected to be completed during the first half of 2020. While the Group is keen to further expand its Dongguan exposure to capitalise on the positive outlook of Dongguan arising from the GBA development plan, the Group is mindful that concerns over Covid-19 may dampen demand for housing in the current year.

In May 2019, the Group successfully completed its second rights issue which raised net cash proceeds of S$146.4 million. This has further strengthened the Group's balance sheet and has armed the Group with the necessary financial resources to capitalise on any good business opportunities.

Group Performance

The Group recorded revenue and net profit of S$319.2 million (FY2018: S$277.4 million) and S$167.1 million (FY2018: S$113.0 million) respectively for FY2019. Revenue for FY2019 was driven by growth in all of the Group's three core businesses with the property holding business segment recording close to a 30% increase, underpinned by the Bilderberg Bellevue Hotel Dresden acquired in late March 2019 and its owner-managed Hampton by Hilton Utrecht Centraal Station which commenced operations in June 2019. The property development business segment registered close to a 15% growth as a result of a higher number of residential and commercial units in the Chengdu Millennium Waterfront project being handed over during the year. The Group's property financing business remained a key contributor to the Group's profitability, delivering a record high of S$79.7 million in gross profit which accounts for 42% of the Group's FY2019 total gross profit.

As at 31 December 2019, the total equity of the Group (inclusive of perpetual convertible capital securities of S$146.5 million) amounted to S$1.6 billion. As at 31 December 2019, the Group's consolidated gross borrowings was S$628.9 million and the Group's consolidated net gearing ratio based on book value was 0.20 times.

Foreign exchange exposure to RMB remains one of the key risks that the Group faces. Unlike its European and Australian investments which are fully hedged via a combination of local currency-denominated borrowings and financial derivatives such as cross-currency swaps and foreign currency forward swaps, the Group's RMB denominated net assets remain largely unhedged as the cost of hedging remains prohibitive. However, the Group will continue to monitor the situation closely and adjust its RMB hedging strategy accordingly. RMB depreciated against S$ in 2019 resulting in a translation loss of S$33.3 million recorded in FY2019. As at 31 December 2019, the Group recorded a cumulative translation loss of S$18.6 million (Dec 2018: gain of S$12.9 million) arising mainly from the Group's exposure to RMB.

Property Development

In FY2019, the property development segment generated a net revenue of S$160.0 million (FY2018: S$139.4 million) and a gross profit of S$78.8 million (FY2018: S$65.7 million). The increase in both revenue and gross profit was due mainly to a higher number of residential and commercial units in the Chengdu Millennium Waterfront project being handed over during the year.

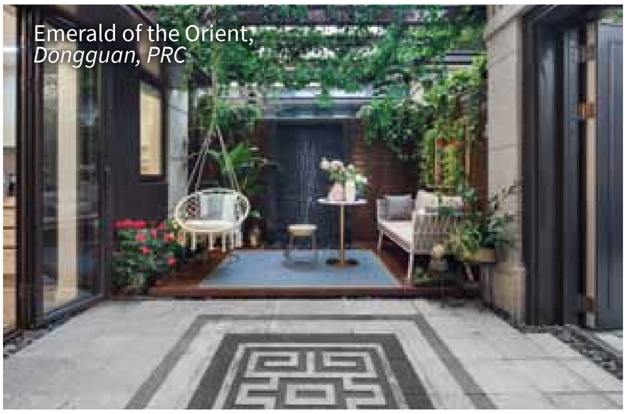
In Dongguan, the Star of East River ("SoER") and Emerald of the Orient ("EoO") projects have achieved stellar residential sales results, thereby substantially de-risking both projects.

Star of East River, Dongguan, PRC

All but 5 out of the 1,221 residential units of the SoER project sold were handed over in 2019. 95.1% of the 1,931 SOHO apartments and 74.8% of the 612 office units launched for sale have been sold. In addition, 88% of the 31,000 sq m retail mail, named "首铸。万科广场", commenced operations in late September 2019. 97.9% of the operating retail spaces was leased out at the end of 2019. Handover of the SoER project is expected to continue in 2020 and 2021.

Based on artist's impression of
Star of East River,
Dongguan, PRC

Emerald of the Orient, Dongguan, PRC



Emerald of the Orient,
Dongguan, PRC

The sales performance of the EoO project is as impressive with the sale of all 137 villas and 99.2% of 674 residential apartments that were launched for sale, excluding the 180 residential apartments from the remaining block which were recently launched for pre-sale on 20 March 2020. In accordance with the land tender conditions, 31 villas and 222 residential apartments will be retained and will only be launched for sale after the expiry of the required minimum holding period of five years commencing after the housing title certificates are obtained. The pre-sold apartments and villas are expected to be handed over from late 2020/early 2021.

The Pinnacle, Dongguan, PRC

Based on artist's impression of
The Pinnacle,
Dongguan, PRC

In May 2019, the Group acquired a 60% equity interest in three adjacent plots of mixed use development land in Chang'an, Dongguan. The project named "The Pinnacle", which is managed by the Group, is expected to comprise eight blocks of 607 residential apartments, 226 SOHO units and approximately 3,000 sq m of retail space which are currently under development. The residential blocks are expected to be launched for pre-sale in 2Q2020. Handover of the project is expected to be carried out in phases from 2021.

Emerald of the Orient,
Dongguan, PRC

Skyline Garden, Dongguan, PRC

Following the acquisition of the 60% equity stake in The Pinnacle, the Group and, among others, a wholly-owned subsidiary of China Poly Group, a PRC-based company listed on the Shanghai Stock Exchange with a market capitalisation of approximately S$34.4 billion as at 23 March 2020, entered into a joint venture to develop the Skyline Garden project located in Wanjiang district of Dongguan, which is approximately 600 metres away from the Group's SoER project.

The property development project, in which the Group holds a 27% equity stake, has a total GFA of approximately 214,700 sq m and is expected to comprise five residential blocks of 1,163 residential apartments, seven blocks of 1,715 SOHO apartments and 4,400 sq m of commercial space. Development of the project is on track and pre-sale of the residential component is expected to commence from late 2020. In accordance with the land tender conditions, all SOHO apartments and commercial space will be retained and will only be launched for sale after the expiry of a minimum holding period commencing two years after the housing title certificates are obtained.

Approximately four months after the successful land tender of the Skyline Garden site, a mixed use development site adjacent to the Skyline Garden project was sold in a public land tender at a land price of approximately RMB18,500 psm, which is a premium of more than 28% over that of the Skyline Garden project. In addition to the higher land cost, the winning bidder is required to build and return 5% of the residential GFA to the Dongguan municipal as part of the competitive bid terms.


Based on artist's impression of Skyline Garden, *Dongguan, PRC*


Based on artist's impression of Skyline Garden, *Dongguan, PRC*

Sunac JV Project, Dongguan, PRC

In December 2019, the Group signed a cooperation agreement with, among others, subsidiaries of the renowned developer, Hong Kong listed Sunac China Holdings Limited, in relation to an ongoing predominantly residential development project in Dongguan. The project comprises approximately 86,000 sq m of saleable residential GFA.

The Group will take a 30% equity interest in the project and extend a property financing loan to finance the property development project. Completion of the acquisition of the 30% equity interest in the project is subject to certain conditions precedent which are expected to be satisfied in 1H2020. The project commenced pre-sale in December 2019 and results have been good.

Millennium Waterfront Project, Chengdu, PRC

The Group has sold and recognised profit from the handover of all 7,302 residential units in Plots A to D of the Chengdu Millennium Waterfront project. While the residential component of the project has a remaining carpark inventory of 3,752 lots, these parking lots are carried at "nil" cost on the Group's balance sheet. A sale of these parking lots will provide additional value to the Group.

For Plot F, 59.6% of the SOHO loft units has been sold since its pre-sale launch in August 2019. In addition, 156 units were sold to a bulk buyer in mid-January 2020. The development which comprises 15 floors of 807 SOHO loft units and five floors of over 25,000 sq m of saleable retail and commercial space, is expected to be handed over in phases from early 2021.

The Group continues to evaluate its development options for Plot E, the last development plot of the Chengdu Millennium Waterfront project.

Based on artist's impression of Plot F, Millennium Waterfront, *Chengdu, PRC*

Based on artist's impression of
City Tattersalls Club
Sydney, Australia

City Tattersalls Club, Sydney, Australia

In November 2019, the Group led a consortium of investors in partnering with Australia's ICD Property to redevelop the iconic 125-year old City Tattersalls Club ("Club") in Sydney, marking the Group's first Australian property development project. Besides holding an equity stake of 39.9% in the project development trust which will undertake the renovation of the Club's premises and develop the airspace above into a hotel and residential apartments in return for a development fee calculated based on the gross proceeds from the sale of the residential apartments and any other income or gain arising from the residential apartments less certain agreed deductions, the Group will also provide a A$370.0 million construction financing facility to fund the project.

The project has received the approval for its Stage 1 concept development application and construction of the project is expected to start in 2022, assuming a successful Stage 2 development application process during the year.

Redevelopment of Dreeftoren, Amsterdam Southeast, the Netherlands

The Group has obtained an irrevocable building permit to redevelop and increase the net lettable floor area of the Dreeftoren Amsterdam office property by approximately 74%. While the Group had encountered an objection from a neighbouring property owner to the proposed development of an adjacent new 312-unit residential tower on the carpark site of the Dreeftoren office late last year, the objection was recently resolved with the help of the local municipality. The building permit for the residential development has become irrevocable.

Prior to the rapid spread of Covid-19 to Europe, a key risk to the Group's property development projects in the Netherlands was the rising construction costs due to the strong market demand. The Group will closely monitor the construction market and only commence construction if it is able to secure a construction contract at a reasonable contract price.

Based on artist's impression of Dreeftoren,
Amsterdam Southeast, the Netherlands

Property Holding

The Group's property holding business segment recorded good double digit growth of 29% and 39% increase in revenue and gross profit to S$71.8 million and S$30.5 million respectively in FY2019. The increase was due mainly to profit contributions from the newly acquired Bilderberg Bellevue Hotel Dresden acquired in late March 2019 and the Hampton by Hilton Utrecht Centraal Station which commenced operations in June 2019.

Income from the Group's European property portfolio increased by 4.7% in FY2019 to S$62.8 million (FY2018: S$60.0 million), mainly bolstered by the contributions from the delivery of the newly developed Oliphant, the Munthof Amsterdam offices, the Hampton by Hilton Utrecht Centraal Station and the Bilderberg Bellevue Hotel Dresden. The Group expected further growth of its European recurrent income base with the full year contributions from the abovementioned properties, the expected delivery of the Crowne Plaza Utrecht Centraal Station in 2Q2020 and the Dreeftoren Amsterdam office as well as the Puccini Milan youth hostel in due course. However, this positive outlook did not take into account the effects of the Covid-19 pandemic. With the economic uncertainties resulting from the Covid-19 pandemic, the Group believes that this positive outlook will be adversely affected. As at 31 December 2019, the Dutch office portfolio and European leased hotels had a weighted average lease term of approximately 9.6 years.

The Netherlands

The Bilderberg Hotel Portfolio, comprising 11 owned hotels, recorded a gross operating profit ("GOP") of €18.9 million (S$28.9 million) for the year, a 13% decrease from FY2018 on a "like for like" basis. The 13% decrease was due to additional expenses resulting from the outsourcing of IT and other shared services to the hotel manager with effect from June 2019 in connection with the restructuring of the Bilderberg head office operations. After such outsourcing, certain expenses of the Bilderberg head office operations incurred below the GOP line will no longer be applicable.

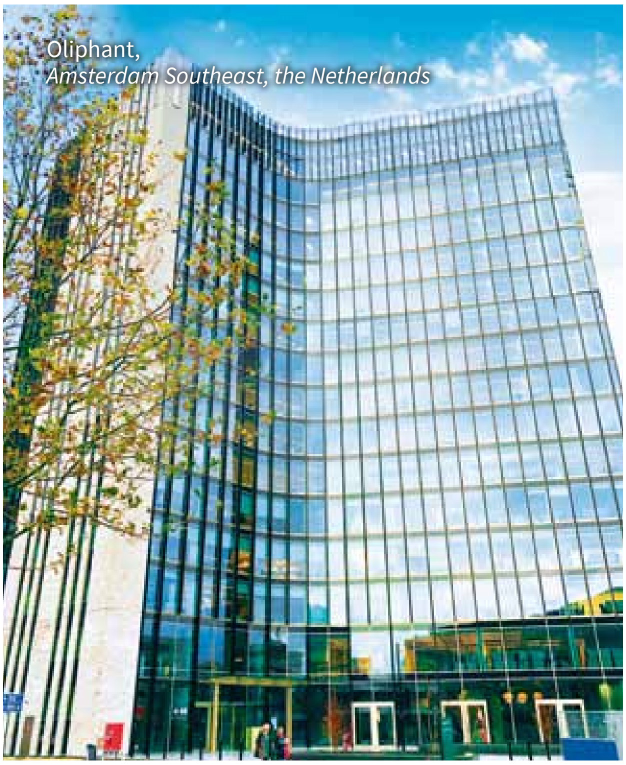
Due to the limited availability of contractors and significant cost increase, several capital expenditure programs planned for FY2019 were delayed and will be carried out in FY2020 subject to the Group being able to secure construction contracts at a reasonable contract price.

The Hilton Rotterdam performed consistently with a slight increase in both occupancy and average daily rate that resulted in a GOP increase of €0.1 million (S$0.2 million) to €4.9 million (S$7.5 million) in FY2019.

Hilton Rotterdam Hotel,
Rotterdam, the Netherlands

The 193-room Hampton by Hilton Utrecht Centraal Station traded well with an average occupancy of 77.1% since its opening in mid-June 2019 and achieved a GOP of €1.2 million (S$1.8 million) in FY2019. The Group looks forward to the completion of the 144-room Crowne Plaza Utrecht Centraal Station in 2Q2020 which will also be owner-managed and which is within the same building as the Hampton by Hilton Utrecht Centraal Station.

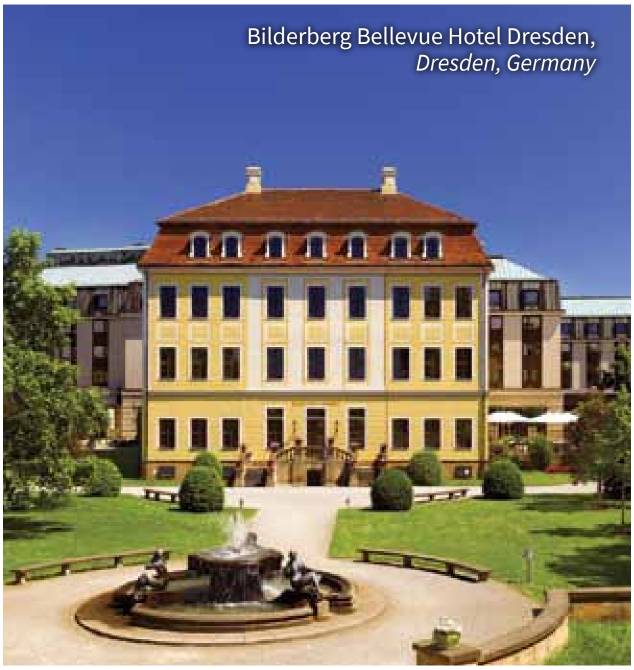
In relation to the Group's hotel operations in the Netherlands, the Group intends to avail itself to the applicable schemes implemented by the Dutch government in response to Covid-19, including a wage subsidy scheme pursuant to which an employer can apply for compensation of part of its employee wage costs depending on the loss of turnover, for a period of three months from 1 March 2020, with a possibility for extension for another three months. This will help mitigate the operating costs of the Group's Dutch hotels. The Group however does not rule out the possibility that it may suspend the operations of some of its Dutch hotels in the future, depending on how the Covid-19 situation evolves.



Oliphant,
Amsterdam Southeast, the Netherlands

The newly developed Oliphant Amsterdam office, the net lettable area of which increased by 50% to 21,136 sq m, is 98% leased with a WALT of approximately 9.7 years as at 31 December 2019. The sale by the Group of the Oliphant Amsterdam to its 33%-owned associated company, FSMC, was completed in November 2019. The disposal generated a profit of S$53.3 million while allowing the Group to retain a meaningful stake for future capital appreciation and recurrent income.

Germany



Bilderberg Bellevue Hotel Dresden,
Dresden, Germany

The Westin Bellevue Dresden Hotel was rebranded to Bilderberg Bellevue Hotel Dresden with effect from 1 January 2020. The rebranding of the hotel will result in cost savings and further expand the Bilderberg brand in Europe.

Subsequent to its acquisition in March 2019, the Group embarked on a refurbishment program for 326 (out of 340) rooms in the hotel. Work commenced in July 2019 and the first 2 phases involving the refurbishment of 224 rooms were completed in November 2019. The last phase involving the refurbishment of the remaining 102 rooms is currently underway and is due to be completed by April 2020.

To help combat the spread of Covid-19, the State of Saxony implemented a state ordinance pursuant to which lodging shall only be permitted for necessary purposes (excluding touristic purposes). In view of the state ordinance (which will apply at least until 20 April 2020) and as part of the Group's cost containment strategy, the Group suspended the operations of the Bilderberg Bellevue Hotel Dresden on 23 March 2020. The suspension is expected to continue up to 30 April 2020. The Group will also apply for the applicable economic support packages offered by the German government.

The PRC

The Wenjiang hotels achieved a 37% increase in GOP underpinned by profitability in both the room and F&B business segments in FY2019. However, the outbreak of Covid-19 in early 2020 has adversely impacted the hotel and hotspring operations. The Holiday Inn Express Chengdu Wenjiang Hotspring Hotel and the adjoining hotspring have suspended their operations since late January 2020 as a precautionary measure to curb the spread of the virus.

Property Financing

On the property financing business front, the Group registered revenue and gross profit amounting to S$87.4 million and S$79.7 million respectively in FY2019. The positive growth was driven by a record PRC average loan book achieved for the year and the recognition of associated net penalty interest income from the resolved Case 1 defaulted loan. The Group maintained its track record of not having incurred any bad debt loss and its PRC property financing loan book stood at RMB2.4 billion as at 31 December 2019.

Subsequent to the disbursement of a A$50.0 million loan in late 2018, secured on a prime income producing property located on Collins Street, Melbourne, the Group further expanded its Australia property financing business footprint in FY2019 as it committed to provide a A$370.0 million construction financing facility to fund the iconic City Tattersalls Club redevelopment project along Pitt Street, Sydney.

In connection with the economic uncertainties resulting from the Covid-19 pandemic, the Group has consented to two borrowers to defer their interest payment for the short term. The Group will closely monitor the performance of its loan portfolio.

Corporate Social Responsibility

The Crowne Plaza Chengdu Wenjiang Hotel, Holiday Inn Express Chengdu Wenjiang Hotspring Hotel and Hilton Rotterdam hotel teams spearheaded several charity, community and environmental events throughout the year.

One of the key highlights for the Wenjiang hotels was the Good Charity Month event. This was a month long initiative where the hotel teams co-organised events with the local communities which included helping out at stray animal abuse shelters as well as donation drives of learning materials and other essential items for schools to help needy children. In addition, the hotel teams hosted the Love Charity Bazaar event that helped to raise donations to the Soong Ching Ling Foundation ("SCLF"). The SCLF is a public welfare foundation established in 1986 which supports a variety of issues related to the welfare of women and children which include mother and child health care.

The Wenjiang hotels were awarded the prestigious 'Ecology-Efficient Hotel' title which is officially awarded after a strict audit by the China Tourist Hotels Association.

In the Netherlands, volunteers from the Hilton Rotterdam assisted in planning and executing numerous tours and workshops targeted at students across different age groups. These events provided insights into the different departments of the hotel and its operations. The volunteers also donated sandwiches and cash to various charitable Dutch organizations, and visited high schools in Rotterdam to provide interview training for students. These sessions included role-plays and CV reviews that are aimed to help the students build confidence in future job interviews, presentations and CV preparations.

Besides organising and taking part in such community events, the Group also sponsored the building of an old folks home in a poor rural town in Guangdong province and donated cash and essentials to the local Dongguan authorities to help with the Covid-19 situation.

The Group will continue to support programs that will bring communities together, have a socially and environmentally positive impact, or build and foster business-to-community relationships.

Future Prospects

The Board is pleased with the Group's record profit achieved for FY2019. We are also cognizant of the need to build sustainable growth and value for our shareholders. Although the recent signing of the "Phase One" trade deal between the US and the PRC marks a good start to 2020, the outbreak of Covid-19, which started in Wuhan and has spread to various PRC cities and other countries, has disrupted economic activities. As there are signs that the control measures implemented by the PRC government have been effective, the Group is cautiously hopeful that the situation in the PRC will improve. With Europe now being the epicentre of the global Covid-19 pandemic and in view of the related travel restrictions and cancellation of large scale events in Europe, the Group expects its hotel operations in the Netherlands and Germany to be impacted. However, as the situation relating to the spread of Covid-19 remains uncertain, it is currently difficult to ascertain the impact it will have on the financial performance of the Group. The Group will closely monitor the situation and provide updates as soon as there are material developments.

The Group's immediate priority is to ensure the health and safety of its customers and staff at all its properties and will continue to put in place appropriate measures to address this. This also serves as a timely reminder to the Board that the Group must remain prepared for any external adverse factors. It is reassuring that the Group is entering into this uncertain time with a strong balance sheet and banking support. With a low gearing and ample credit headroom of S$410.2 million as at 31 December 2019, the Group is ready to expand its footprint in the regions that the Group has an existing exposure as well as other established regions that may offer good opportunities.

Appreciation

On behalf of the Board, I would like to offer my sincerest gratitude to our shareholders, customers, business associates and partners for their unwavering and continued support. I would also like to thank my fellow Directors for their shared vision, wisdom, experience and guidance and also to the management team and staff for their hard work, dedication and commitment in their efforts to build value for our shareholders. We hope for a successful 2020 and let's stay united to manage all challenges ahead.

Ho Han Leong Calvin
Chairman
23 March 2020

Bilderberg Bellevue Hotel Dresden
Dresden, Germany

RECENT MILESTONES

December 2018 /January 2019

Completed disposal of four non-core Bilderberg hotels in the Netherlands at a premium of more than 140% over their allocated cost.

January 2019

Completed acquisition of Grand Hotel Puccini in Milan, Italy to be refurbished into a hostel to be managed by the Group.

March 2019

Completed acquisition of Westin Bellevue Dresden Hotel in Germany, subsequently rebranded as Bilderberg Bellevue Hotel Dresden in January 2020.

May 2019

Completed acquisition of a 60% equity interest in a mixed property development site in Chang'an, Dongguan, PRC (The Pinnacle).

May 2019

Completed equity fund raising by way of (i) a 1-for-7 rights issue of 3.98% perpetual convertible capital securities with free detachable warrants, which raised gross cash proceeds of approximately S$147.6 million; and (ii) a 1-for-10 bonus issue of warrants. Each warrant is exercisable into 1 ordinary share within 5 years from the date of issue at an exercise price of S$1.30.

RECENT MILESTONES

June 2019

Commencement of operations of the Group's first owner-managed hotel, Hampton by Hilton Utrecht Centraal Station in the Netherlands.

June 2019

Entered into a joint venture with Poly Group to develop the Skyline Garden development project in Wanjiang, Dongguan, PRC.

August 2019

Launched for pre-sale, the SOHO loft units at Plot F of the Millennium Waterfront project in Chengdu, PRC.

October 2019

Successful recovery of Case 1 defaulted loan, maintaining a track record of no bad debt loss.

November 2019

Entered into a joint venture to redevelop the iconic City Tattersalls Club project along Pitt Street in Sydney, marking the Group's first foray into the Australia property development scene.

November 2019

Completed disposal of Oliphant, Amsterdam in the Netherlands at a premium of 67% over cost, to FSMC, a 33%-owned associated company.

December 2019

Achieved record PRC property financing full year average loan book of RMB2.2 billion.


food court level

Based on artist's impression of
City Tattersalls Club
Sydney, Australia

BOARD OF DIRECTORS

Mr Ho Han Leong Calvin
Age 68
Non-Executive Chairman

Mr Ho was appointed as the Non-Executive Chairman of the Company on 2 April 2015. Prior to this, Mr Ho served as the Non-Executive Vice-Chairman of the Company since 1 October 2007.

Mr Ho has accumulated extensive experience during his tenure as Chief Executive Officer of Singapore-incorporated Tai Tak Estates Sendirian Berhad ("Tai Tak"), having been involved in its businesses, including in plantations, listed and private equities, and property holding and development. He has also been instrumental in assisting the Group's senior management in the conceptualisation and setting of the strategic direction and corporate values of the Group.

Mr Ho holds a Higher National Diploma in Business Studies from Polytechnic of The South Bank, United Kingdom.

Mr Ho Han Khoon
Age 58
Alternate Director to Non-Executive Chairman

Mr Ho was appointed as an Alternate Director to Mr Ho Han Leong Calvin on 19 May 2014. He is currently holding the position of Executive Vice-President of Tai Tak, where he is responsible for overseeing Tai Tak group's overall business and financial strategy, investments and operations.

Mr Ho holds a Bachelor of Social Sciences Degree with Honours from the National University of Singapore.

Mr Kingston Kwek Eik Huih
Age 38
Non-Executive Director

Mr Kwek was appointed as a Non-Executive Director of the Company on 5 March 2019.

Mr Kwek is a private investor in the stock market as well as in the tech and private equity space. Mr Kwek previously worked at Hong Leong Management Services Pte Ltd, a subsidiary of Hong Leong Group Singapore which provides management, consultancy and other services to members of Hong Leong Group Singapore from 2010 to 2012, where he held the position of Assistant Vice President (Investment). He was also a director of various subsidiaries of Hong Leong Group Singapore.

Mr Kwek currently sits on the board of Beijing Fortune Hotel Co. Ltd., an indirect subsidiary of Millennium & Copthorne Hotels Limited (formerly known as Millennium & Copthorne Hotels plc), which owns and operates hotels in the PRC, and is an alternate director of Welland Investments Limited, an indirect subsidiary of City Developments Limited ("CDL") which engages in UK-directed real estate investments. He is also a Governor of Hong Leong Foundation, the charity arm of Hong Leong Group Singapore.

Mr Kwek holds a Master of Arts degree from Columbia University, a Bachelor of Science degree from the Wharton School of Business and a Bachelor of Arts degree from the University of Pennsylvania. Mr Kwek is the son of Mr Kwek Leng Beng, the Executive Chairman of CDL.

Mr Neo Teck Pheng
Age 49
Group Chief Executive Officer and
Executive Director

Mr Neo was appointed as the Group Chief Executive Officer and Executive Director of the Company on 1 October 2007. He has overall responsibility for management, operations and growth of the Group's businesses.

Mr Neo began his career with KPMG in 1994. In 1996, he joined Hong Leong Group Singapore and held various roles within Hong Leong Group Singapore. He was also previously the board member of various entities within Hong Leong Group Singapore.

Mr Neo holds a Bachelor of Accountancy Degree (First Class Honours) from Nanyang Technological University, Singapore.

Ms Ting Ping Ee, Joan Maria
Age 64
Independent Director

Ms Ting was appointed as an Independent Director of the Company on 19 May 2014. She is currently an Independent Director of Grand Union Holdings and Investments Incorporated.

Ms Ting had spent her entire career from 1977 to 2013 at DBS Bank.

Prior to opting for early retirement in June 2013, she held the position of Managing Director, Head Corporate Credit Group with responsibility for the development, organisation and oversight of the credit approval and credit risk management functions of portfolios under Investment Banking, Financial Institutions including banks and Private Banking.

During her career with DBS Bank she had management responsibility and worked in various departments including Corporate Finance, Corporate Banking including Trade Services and Funds Transfer Operations, Global Operations Centre (responsible for the operations of all the overseas branches of DBS Bank including China, India, Taiwan, Indonesia, Malaysia, Seoul, Tokyo, London and USA), Chairman's Office and Group Credit.

Ms Ting graduated with a Bachelor of Accountancy (Honours) from the University of Singapore. She had previously served as a committee member of the Financial Industry Competency Standards Committee (and Chairman of the FICS Corporate banking Sub-Committee), the Association of Banks in Singapore/ Corporate Banking Committee, Singapore Shipping Association and the Singapore Business Federation/ Services Industries Executive Committee. She also held past directorships in Ecobulk Shipping Sdn Bhd, Singapore Petroleum Company, CWT Ltd, Singapore Biotech Ltd and Grandland Shipping Limited.

Mr Yee Chia Hsing
Age 48
Lead Independent Director

Mr Yee was appointed as the Lead Independent Director of the Company on 19 May 2014. He is currently Head, Catalist of CIMB Bank Berhad, Singapore Branch, a position he has held since early 2011. At CIMB Bank, he is responsible for the introduction, supervision and continuing sponsorship of Catalist companies on the SGX-ST. Mr Yee has more than 20 years of experience in the banking and finance industry.

Mr Yee holds a Bachelor of Accountancy Degree (First Class Honours) from the Nanyang Technological University, Singapore. He currently serves on the Audit Committee of Ren Ci Hospital (a Singapore charity) and is an Independent Director of Ezion Holdings Limited (a company listed on SGX-ST).

Mr Yee is an elected Member of Parliament for Chua Chu Kang Group Representation Constituency in Singapore.

Mr Wee Guan Oei Desmond
Age 49
Independent Director

Mr Wee was appointed as an Independent Director of the Company on 6 February 2017. He is a partner and head of the Corporate Commercial Practice Group of Rajah & Tann Singapore LLP specialising in mergers and acquisitions, general commercial law and labour law. Mr Wee also has a particular focus in foreign direct investments into the emerging Asian economies. Mr Wee also has prior experience as a commercial litigator as well as being the group regional legal counsel of a Hong Kong public listed company.

Mr Wee is currently the Non-Executive Chairman, Independent Director and Audit Committee member of Popular Holdings Limited. He is also a Non-Executive Director of Spartans Rugby Singapore Limited.

Mr Wee graduated with a Bachelor of Laws (Honours) from the University of Nottingham in 1994 and is admitted as an Advocate and Solicitor of the Supreme Court of Singapore and as a Barrister-at-law, Middle Temple in the United Kingdom.

SENIOR MANAGEMENT

Ms Lee Sau Hun
Group Chief Financial Officer

Ms Lee was appointed as the Group Chief Financial Officer of the Company in May 2011.

Ms Lee began her career at PricewaterhouseCoopers where her last held position was senior manager. Ms Lee then joined Hong Leong Management Services Pte. Ltd. as Vice-President (Investment) between January 2006 and April 2011, where she engaged in corporate advisory services within Hong Leong Group Singapore. She was also a director of various subsidiaries of Hong Leong Group Singapore prior to the listing of the Company.

Ms Lee holds a Bachelor of Accountancy Degree (Second Class Honours) from Nanyang Technological University, Singapore.

Mr Wang Gongyi
Chief Executive Officer (Chengdu Operations)

Mr Wang was appointed as the Chief Executive Officer (Chengdu Operations) of the Group in October 2011. He oversees the management and operations of the Group's business in Chengdu, PRC.

Prior to that, from June 1998 to May 2011, Mr Wang held the position of general manager of the former candy business operations of the Group, in charge of its general management and operations.

Mr Wang holds a Bachelor Degree in Machinery Design and Manufacturing from Sichuan Chengdu University, Chengdu, PRC. Mr Wang also achieved several awards, including the Sichuan Provincial Fourth Session of Excellent Entrepreneur award and the Model Worker award granted by the Sichuan Provincial Government.

Mr Shu Zhen
Chief Executive Officer (Guangdong Operations)

Mr Shu was appointed as the Chief Executive Officer (Guangdong Operations) of the Group in August 2012. Mr Shu is currently responsible for overseeing the Group's business operations in Dongguan, PRC.

Mr Shu first joined the Group in December 2007 as a Director and Vice-President of the Group's subsidiary, First Sponsor (Guangdong) Group Limited.

Mr Shu holds a Graduation Certificate in China Finance and Futures Higher Level Study from Beijing University, School of Economics, PRC.

Ms Zhang Jing
Chief Executive Officer (Shanghai Operations)

Ms Zhang was appointed as the Chief Executive Officer (Shanghai Operations) of the Group in November 2011. From her Shanghai office, Ms Zhang is responsible for the management and expansion of the Group's property financing business in the PRC.

Ms Zhang has extensive experience in the PRC financing and leasing operations from her role as general manager in various financing companies prior to joining the Group.

Ms Zhang holds a Bachelor Degree in Economics from the School of Economics, Aoyama Gakuin University, Japan.

Mr Alexander Barentsen
Chief Executive Officer (European Operations)

Mr Barentsen was appointed as the Chief Executive Officer (European Operations) of the Group in July 2019. He is based in Amsterdam, the Netherlands, and is currently responsible for the management and operations of the Group's business in Europe.

Mr Barentsen joined the Group from Queens Bilderberg (Nederland) B.V. ("QBN") which holds the Bilderberg hotel portfolio, which was acquired by the Group in 2017. Shortly after the acquisition, he was promoted to Managing Director of QBN, after having held the positions of Finance Director and Director of Property & Development in 2012 and 2005 respectively. Prior to this, from 2001, he was in internal audit and carried out several finance and projects roles at Queens Moat Houses plc, the previous owner of QBN.

Mr Barentsen holds an Executive Master of Real Estate (MRE) from TiasNimbas, the business school of Tilburg University (the Netherlands) in association with Eindhoven University of Technology (the Netherlands), a Master of Business Administration in International Hospitality Management from IMHI (France), jointly administered by Cornell University School of Hotel Administration (USA) and The ESSEC Business School (France), and a Bachelor of Business Administration from the School of Hotel Management Maastricht (the Netherlands).

Emerald of the Orient
Dongguan, PRC

PROFILE

First Sponsor Group Limited was incorporated in the Cayman Islands on 24 September 2007 as an exempted company with limited liability under the Cayman Companies Law. The Company is a public company listed on the Main Board of the Singapore Exchange Securities Trading Limited on 22 July 2014.

KEY CONTROLLING SHAREHOLDERS

The Group is supported by both its established key controlling shareholders, the **Hong Leong group of companies** ("Hong Leong Group Singapore"), through its shareholding interests in City Developments Limited, and **Tai Tak Estates Sendirian Berhad** ("Tai Tak").

Hong Leong Group Singapore is a globally diversified conglomerate. Its core businesses include investment holding, property holding and development, hotel ownership and management, hospitality real estate management, financial services, manufacturing, trading and distribution.

Tai Tak is a private company with a long operating history which was incorporated in Singapore in 1954. It currently invests in a wide range of businesses, including plantations, listed and private equities and property holding and development.

FIRST SPONSOR GROUP LIMITED
(Cayman Islands)
(including a branch in Singapore)

SINGAPORE

14 Subsidiary Companies (include a Private Trust)

1 Associated Company

3 Joint Ventures

PEOPLE'S REPUBLIC OF CHINA

11 Subsidiary Companies

5 Associated Companies

1 Joint Venture

EUROPE

THE NETHERLANDS

8 Subsidiary Companies

44 Associated Companies

GERMANY

3 Subsidiary Companies

1 Joint Venture

1 Joint Venture Limited Partnership

ITALY

1 Subsidiary Company

OTHERS

BRITISH VIRGIN ISLANDS

7 Subsidiary Companies

1 Associated Company

HONG KONG

4 Subsidiary Companies

AUSTRALIA

2 Associated Companies (include a Private Trust)

Note: The above shareholding includes direct and indirect shareholdings.

CORPORATE DIRECTORY

BOARD OF DIRECTORS
Mr Ho Han Leong Calvin
Non-Executive Chairman

Mr Ho Han Khoon
Alternate Director to Mr Ho Han Leong Calvin

Mr Kingston Kwek Eik Huih
Non-Executive Director

Mr Neo Teck Pheng
Group Chief Executive Officer and Executive Director

Ms Ting Ping Ee, Joan Maria
Independent Director

Mr Yee Chia Hsing
Lead Independent Director

Mr Wee Guan Oei Desmond
Independent Director

AUDIT AND RISK COMMITTEE
Mr Yee Chia Hsing – *Chairman*
Ms Ting Ping Ee, Joan Maria
Mr Ho Han Leong Calvin
(Mr Ho Han Khoon – Alternate Director to Mr Ho Han Leong Calvin)

NOMINATING COMMITTEE
Ms Ting Ping Ee, Joan Maria – *Chairperson*
Mr Yee Chia Hsing
Mr Neo Teck Pheng

REMUNERATION COMMITTEE
Mr Wee Guan Oei Desmond – *Chairman*
Ms Ting Ping Ee, Joan Maria
Mr Ho Han Leong Calvin
(Mr Ho Han Khoon – *Alternate Director to Mr Ho Han Leong Calvin*)

COMPANY SECRETARY
Ms Goh Siew Geok

SHARE REGISTRAR & SHARE TRANSFER OFFICE
Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte. Ltd.)
80 Robinson Road, #02-00
Singapore 068898
Tel: (65) 6236 3333
Fax: (65) 6236 4399

REGISTERED OFFICE
P.O. Box 31119, Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

BUSINESS ADDRESS
63 Market Street, #06-03
Bank of Singapore Centre
Singapore 048942
Tel: (65) 6436 4920
Fax: (65) 6438 3170

AUDITORS
KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
(Partner-in-charge: Mr Koh Wei Peng, appointment commenced from the audit of the financial statements for the year ended 31 December 2015)

PRINCIPAL BANKERS
Bank of China
China Construction Bank
DBS Bank Ltd
Industrial and Commercial Bank of China
ING Bank N.V.
Oversea-Chinese Banking Corporation Limited
Sumitomo Mitsui Banking Corporation, Singapore Branch
The Bank of East Asia, Limited, Singapore Branch
The Hong Kong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

Hampton by Hilton
Utrecht Centraal Station
Utrecht, the Netherlands

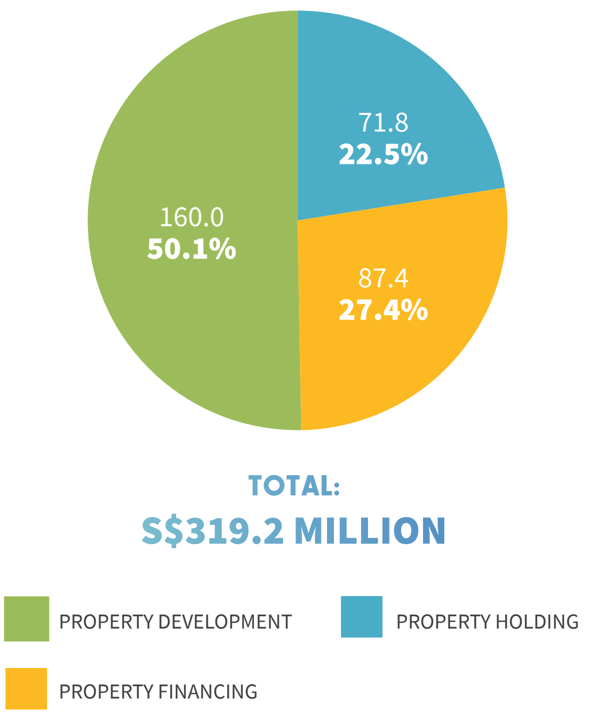
PROPERTY DEVELOPMENT

Revenue from sale of properties increased by S$20.6 million or 14.8% from S$139.4 million in FY2018 to S$160.0 million in FY2019. This increase was due mainly to the recognition of revenue from the handover of more commercial and residential units in the Chengdu Millennium Waterfront project (FY2019: 867 residential units and 122 commercial units, FY2018: 647 residential units and 71 commercial units).

PROPERTY HOLDING

Revenue from the property holding segment increased by S$16.1 million or 28.9% from S$55.7 million in FY2018 to S$71.8 million in FY2019. This growth was due mainly to the additional revenue contribution from the 94.9%-owned Westin Bellevue Dresden Hotel in Germany, acquired by the Group in late March 2019, as well as the 193-room Hampton by Hilton Utrecht Centraal Station in the Netherlands which commenced operations in June 2019. The hotel in Dresden has since been rebranded as Bilderberg Bellevue Hotel Dresden in January 2020.

REVENUE BY SEGMENT (S$'MILLION)



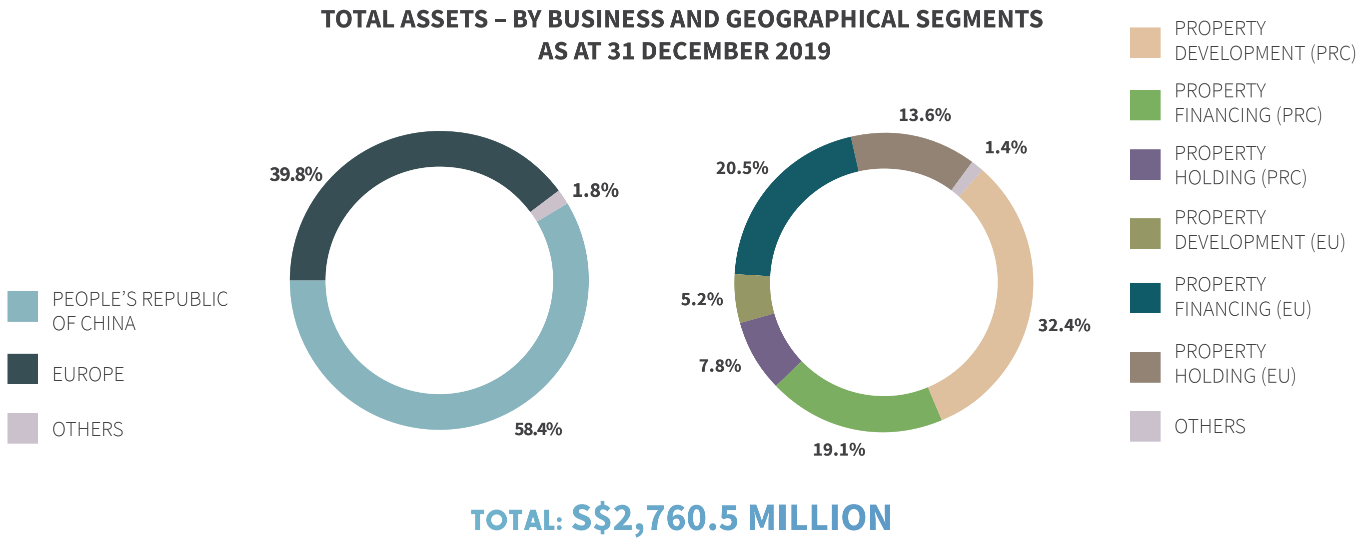
PROPERTY FINANCING

Property financing revenue increased by S$5.1 million or 6.2% from S$82.3 million in FY2018 to S$87.4 million in FY2019, on the back of a record average PRC property financing loan book of RMB2.2 billion for FY2019, which is a 40% increase over the previous year's average of RMB1.6 billion. The increase was partially offset by lower penalty interest income recognised in FY2019 compared to FY2018 from the successful enforcement action on the defaulted PRC property financing loans. The PRC property financing loan book stood at RMB2.4 billion as at 31 December 2019.

PROFIT BEFORE TAX

During the financial year, the Group achieved a record profit before tax of S$194.2 million, an increase of S$49.7 million or 34.3% compared to S$144.5 million in FY2018.

The growth was due mainly to the aggregate S$53.3 million profit generated from the Group's disposal of the newly developed and 98%-leased Oliphant Amsterdam office to its 33%-owned associated company, FSMC in November 2019. The Group's share of profits from associates and joint venture companies also grew by S$47.7 million over FY2018, mainly boosted by the first time handover of the 30%-owned Star of East River residential units in FY2019. In addition, gross profit contribution from the property development, property holding and property financing business segments increased by S$27.5 million in aggregate over the prior year. The profit increase was partially offset by an aggregate impairment loss of S$46.2 million on Crowne Plaza Chengdu Wenjiang and its adjoining hotspring operations in FY2019, the absence of one-off fair value gain on other investments of S$12.8 million, higher selling and administrative expenses of S$12.0 million, additional expenses of S$1.6 million pertaining to the management, rebranding and maintenance of the Bilderberg Bellevue Hotel Dresden, one-off pre-opening expenses and base stocks written off for the Hampton by Hilton Utrecht Centraal Station of S$1.4 million in aggregate, lower net finance income of S$6.4 million, lower fair value gain on financial derivative of S$6.0 million and higher net foreign exchange loss of S$1.1 million.



TOTAL ASSET COMPOSITION

The Group's consolidated assets increased by S$378.7 million or 15.9% from S$2,381.8 million in FY2018 to S$2,760.5 million in FY2019.

During the financial year, the Group further increased its exposure to the Dongguan property development segment with various acquisitions and investments. These comprised (i) a 60% equity interest in The Pinnacle, Chang'an, a mixed used development site in Chang'an, and (ii) a 27%-owned joint venture with *inter alia*, a wholly-owned subsidiary of Poly Developments and Holdings Group Co., Ltd., a PRC-based company listed on the Shanghai Stock Exchange, which would develop Skyline Garden, Wanjiang (formerly known as Wanjiang Victory Land), a mixed used development site in Wanjiang district.

The Group also increased its European property holding asset exposure during FY2019 via the acquisition of Bilderberg Bellevue Hotel Dresden and the acquisition of a bare shell former hotel in Milan, to be completely refurbished into a hostel.

In light of the above current year developments, the Group's gross asset composition in the PRC increased from 54.9% as at 31 December 2018 to 58.4% as at 31 December 2019. The contribution by the property development segment also grew from 24.3% as at 31 December 2018 to 37.6% at 31 December 2019, of which 32.4% was derived from the PRC.

MAJOR PROPERTIES

As at 31 December 2019

Location/Name of Property and Brief Description	Effective Group Interest (%)	Title/Year of Expiry of Land Use Rights	Approximate Lettable Floor Area(sq m) [1]
INVESTMENT PROPERTIES			
THE NETHERLANDS			
1) Arena Towers *Hoogoorddreef 66 and 68, Amsterdam, the Netherlands* Comprising the Holiday Inn Amsterdam and the Holiday Inn Express Amsterdam hotels with 443 hotel rooms in aggregate, and 509 car park lots	100	Perpetual leasehold interest with ground rent paid until year 2053	17,396
2) Berg & Bosch *Professor Bronkhorstlaan 4, 4A, 6, 8, 10A – 10M, 12 – 20 and 26, Bilthoven, the Netherlands* Comprising buildings, some of which are national monuments amidst a rich green landscape and 627 car park lots	33.0	Freehold	34,024
3) Mondriaan Tower *Amstelplein 6 and 8, Amsterdam, the Netherlands* Comprising office space and 249 car park lots	33.0	Freehold	24,936
4) Oliphant *Haaksbergweg 4-98 (even numbers), Amsterdam, the Netherlands* Comprising office space and 159 car park lots (to be increased to at least 183 car park lots on completion)	33.0	Perpetual leasehold interest with indexed ground rent payable on an annual basis until year 2048	21,136
5) Zuiderhof I *Jachthavenweg 121, Amsterdam, the Netherlands* Comprising office space, archive space and 111 car park lots	33.0	Perpetual leasehold interest with ground rent paid until year 2050	12,538

Location/Name of Property and Brief Description	Effective Group Interest (%)	Title/Year of Expiry of Land Use Rights	Approximate Lettable Floor Area(sq m) [1]
6) Munthof *Reguliersdwarsstraat 50 - 64, Amsterdam, the Netherlands* Comprising mainly office space and 57 car park lots	33.0	Freehold	3,515
7) Herengracht 21 *Herengracht 21, The Hague, the Netherlands* Comprising office space	33.0	Freehold	473
Total for the Netherlands			**114,018**
GERMANY			
1) Le Méridien Frankfurt *Wiesenhüttenplatz 28, 30, 32 and Wiesenhüttenstraße 36-38, Frankfurt am Main, 60329, Germany* Comprising 300 hotel rooms and suites and 48 car park lots	50.0	Freehold	15,602
Total for Germany			**15,602**
Grand Total - Investment Properties			**129,620**

MAJOR PROPERTIES

As at 31 December 2019

Location/Name of Property and Brief Description	Effective Group Interest (%)	Title/Year of Expiry of Land Use Rights	Approximate Gross Floor Area (sq m) [(2)]
HOTELS			
PRC			
1) Crowne Plaza Chengdu Wenjiang Hotel & Holiday Inn Express Chengdu Wenjiang Hotspring Hotel *No. 619A/B North Phoenix Street, Wenjiang District, Chengdu, Sichuan Province, PRC* Comprising 608 hotel rooms and suites, and a hotspring facility	100	Leasehold interest to year 2051	81,041
Total for PRC			**81,041**
THE NETHERLANDS			
1) Hampton by Hilton Utrecht Centraal Station & Crowne Plaza Utrecht Centraal Station *3rd floor up to and including the 9th floor of the Poortgebouw Hoog Catharijne* *Catharijne Esplanade 13, 3511WK* *Utrecht, the Netherlands* Comprising 193-room Hampton by Hilton Utrecht Centraal Station (in operation) and 144-room Crowne Plaza Utrecht Centraal Station (expected to commence operations in second quarter of 2020)	100	Leasehold interest to year 2069	13,822
2) Hilton Rotterdam *Weena 10, 3012 CM,* *Rotterdam, the Netherlands* Comprising 254 hotel rooms and suites	33.0	Freehold	20,800
3) Bilderberg Garden Hotel Amsterdam *Dijsselhofplantsoen 7, 1077 BJ,* *Amsterdam, the Netherlands* Comprising 124 hotel rooms and suites	31.4	Perpetual leasehold interest with indexed ground rent payable on an annual basis until year 2020. A one off payment will be made in 2021 to prepay the ground rent until year 2070	6,920

Location/Name of Property and Brief Description	Effective Group Interest (%)	Title/Year of Expiry of Land Use Rights	Approximate Gross Floor Area (sq m) [(2)]
4) Bilderberg Parkhotel Rotterdam *Westersingel 70, 3015 LB,* *Rotterdam, the Netherlands* Comprising 194 hotel rooms and suites	31.4	Freehold	12,875
5) Bilderberg Europa Hotel Scheveningen *Zwolsestraat 2, 2587 VJ, Scheveningen,* *The Hague, the Netherlands* Comprising 174 hotel rooms and suites	31.4	Temporary leasehold interest with ground rent paid until year 2026	9,950
6) Bilderberg Kasteel Vaalsbroek *Vaalsbroek 1, 6291 NH,* *Vaals, the Netherlands* Comprising 130 hotel rooms and suites	31.4	Freehold	16,270
7) Hotel de Bilderberg *Utrechtseweg 261, 6862 AK,* *Oosterbeek, the Netherlands* Comprising 146 hotel rooms and suites	31.4	Freehold	12,685
8) Bilderberg Hotel De Keizerskroon *Koningstraat 7, 7315 HR,* *Apeldoorn, the Netherlands* Comprising 93 hotel rooms and suites	31.4	Freehold	7,588
9) Bilderberg Hotel ’t Speulderbos *Speulderbosweg 54, 3886 AP,* *Garderen, the Netherlands* Comprising 102 hotel rooms and suites	31.4	Freehold	10,150
10) Bilderberg Résidence Groot Heideborgh *Hogesteeg 50, 3886 MA,* *Garderen, the Netherlands* Comprising 84 hotel rooms and suites	31.4	Freehold	7,530

MAJOR PROPERTIES

As at 31 December 2019

Location/Name of Property and Brief Description	Effective Group Interest (%)	Title/Year of Expiry of Land Use Rights	Approximate Gross Floor Area (sq m) [2]
11) Bilderberg Grand Hotel Wientjes *Stationsweg 7, 8011 CZ,* *Zwolle, the Netherlands* Comprising 57 hotel rooms and suites	31.4	Freehold	4,087
12) Bilderberg Hotel De Bovenste Molen *Bovenste Molenweg 12, 5912 TV,* *Venlo, the Netherlands* Comprising 82 hotel rooms and suites	31.4	Freehold	6,575
13) Bilderberg Château Holtmühle *Kasteellaan 10, 5932 AG,* *Tegelen, the Netherlands* Comprising 66 hotel rooms and suites	31.4	Freehold	5,600
Total for the Netherlands			**134,852**
GERMANY			
1) Bilderberg Bellevue Hotel Dresden *Große Meißner Straße 15, 01097,* *Dresden, Germany* Comprising 340 hotel rooms and suites	94.9	Freehold	40,678
Total for Germany			**40,678**
ITALY			
1) Bare shell hotel formerly known as Grand Hotel Puccini *Corso Buenos Aires No. 33,* *Milan, Italy* Comprising a bare shell former hotel to be completely refurnished into a hostel	100	Freehold	2,980
Total for Italy			**2,980**
Grand Total - Hotels			**259,551**

Location/Name of Property and Brief Description	Effective Group Interest (%)	Title/Year of Expiry of Land Use Rights	Project Construction Commencement Date	Expected Project Handover/ Completion Date	Site Area (sq m)	Approximate Gross Floor Area (sq m) (2)
DEVELOPMENT PROPERTIES UNDER DEVELOPMENT						
PRC						
1) Millennium Waterfront *Wenjiang District, Chengdu, Sichuan Province, PRC*						
Plots E & F Plot E is expected to comprise three blocks of approximately 2,900 SOHO units and an elder care centre of total 304,300 sq m (includes a hospital building of 69,500 sq m), 91,800 sq m of commercial / retail space and 3,200 underground car park lots Plot F comprises 15 floors of 807 SOHO loft units and 5 floors of over 25,000 sq m of saleable retail and commercial space including F&B / restaurants, cinema, supermarket and 806 underground car park lots	100	Leasehold interest to year 2051	February 2018	Expected handover of Plot F SOHO loft units in phases from early 2021	48,237	534,409
2) The Pinnacle *Chang'an Town, Dongguan, Guangdong Province, PRC* Expected to comprise eight blocks of 607 residential units, a cluster of 226 SOHO units, 3,000 sq m of retail space and 338 underground car park lots	60.0	Leasehold interest to year 2058 (commercial component); and year 2088 (residential component)	September 2019	Expected handover in phases from 2021	36,404	78,300

MAJOR PROPERTIES

As at 31 December 2019

Location/Name of Property and Brief Description	Effective Group Interest (%)	Title/Year of Expiry of Land Use Rights	Project Construction Commencement Date	Expected Project Handover/ Completion Date	Site Area (sq m)	Approximate Gross Floor Area (sq m) [2]
3) Star of East River *Wanjiang District and Nancheng District, Dongguan, Guangdong Province, PRC* Comprising two blocks of 2,328 SOHO apartment units, 173,000 sq m of commercial space and 1,201 underground car park lots	30.0	Leasehold interest to years 2054 to 2055 (commercial component)	April 2017	Expected handover of one SOHO block each in 2020 and 2021 Expected handover of commercial space from late 2020/ early 2021	49,136	248,000
4) Emerald of the Orient *Nancheng District, Dongguan, Guangdong Province, PRC* Comprising 168 villas and 1,076 residential units for sale and lease as well as approximately 89,500 sq m of office space, residential units, a kindergarten and other general amenities to be built for the municipal as per the land tender conditions	20.4	Leasehold interest to year 2058 (commercial component); and year 2088 (residential component)	October 2018	From late 2020 / early 2021	67,477	235,876
5) Skyline Garden *Wanjiang District, Dongguan, Guangdong Province, PRC* Expected to comprise five blocks of 1,163 residential units, seven blocks of 1,715 SOHO units, 4,400 sq m of commercial space and 1,813 underground car park lots All SOHO units and commercial space are to be kept for minimum holding period of 2 years as per land tender conditions	27.0	Leasehold interest to year 2059 (commercial component); and year 2089 (residential component)	November 2019	Expected handover in phases from 2022	42,343	214,700
Total for PRC					**243,597**	**1,311,285**

Location/Name of Property and Brief Description	Effective Group Interest (%)	Title/Year of Expiry of Land Use Rights	Project Construction Commencement Date	Expected Project Handover/ Completion Date	Site Area (sq m)	Approximate Gross Floor Area (sq m) [2]
THE NETHERLANDS						
1) Meerparc *Amstelveenseweg 638-730, Amsterdam, the Netherlands* Comprising approximately 12,200 sq m of office space, 5,646 sq m retail/commercial space and 230 car park lots	100	Freehold	Under planning	- [3]	9,744	- [3]
2) Dreeftoren *Haaksbergweg 3-73 (odd numbers), Amsterdam, the Netherlands* Comprising office space and 207 car park lots, which upon completion of redevelopment, expected to comprise 18,707 sq m of office space, 1,597 sq m of retail/commercial space, 312 residential units and 248 car park lots	100	Perpetual leasehold interest with ground rent paid until year 2039	Under planning	- [3]	5,740	- [3]
3) The Terraced Tower *Boompjes 55 and 57, Rotterdam, the Netherlands* Expected to comprise 340 residential units, retail spaces and 212 car park lots	33.0	Freehold	October 2017	Expected to be completed in 2021	1,220	39,539
Total for the Netherlands					**16,704**	**39,539**
Grand Total - Development Properties Under Development					**260,301**	**1,350,824**

Notes:

1. Lettable floor area excludes car park space.
2. Gross floor area (“GFA”) excludes underground GFA and/or car park area.
3. Yet to be ascertained as the development plan relating to this project is currently at the preliminary stage.

SUSTAINABILITY REPORT

Board Statement

The Board of Directors (the "Board") of First Sponsor Group Limited ("First Sponsor") is pleased to present the Group's sustainability report for the year ended 31 December 2019 ("FY2019"). Following our second sustainability report which was published as part of our Annual Report on 2 April 2019, our third sustainability report demonstrates First Sponsor's continued commitment to sustainability and encapsulates the Group's approach to Environmental, Social and Governance ("ESG") performance and targets for FY2019.

Over the years, First Sponsor has built up a diverse property portfolio across the PRC and Europe and has successfully grown our shareholders' funds. As we continue to grow our businesses across geographical borders and face increasing complexity and volatility challenges, we recognise the value of integrating sustainability considerations in our businesses and operations. The Board oversees the direction of sustainability efforts and takes into account sustainability issues in formulating the Group's long term strategies.

First Sponsor also recognises that a diverse Board will better support the Company's strategic objectives for sustainable development, by enhancing the decision-making process of the Board through more diverse perspectives. The Group's Board Diversity Policy was updated in December 2019, to formalise the consideration of diversity aspects during the appointment of Directors, in order to achieve an optimally-balanced composition of the Board. The final decision on selection of Directors will be based on merit against objective criteria that complements and expands the skills and experience of the Board as a whole, and after having given due regard to the overall balance and effectiveness of a diverse Board. First Sponsor will implement the Board Diversity Policy to improve Board diversity in the coming years.

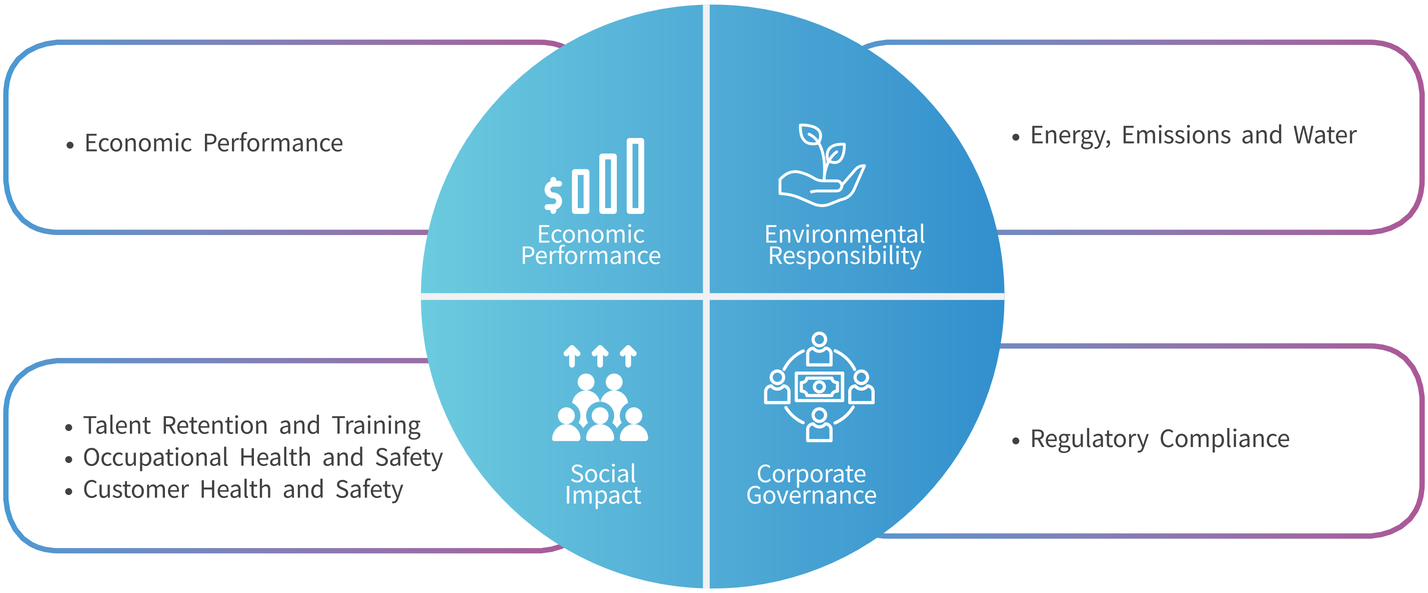
The Board continues to oversee the management of ESG risks and opportunities, supported by our Sustainability Steering Committee ("SSC"). In 2019, our SSC, formed by senior management, reviewed and re-validated the Group's material ESG factors selected in 2017. These material factors fall into four priority areas of sustainability, namely Economic Performance, Environmental Responsibility, Social Impact and Corporate Governance. We have also transitioned from a Global Reporting Initiative ("GRI") Standards-referenced report to a GRI Standards: Core report, and hence enhanced our reporting with a fuller picture of our ESG performance and impacts.

The Board has approved the disclosure of sustainability performance and targets in this report. Going forward, the Board will continue to integrate sustainability into the Group's overall business strategy and goals by focusing on the areas where the Group can make the most impact. First Sponsor will publish the sustainability report annually to update you with our progress and achievements in sustainability.

Sustainability at First Sponsor

We believe that sustainability considerations can contribute to our overall aim to provide quality products and services and become the preferred choice for customers and investors. First Sponsor has identified four priority areas of sustainability, which support the Group's business strategy and represent key risks and opportunities. These priority areas are underpinned by the six material ESG factors[1] as shown in the chart in the following page.

[1] For more information on ESG factors, please refer to the "Materiality Review" section



By holistically managing these high-impact areas, First Sponsor can bring about positive environmental and social value for our employees, customers and investors alike.

Economic Performance: First Sponsor aspires to create stable, long-term and healthy economic returns for our investors and shareholders. The Group strives to stay relevant and competitive, capitalising on new growth opportunities.

Environmental Responsibility: First Sponsor is committed to consuming responsibly and minimising our environmental footprint. The Group applies the Precautionary Principle[2] in the management of energy and water consumption, and carbon emissions and has adopted various resource-efficient practices.

Social Impact: As a responsible corporate citizen, First Sponsor strives to create a positive social impact. For our employees, First Sponsor seeks to create a rewarding, collaborative and inclusive working environment. The Group tailors training programmes to align with industry needs and to retain and develop the right talent for growth. First Sponsor is also committed to cultivating a strong safety culture to safeguard the health and safety of our employees and customers.

Corporate Governance: First Sponsor believes transparency and high ethical standards are essential for building stakeholder trust. First Sponsor exercises strong corporate governance to prevent corruption and monitors regulatory compliance. Robust corporate governance also lays the foundation for efficient management of ESG issues and upholds the Group's core values.

First Sponsor's consideration for ESG issues also extends to its business partners and suppliers across its value chain. When a third party service provider, such as a main contractor for project development or a hotel manager, is involved in delivering products and services, First Sponsor works closely with them to create synergy in our sustainability approach. For example, in our property holding business, First Sponsor partners with trusted hotel managers, such as InterContinental Hotel Group ("IHG") and Hilton Worldwide Holding Inc. ("Hilton") to drive sustainability practices across our properties. These groups have their own high standards and committed approach to sustainability.

[2] The Precautionary Principle was adopted by the United Nations Rio Declaration on Environment and Development in 1992. It states: 'In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.' Applying the Precautionary Principle in risk management or product development helps an organisation to reduce or to avoid negative impacts on the environment.

Our Material Factors and Targets[3]

Material factors	FY2019 Targets	Performance for FY2019	FY2020 Targets
Economic Performance			
Economic Performance	Details of the financial performance and targets can be found in the Financial Review and the Financial Statements section of this Annual Report.		
Environmental Responsibility			
Energy, Emissions and Water	• Maintain or reduce current levels of energy and water intensity	• Energy intensity increased from 124kWh to 132kWh per occupied room from 2018 to 2019 (see page 49) • Water intensity increased from 0.94 m^3 to 1.04m^3 per occupied room (see page 49)	• Maintain or reduce current levels of energy and water intensity
Social Impact			
Talent Retention and Training	• Provide performance review to all eligible employees	• 100% eligible[4] permanent employees receiving regular performance review (see pages 50 to 52)	• Provide performance reviews to all eligible employees
Occupational Health and Safety	• Pass safety audits with no serious breaches reported • Maintain a safe workplace with zero work-related fatalities	• Passed safety audits with no serious breaches reported (see page 53) • Zero workplace fatalities (see page 54)	• Pass safety audits with no serious breaches reported • Maintain a safe workplace with zero work-related fatalities • Improve safety rates (accident severity rate and accident frequency rate) from current levels
Customer Health and Safety	• Maintain zero cases of non-compliance concerning customer health and safety	• Zero cases of non-compliance concerning customer health and safety (see page 54)	• Maintain zero cases of non-compliance concerning customer health and safety
Corporate Governance			
Regulatory Compliance	• Maintain zero incidents of confirmed corruption • Maintain zero non-compliance with all laws and regulations	• Zero incidents of confirmed corruption (see page 55) • Zero incidents of non-compliance with environmental and socio-economic laws and regulations (see page 55)	• Maintain zero incidents of confirmed corruption • Maintain zero non-compliance with all laws and regulations

3 For information on the scope of the performance highlights and targets, please refer to the "Reporting Scope" section of this report.
4 Exclude permanent employees who were under traineeship programs or probation.

About This Report

This sustainability report summarises First Sponsor's sustainability practices and performance from 1 January 2019 to 31 December 2019.

This report, published annually, has been prepared in accordance with the GRI Standards: Core option, as well as with the requirements of SGX-ST Listing Rules Practice Note 7.6: "Sustainability Reporting Guide".

No external assurance has been sought for this report. Please forward any enquiries or feedback to *ir@1st-sponsor.com.sg*.

Materiality Review

First Sponsor's six material factors were first selected in 2017. Guided by GRI's principles for defining report content, the SSC undertook a review of the material factors with the help of an independent consultant. The SSC concluded that the material factors identified in sustainability report 2017 and 2018 continue to be relevant to First Sponsor's business and stakeholders today and hence First Sponsor's material factors remain unchanged.

Reporting Scope

The report covers the listed entity, First Sponsor[5], and three hotels from the Group's property holding business, namely, Crowne Plaza Chengdu Wenjiang Hotel, Holiday Inn Express Chengdu Wenjiang Hotspring Hotel in the PRC (hereafter referred together as "Wenjiang Hotels[6]"), as well as Hilton Rotterdam Hotel ("Hilton Rotterdam") in the Netherlands. Unless otherwise specified, the practices, performance, and targets disclosed in this report apply to the same aforementioned reporting scope. All environmental data focuses on the three above-mentioned hotels only and excludes tenant consumption. We are working to improve the completeness of our report to include all hotels which the Group has majority effective interest, and have at least one year of operation.

[5] Refers to the Singapore branch office of First Sponsor, which is also the corporate headquarters of the Group.

[6] The Wenjiang Hotels are jointly managed by IHG.

Stakeholder Engagement

The role of stakeholder engagement is to build relationships and trust necessary to develop and implement sustainability practices and strategies together. First Sponsor regularly engages our key stakeholders, who are identified as stakeholder groups on which the Group's business operations has a significant impact or is significantly impacted by. The following table summarises how First Sponsor has interacted with our key stakeholders.

Key stakeholders	Main objective	Engagement methods	Frequency	Key topics and concerns raised
Shareholders and investors	To disseminate accurate and timely information on the Group's performance and strategic direction	• Release of financial results, announcements, annual reports, press releases, and other relevant disclosures through SGXNET and First Sponsor's website • Updates through one-on-one/ group meetings and investor roadshows • Annual General Meeting • Extraordinary General Meeting	• Throughout the year • Throughout the year • Once a year • Where neccessary	• Timely and clear communication of corporate results and business strategies
Tenants and hotel guests	To understand expectations and improve satisfaction	• Tenant engagement activities (where applicable) • Informal gatherings and networking sessions among hotel employees • Management circulars and notices	• Throughout the year	• Improvement in service provided to tenants and hotel guests and hotel operations

Key stakeholders	Main objective	Engagement methods	Frequency	Key topics and concerns raised
Employees	To create a safe, inclusive and rewarding working environment to sustain employee morale	• Employee surveys • Training and development programmes • Formal feedback channels (e.g. town halls, department meetings) • Informal feedback channels (e.g. lunch meetings) • Recreational and team building activities	• Twice a year and annually as the case may be • Throughout the year • Quarterly and monthly as the case may be • Throughout the year • Throughout the year	• Communication of hotels' strategic direction • Clear communication with colleagues, tenants and hotel guests
Analysts and the media	To make announcements and gain feedback	• Analysts' briefings for quarterly and full-year results, conducted by senior management • Updates through one-on-one/group meetings	• Quarterly	• No major concerns raised
Government and regulators	To comply with relevant laws and regulations	• Industry networking (where applicable) • Annual regulatory audits (where applicable)	• Throughout the year	• No major concerns raised

Energy, Emissions and Water

Buildings, and especially hotels, consume significant amounts of energy and water. In recognition of this, the hospitality industry is moving towards greater environmental responsibility. Green practices are also appealing to a growing number of environmentally conscious guests. First Sponsor strives to reduce our energy consumption and greenhouse gas emissions in line with the global agenda to mitigate climate change. At the same time, the Group recognises water is a scarce resource and aims to reduce our water consumption, which are mainly for hotel operations. We ensure proper discharge of used water, and discharge into waterways are done in accordance with local regulations. For example, at the Wenjiang Hotels, sewage from the hotel kitchen is drained by a grease separator, which separates waste oil for recovery and processing by a qualified company. Sewage from guest rooms is treated by the septic tank and discharged into the municipal sewage system. Over at Hilton Rotterdam, water used in guest rooms, for cleaning activities and plant watering are discharged by sewer pipes directly into street sewers. Water from the kitchen is passed through a grease separator before being discharged into the street sewers.

The hotels place great importance on consuming responsibly. Guided by global standards set by IHG and Hilton, the hotels have established respective resource management frameworks to better manage and monitor resource consumption. These frameworks set out the structure of an Energy Committee to govern and champion the conservation of water and energy, as well as other environmental causes such as supply chain management and waste reduction. The Energy Committee closely tracks and monitors energy and water consumption. To encourage the best environmental practices, the environmental performance of the hotels is compared with other IHG or Hilton peers. Good performance is recognised by the various energy saving reward mechanisms. In 2019, Hilton Rotterdam installed LED lights in 120 out of its 254 guest rooms as well as 1,650 LED lights in the back-of-house areas. LED lights will be installed in the remaining guest rooms in 2020. Hilton Rotterdam also celebrated its achievement in sustainability as captured by LightStay, certified under internationally recognised standards ISO 9001 Quality Management, 14001 Environmental Management and ISO 50001 Energy Management, with its employees and the local community during Earth Week 2019.

The Wenjiang Hotels have in place various facility installations, operational standards and initiatives to improve resource efficiency, in the areas of:

Energy

- Equipping parking lots with electric vehicle charging points
- Installing an energy meter system for real-time recording and accurate analysis of energy consumption
- Installing an intelligent lighting control system for hotel common areas
- Installation of glass panels in the lobby and other areas for admission of natural light
- Equipping the heating, ventilation and air-conditioning system with temperature control and valve control
- Implementation of a temperature control scheme according to the hotels' winter and summer operating conditions
- Sealing restaurant windows with 3M foil to increase insulation

Water

- Installing water-saving faucets and shower nozzles in hotel rooms
- Equipping the steam system with a condensation water collector for recycling

Waste

- Recovering hotel garbage and waste to be treated by relevant qualified and state-approved recycling companies

Procurement

- Use of suppliers who meet the requirements of IHG, such as using recyclable and degradable paper straws as plastic straws are strictly prohibited

“Clear your Plate” Campaign

The “Clear your Plate” Campaign is an ongoing initiative by the Wenjiang Hotels to encourage employees to develop good dining habits and champion the reduction of food waste. Every employee participating in the “Clear your Plate” Campaign is encouraged to send a photo of their empty plate after their meals to the Human Resources Department.

With constant reminders from the campaign, staff gradually developed the habit of taking less food per meal, resulting in a reduction of food waste.

Evaluation of Carbon Emission Indicators with the IHG Green Engage System

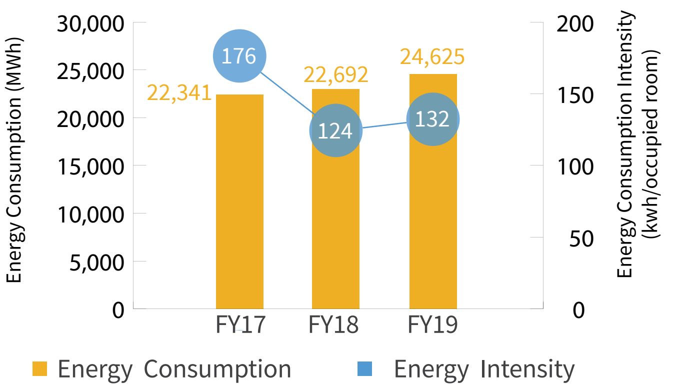
In 2019, the Wenjiang Hotels undertook an evaluation of their carbon emission indicators in accordance with IHG’s Green Engage carbon emission reduction system. The IHG Green Engage system is an online environmental sustainability system that helps IHG hotels measure and manage their impact on the environment. Hotels can choose from over 200 ‘Green Solutions’ designed to help them reduce their energy and water consumption and waste generation.

Evaluation was done on a single room-basis as well as by carbon emissions per capita. To provide a benchmark for the hotels, the IHG Green Engage system certifies hotels to four levels of certification. Level 1 is mandatory for all hotels, while hotels with Level 3 certification and above can reduce their energy consumption by up to 25%.

To inspire a sense of ownership of environmental sustainability among employees, the hotels incorporated environmental education as part of the formal training for employees and organised various activities to raise awareness on environmental issues. In particular, IHG has made efforts to reach out to employees at all levels. In 2019, IHG included the Green Aware training into induction training for new hires at the Wenjiang Hotels, while carbon emission indicators were introduced into the performance evaluations of hotel general managers. The newly launched Green Meeting project aims to encourage participants to use non-disposables and reduce consumption of bottled water and paper cups.

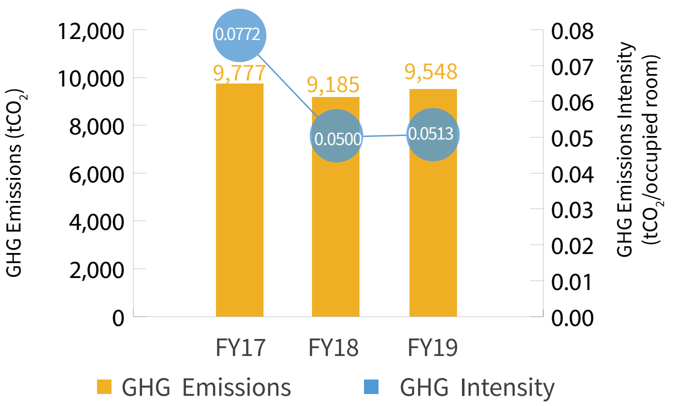
In our property development business, the Group is equally committed to promoting environmental sustainability and resource efficiency. This is shown in the renovations and redevelopment of the Munthof and Oliphant office buildings respectively, both in Amsterdam. Both buildings were fitted with a range of environmentally friendly and energy efficient features that enabled them to obtain BREEAM certification, which is a third-party certification by the Dutch Green Building Council on the sustainability performance of buildings. The Munthof office building achieved an ‘Excellent’ rating (4 out of 5 stars) under the BREEAM In-use Scheme in October 2019, while the Oliphant office building was awarded a ‘Very Good’ rating (3 out of 5 stars) in the BREEAM-NL New Construction Scheme in November 2019.

Energy Consumption and Intensity



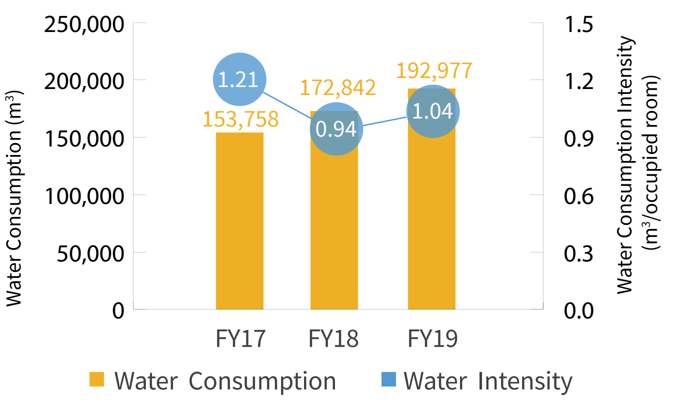
The Group's total energy consumption consists of electricity, heating and gas consumption, which are monitored from metering tables. In 2019, the Group's total electricity consumption was 8,518 mega-watt hours ("MWh"), heating consumption was 2,589 MWh, and gas consumption was 13,518 MWh. The Group's total energy consumption amounted to 24,625 MWh, an increase from 22,692 MWh[7] in 2018, due to an increase in gas consumption at Crowne Plaza Chengdu Wenjiang Hotel from increased activity during the year. Correspondingly, energy intensity, calculated as total energy consumption within the organization over the total number of occupied rooms, increased by 7% from 124 kWh per occupied room in 2018 to 132 kWh per occupied room in 2019.

GHG Emissions and Intensity



The Group's greenhouse gas ("GHG") emissions were 9,548 tonnes of carbon dioxide equivalent (tCO_2)[8] in 2019, a 4% increase from 2018. The largest source of emissions was from Scope 2 (electricity and heating) emissions at 7,189 tCO_2, while Scope 1 (gas) emissions amounted to 2,359 tCO_2. The Group's GHG emissions intensity for 2019, calculated as total GHG emissions over total number of occupied rooms, was 0.0513 tCO_2 per occupied room, a 2.6% increase from 2018. This increase corresponded with the increase in energy consumption intensity largely contributed by Crowne Plaza Chengdu Wenjiang Hotel.

Water Consumption and Intensity



We monitor our water consumption via our water metering tables. Our municipal water consumption has increased by 12% from 172,842m^3 in 2018 to 192,977m^3 in 2019. Correspondingly, our water intensity increased by 11% from 0.94m^3 per occupied room in 2018 to 1.04m^3 per occupied room in 2019. Similar to energy consumption, this increase can be attributed to an increase in water consumption at Crowne Plaza Chengdu Wenjiang Hotel. Specifically, the hotel's outdoor fountain pool, which uses about 400 tonnes of water, was cleaned more frequently in 2019. Additionally, the fountain pool had suffered leakage due to cracks in the pool wall caused by sun exposure and temperature changes. The situation has since been rectified.

Moving forward, First Sponsor will step up our efforts to improve environmental efficiency. In FY2020, First Sponsor aims to maintain or reduce current levels of energy and water intensity.

7 Conversion factors were referenced from IPCC 2006.

8 The emission factors were referenced from Regional Grid Emission Factor Report 2015 by National Development and Reform Commissions of China (NDRC), The Emission Factors by Covenant of Mayors (EU-27), Emission Factors from Stationary Combustion Tools by Greenhouse Gas Protocol (2015) and 2018 List of CO_2 Emission Factors of Netherlands jointly developed by Ministry of Infrastructure and Water Management (Netherlands) and partners.

Talent Retention and Training

First Sponsor takes pride in our workforce. The Group recognises that retaining and investing in the development of our human capital is the key to high-quality products and services. First Sponsor's human resource policies are grounded in equal opportunities and fair employment practices.

First Sponsor seeks to maintain a diverse workforce. All qualified candidates are considered for employment without discrimination of gender, age, ethnicity, religion and national origin. Compensation is objectively determined based on position, competency and performance, and in the case of the Netherlands, the Collective Labour Agreement too, where applicable. All key personnel of Hilton Rotterdam are required to attend training on "Diversity and Inclusion" to integrate these values into the daily operations of the hotel.

As at 31 December 2019, the corporate headquarters office and the three hotels have a total of 428 employees, as compiled by the respective Human Resource departments. We have achieved gender diversity in our workforce, with gender ratio of females to males at 1 to 1. We do not have a significant portion of business activities that are performed by workers who are not employees. The charts below provide a quantitative measure of employee diversity.

Total Workforce[9]

By Age Group

156
(36%)
<30 years old

231
(54%)
30-50 years old

41
(10%)
>50 years old

By Gender

216 (50%)
Male

212 (50%)
Female

By Location

316
(74%)
The PRC

94
(22%)
The Netherlands

18
(4%)
Singapore

Board of Directors[10]

By Age Group

0
(0%)
<30 years old

4
(57%)
30-50 years old

3
(43%)
>50 years old

By Gender

6 (86%)
Male

1 (14%)
Female

9 Temporary employees from Wenjiang Hotels are excluded from these figures.
10 Includes alternate director.

First Sponsor promotes regular open and two-way communication between employees and management. Employee surveys are held in the three hotels at least once a year.

The Wenjiang Hotels conducted Employee Satisfaction Pulse Surveys twice in 2019, which collected employees' views on topics such as company leadership, job satisfaction, career development and workplace fairness. 100% of employees took part in the survey, which is mandated by IHG. Additionally, Wenjiang Hotels organise regular town hall meetings, staff communication meetings with the Director of Human Resource, lunches with the General Manager, and staff activity meetings such as welfare and sports committee meetings. Through these various platforms for interaction, management teams from the various relevant departments strive to address issues raised and improve employee satisfaction. Over at Hilton Rotterdam, 2019's Team Member Opinion Survey generated an engagement score of 68%. Employees can also voice concerns and expectations in employee forums.

In 2019, there were a total of 65 new hires, with an average monthly new hire rate of 1.3%. Meanwhile, 67 employees left the organization, with an average monthly turnover rate of 1.3%. The table below provides a breakdown of new employee hires and turnover by age, gender and region.

FY2019	Monthly new hire rate	Monthly turnover rate
By age group		
< 30 years old	1.8%	2.5%
30 – 50 years old	1.0%	0.7%
> 50 years old	0.8%	0.4%
By Gender		
Male	1.5%	1.1%
Female	1.1%	1.5%
By Region		
The PRC	0.8%	0.8%
The Netherlands	3.0%	3.4%
Singapore	0.5%	0.0%
Overall	**1.3%**	**1.3%**

In our effort to continually develop the workforce, First Sponsor provides training and development programmes to cater to the learning needs of our employees. The learning programmes cover a wide range of topics, both professionally and personally, such as new employee orientation, personal grooming, time management, job-specific skills and leadership skills. Employees are also encouraged to conduct cross trainings with other departments to improve interpersonal skills and facilitate interdepartmental cooperation.

"Women at Hilton" Programme

Hilton Rotterdam continued its participation in the "Women at Hilton" programme, which aims to nurture female talent in management positions. In 2019, 8 female talents were enrolled into the programme. In addition, 2 out of the 8 jointly participated in the Hilton Continental Europe Coaching on Call programme, which is a remote mentoring program facilitated by an external coach, aimed at helping women in the earlier years of their career get on the right path and realize their full potential in the years to come. Participants within both programmes were selected if they were evaluated to have the appropriate skillsets to benefit the most from the respective programmes.

To support long-term career development, First Sponsor offers regular performance reviews to communicate employees' performance and career goals. The review provides feedback on areas of improvement and communicates decisions such as bonus, promotion and internal transfers. It also helps to evaluate employees' progress towards their career goals and identify needs for skill upgrades. In 2019, we continued to provide all eligible[11] permanent employees with at least one performance review in the three aforementioned hotels and First Sponsor corporate office.

The three hotels also recognise that work-life balance is essential to maintain employees' satisfaction, morale and productivity. We promote flexible working hours. Each department is given the freedom to create its own schedule that best suits the needs of the department. In addition to full-time contracts, we also offer employees the option of taking morning or evening shifts, working different contracted hours, and fixed days off.

Going forward, First Sponsor will stay committed to maintaining a positive and engaging working environment for our staff. In FY2020, First Sponsor targets to continue to conduct performance reviews for all eligible[11] permanent employees.

[11] Exclude permanent employees who were under traineeship programmes or probation.

Health and Safety

Health and Safety is a priority for us to maintain stakeholder trust and a good reputation. Our employees, who are our greatest assets, have the right to a safe and secure working environment and to return home safely at the end of the working day. First Sponsor recognises our responsibility to provide a safe and healthy environment for our employees, tenants, customers and all other building users. The Group continuously identifies potential safety hazards and implements precautions to minimise the risks.

First Sponsor is committed to ensuring that safety risks are properly identified and mitigated, wherever possible. As part of the management system, the hotels have established their Workplace Safety and Health Policy. The policy sets out a chain of command and accountability regarding health and safety issues and covers all employees and activities at their workplace, as well as contractors of Hilton Rotterdam, in accordance with the ARBO law (Dutch Working Condition Act).

Safety personnel assess the physical, environmental and safety practices to identify areas of high risks. Corresponding preventive action plans are developed to address identified risks. Work-related accidents are investigated based on the standard operating procedures ("SOPs"). At the Wenjiang Hotels, injury reports describing the cause and details of the injury are required by the Human Resource Department for investigation and reporting to the local social security bureau. Employees who are hospitalised due to work-related injuries are provided for with paid sick leave. Their medical expenses are covered by work injury insurance, the local Workplace Injury Department and the hotel employers' liability insurance. Every work-related injury is reviewed and analysed by the Human Resource Department and management team at the Wenjiang Hotels so as to determine the causes of such work-related injuries. Subsequently, the most appropriate and effective procedures are discussed and implemented to eliminate all future and potential safety risks. Safety briefings and operation trainings are also conducted to improve employees' safety awareness and prevent similar accidents from occurring.

Over at Hilton Rotterdam, all incidents must be reported to the supervisor or Head of Department who will file an incident report on the same day with the employee(s) involved. The report is sent to all related employees and discussed with the management team. Hotel management regularly engages with employees that require medical leave and ensures that occupational health and safety services are provided in the employees' subsequent re-integration at work. All incidents and their outcomes are reported to the regional safety and security officer at quarterly Safety and Security meetings.

To improve transparency and accountability, First Sponsor also provides communication channels across all levels to gather feedback on safety and health-related issues. On an annual basis, internal and/or external safety audits are conducted in all three hotels. For example, Hilton Rotterdam conducts an annual third-party Risk Inventory Assessment, while the Wenjiang Hotels conducts an annual on-site fire audit. In 2019, all three hotels passed their safety audits with no serious breaches reported.

The Group aims to inculcate a culture of safety among our employees through training and education. Employees are required to undergo compulsory safety training prior to the commencement of their work, during which they are trained to exercise safety precautions and administer necessary personal protective equipment. At Hilton Rotterdam, all employees receive annual training on the security manual, and each department receives annual training on the safety guide as well. These resources enable more effective implementation of our workplace safety programmes.

First Sponsor is also committed to protecting the health and safety of customers. The hotels have established SOPs and contingency plans to prevent and minimise safety hazards. Proper alert systems have been put in place in the hotels. The systems enable any crisis to be escalated and followed-up promptly with the appropriate personnel on the situation. To enhance emergency preparedness, the hotels conduct regular fire drills, so that employees are properly trained to facilitate a safe evacuation for all. Firefighting equipment is inspected and maintained regularly in line with local laws and regulation. Necessary first aid training is also provided to the team so that employees can provide necessary assistance to guests in need.

In the Wenjiang Hotels, the Food Safety Management System ("FSMS") is updated regularly to follow the latest IHG Group requirements. The FSMS manager is directly accountable to the Executive Office. Every six months, the FSMS manager leads a drill on foodborne illness response, to reinforce the SOPs in handling food safety emergencies. For Hilton Rotterdam, all employees involved in the food service line have been trained on HACCP (Hazard Analysis and Critical Control Points) food hygiene procedures and are re-trained regularly.

Enhancing the security of guests and their property is another key focus area for First Sponsor. The entrance and exit of personnel are tightly controlled by the security team. The hotel premises are also under camera surveillance. In the Hilton Rotterdam, burglary alarms are placed across key locations in the hotel, with a direct connection to the local police station.

In 2019, across the Singapore corporate office and the three hotels, there were zero workplace fatalities. We had seven recordable work-related injuries, which included a chemical burn, dislocation and electric shock, over 833,004 man-hours worked in 2019. Following the incidents, safety hazards were identified and corrective actions put in place to prevent similar injuries in the future. The Accident Frequency Rate[12] for permanent employees was 8.40 and Accident Severity Rate[13] was 109. The year on year comparison of safety data is shown in the table below.

	2017	2018	2019
Number of Workplace Fatalities *Number of workplace deaths*	0	0	0
Accident Frequency Rate (AFR) *Number of lost-time injuries per million man-hours worked*	8.86	5.64	8.40
Accident Severity Rate (ASR) *Number of lost days per million man-hours worked*	103	132	109
Number of non-compliance cases concerning the health and safety of customers	0	0	0

Going forward, First Sponsor will stay committed to promoting occupational and customer health and safety, targeting to pass safety audits with no serious breaches reported. In 2020, First Sponsor aims to maintain a safe workplace with zero work-related fatalities and to maintain zero cases of non-compliance concerning customer health and safety.

12 Accident Frequency Rate = (Number of reportable injuries)/(Number of man hours worked)×1,000,000. A reportable injury is any workplace or work-related traffic injury that results in at least 24 hours of hospitalisation or more than 3 days of MC due to a single work-related accident (whether consecutive or not).

13 Accident Severity Rate = (Number of lost days)/(Number of man hours worked)×1,000,000. A lost day is a day of medical leave as a result of a lost-time injury.

Regulatory Compliance

With operations and employees across several countries, the Group recognises that good governance, transparency and integrity are first and foremost necessary to our license to operate, and also key in maintaining our reputation and the trust of our shareholders and stakeholders. We are fully committed to upholding a high level of business ethics and adhering to relevant laws and regulations, for the prevention of corruption, bribery and extortion.

First Sponsor does not condone any form of corruption. Our Anti-Corruption Policy applies to all directors, officers and employees of the Group as First Sponsor believes that proper actions and conduct of all employees are essential to maintaining these standards. The Anti-Corruption Policy also provides guidance to employees on how to recognise, address, resolve, avoid and prevent instances of corruption, bribery and extortion which may arise in the course of their work. The Employee Code of Conduct also emphasises expected behavior on issues like the prohibition of bribery, acceptance of lavish gifts and entertainment, as well as independence issues. All new hires are required to go through a mandatory induction programme on anti-corruption related policies and procedures.

As part of monitoring and assurance procedures, First Sponsor has established a Whistleblowing Policy, formulated and updated by the Group Audit and Risk Committee, for all employees to report any suspected violation without the fear of reprisals. Employees can submit feedback anonymously via email to any one of six representatives of the Group, namely the Group Audit and Risk Committee Chairman, Group CEO, Chengdu CEO, Shanghai CEO, Guangdong CEO, and Europe CEO. Feedback can relate to internal controls, serious breaches of Group policy, unsafe work practices or any other matters involving fraud, corruption and employee misconduct. All concerns raised will effect an investigation or internal audit. All information disclosed during the course of an investigation will remain confidential, except when necessary to conduct the investigation or take remedial action in accordance with applicable laws and regulations.

Investigations at the Wenjiang Hotels follow a set of standard operating procedures. These include obtaining a written report from the person who was involved in the incident, requiring a Security Officer of the same gender to deal with incidents of a sexual nature, and obtaining approval from hotel management for decisions on investigation outcomes.

First Sponsor actively identifies and manages regulatory risks. The Group adheres to relevant environmental and other laws concerning issues like effluents and waste, environmental reporting requirements, labour practices, health and safety and customer privacy. First Sponsor conforms to all the required audits to demonstrate compliance. In 2019, First Sponsor fulfilled our target of achieving zero incidents of non-compliance with environmental and socio-economic laws and regulations which resulted in significant fines or sanctions.

The management team monitors changes to the applicable laws and regulations. First Sponsor's internal risk management policies and employee communications are updated accordingly to keep abreast of regulatory changes. On an annual basis, all key personnel are required to complete mandatory training on relevant policies and laws where applicable, such as the ones listed below:

- Anti-Corruption Policy
- Employee Code of Conduct
- Legal Compliance Policy
- Trade Secrets, Anti-trust and Competition Policy
- Information Privacy and Security Policy
- Trade Sanctions in EMEA (Europe, the Middle East and Africa) and APEC (Asia-Pacific Economic Cooperation) (applicable to Hilton Rotterdam only)
- European Union's General Data Protection Regulation (applicable to Hilton Rotterdam only)

As per IHG's requirements, Wenjiang Hotels' employees receive additional mandatory training that is conducted through the InterContinental Online Training System. Training topics include information security, guest privacy and security, fair competition and anti-corruption. The Wenjiang Hotels have successfully passed the 2019 annual brand standard audit, human resources audit, and CSA audit.

In 2019, there were no confirmed incidences of corruption across the Group's operations. In the coming year, First Sponsor aims to maintain zero incidents of corruption and zero non-compliance with environmental and social-economic laws and regulations and to stay updated on any substantial new areas of law.

GRI Content Index

Disclosure No.	Disclosure Title	Chapter, Page Number and Reasons for Omissions, if applicable
General Disclosures 2016		
Organisational Profile		
102-1	Name of the organization	Cover Page
102-2	Activities, brands, products, and services	Our Presence, pages 1-2 Chairman's Statement, pages 7-16
102-3	Location of headquarters	Sustainability Report: Reporting Scope, page 44
102-4	Location of operations	Corporate Structure, page 28
102-5	Ownership and legal form	About Us, page 27
102-6	Markets served	Our Presence, pages 1-2
102-7	Scale of the organization	Sustainability Report: Talent Retention and Training, page 50 Corporate Structure, page 28 Reports and Financial Statements: Statements of Financial Position, page 108
102-8	Information on employees and other workers	Sustainability Report: Talent Retention and Training, page 50 We are in the process of gathering employee data broken down by employment contract and employment type.
102-9	Supply chain	Sustainability Report: Sustainability at First Sponsor, page 42
102-10	Significant changes to the organization and its supply chain	There were no significant changes to the Group's size, structure, ownership, or supply chain in the reporting period
102-11	Precautionary Principle or approach	Sustainability Report: Sustainability at First Sponsor, page 42
102-12	External initiatives	None
102-13	Membership of associations	None
Strategy		
102-14	Statement from senior decision-maker	Sustainability Report: Board Statement, page 41
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	Sustainability Report: Regulatory Compliance, page 55 Corporate Governance: Code of Business Conduct and Ethics, Anti-Corruption Policy & Guidelines and Fraud Policy & Guidelines, pages 91-92

GRI Content Index

Disclosure No.	Disclosure Title	Chapter, Page Number and Reasons for Omissions, if applicable
Governance		
102-18	Governance structure	Corporate Directory, page 29 Sustainability Report: Board Statement, page 41
Stakeholder Engagement		
102-40	List of stakeholder groups	Sustainability Report: Stakeholder Engagement, pages 45-46
102-41	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements
102-42	Identifying and selecting stakeholders	Sustainability Report: Stakeholder Engagement, page 45
102-43	Approach to stakeholder engagement	Sustainability Report: Stakeholder Engagement, pages 45-46
102-44	Key topics and concerns raised	Sustainability Report: Stakeholder Engagement, pages 45-46
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Report and Financial Statements: Notes to the Financial Statements – Subsidiaries, pages 152 - 154
102-46	Defining report content and topic Boundaries	Sustainability Report: Sustainability at First Sponsor, pages 41-42 Sustainability Report: Materiality Review, page 44 Sustainability Report: Reporting Scope, page 44
102-47	List of material topics	Sustainability Report: Sustainability at First Sponsor, page 42
102-48	Restatements of information	No restatements of information
102-49	Changes in reporting	No significant changes in material topics or topic boundaries
102-50	Reporting period	Sustainability Report: About This Report, page 44
102-51	Date of most recent report	Sustainability Report: Board Statement, page 41
102-52	Reporting cycle	Sustainability Report: About This Report, page 44
102-53	Contact point for questions regarding the report	Sustainability Report: About This Report, page 44
102-54	Claims of reporting in accordance with the GRI Standards	Sustainability Report: About This Report, page 44
102-55	GRI content index	Sustainability Report: GRI Content Index, pages 56-60

GRI Content Index

Disclosure No.	Disclosure Title	Chapter, Page Number and Reasons for Omissions, if applicable
102-56	External assurance	Sustainability Report: About This Report, page 44
Topic Specific Disclosures		
Anti-corruption 2016		
103-1	Explanation of the material topic and its Boundary	Sustainability Report: Sustainability at First Sponsor, page 42 Sustainability Report: Regulatory Compliance, page 55
103-2	The management approach and its components	Sustainability Report: Regulatory Compliance, page 55
103-3	Evaluation of the management approach	Sustainability Report: Regulatory Compliance, page 55
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report: Regulatory Compliance, page 55
Energy 2016		
103-1	Explanation of the material topic and its Boundary	Sustainability Report: Sustainability at First Sponsor, page 42 Sustainability Report: Energy, Emissions and Water, page 47
103-2	The management approach and its components	Sustainability Report: Energy, Emissions and Water, pages 47-49
103-3	Evaluation of the management approach	Sustainability Report: Energy, Emissions and Water, pages 47-49
302-1	Energy consumption within the organization	Sustainability Report: Energy, Emissions and Water, pages 48-49
302-3	Energy intensity	Sustainability Report: Energy, Emissions and Water, pages 48-49
Water and Effluents 2018		
103-1	Explanation of the material topic and its Boundary	Sustainability Report: Sustainability at First Sponsor, page 42 Sustainability Report: Energy, Emissions and Water, page 47
103-2	The management approach and its components	Sustainability Report: Energy, Emissions and Water, pages 47-49
103-3	Evaluation of the management approach	Sustainability Report: Energy, Emissions and Water, pages 47-49
303-1	Interactions with water as a shared resource	Sustainability Report: Energy, Emissions and Water, pages 47-49
303-2	Management of water discharge-related impacts	Sustainability Report: Energy, Emissions and Water, page 47
303-3	Water withdrawal	Sustainability Report: Energy, Emissions and Water, page 49
Emissions 2016		
103-1	Explanation of the material topic and its Boundary	Sustainability Report: Sustainability at First Sponsor, page 42 Sustainability Report: Energy, Emissions and Water, page 47

GRI Content Index

Disclosure No.	Disclosure Title	Chapter, Page Number and Reasons for Omissions, if applicable
103-2	The management approach and its components	Sustainability Report: Energy, Emissions and Water, pages 47-49
103-3	Evaluation of the management approach	Sustainability Report: Energy, Emissions and Water, pages 47-49
305-1	Direct (Scope 1) GHG emissions	Sustainability Report: Energy, Emissions and Water, page 49 Sustainability Report: Reporting Scope, page 44
305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Report: Energy, Emissions and Water, page 49 Sustainability Report: Reporting Scope, page 44
305-4	GHG emissions intensity	Sustainability Report: Energy, Emissions and Water, page 49
Environmental Compliance 2016		
103-1	Explanation of the material topic and its Boundary	Sustainability Report: Sustainability at First Sponsor, page 42 Sustainability Report: Regulatory Compliance, page 55
103-2	The management approach and its components	Sustainability Report: Regulatory Compliance, page 55
103-3	Evaluation of the management approach	Sustainability Report: Regulatory Compliance, page 55
307-1	Non-compliance with environmental laws and regulations	Sustainability Report: Regulatory Compliance, page 55
Employment 2016		
103-1	Explanation of the material topic and its Boundary	Sustainability Report: Sustainability at First Sponsor, page 42 Sustainability Report: Talent Retention and Training, page 50
103-2	The management approach and its components	Sustainability Report: Talent Retention and Training, pages 50-52
103-3	Evaluation of the management approach	Sustainability Report: Talent Retention and Training, pages 50-52
401-1	New employee hires and employee turnover	Sustainability Report: Talent Retention and Training, page 51
Occupational Health and Safety 2016		
103-1	Explanation of the material topic and its Boundary	Sustainability Report: Sustainability at First Sponsor, page 42 Sustainability Report: Health and Safety, pages 53-54
103-2	The management approach and its components	Sustainability Report: Health and Safety, pages 53-54
103-3	Evaluation of the management approach	Sustainability Report: Health and Safety, pages 53-54
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Sustainability Report: Health and Safety, page 54

GRI Content Index

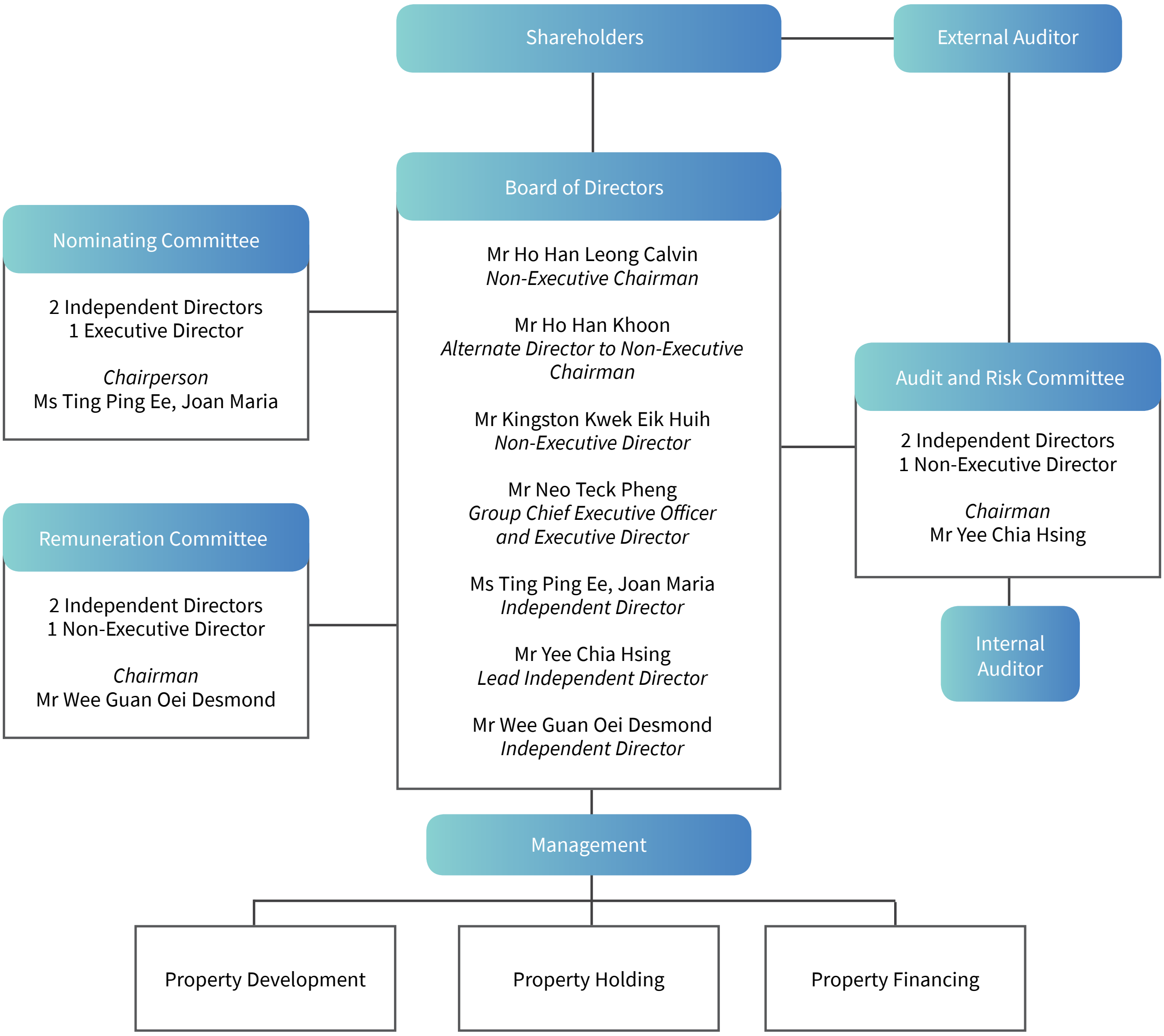
Disclosure No.	Disclosure Title	Chapter, Page Number and Reasons for Omissions, if applicable
Training and Education 2016		
103-1	Explanation of the material topic and its Boundary	Sustainability Report: Sustainability at First Sponsor, page 42 Sustainability Report: Talent Retention and Training, pages 50-52
103-2	The management approach and its components	Sustainability Report: Talent Retention and Training, pages 50-52
103-3	Evaluation of the management approach	Sustainability Report: Talent Retention and Training, pages 50-52
404-3	Percentage of employees receiving regular performance and career development reviews	Sustainability Report: Talent Retention and Training, page 52
Diversity and Equal Opportunity 2016		
103-1	Explanation of the material topic and its Boundary	Sustainability Report: Sustainability at First Sponsor, page 42 Sustainability Report: Talent Retention and Training, pages 50-52
103-2	The management approach and its components	Sustainability Report: Talent Retention and Training, pages 50-52
103-3	Evaluation of the management approach	Sustainability Report: Talent Retention and Training, pages 50-52
405-1	Diversity of governance bodies and employees	Sustainability Report: Talent Retention and Training, page 50
Customer Health and Safety 2016		
103-1	Explanation of the material topic and its Boundary	Sustainability Report: Sustainability at First Sponsor, page 42 Sustainability Report: Health and Safety, pages 53-54
103-2	The management approach and its components	Sustainability Report: Health and Safety, pages 53-54
103-3	Evaluation of the management approach	Sustainability Report: Health and Safety, pages 53-54
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Sustainability Report: Health and Safety, page 54
Socioeconomic Compliance 2016		
103-1	Explanation of the material topic and its Boundary	Sustainability Report: Sustainability at First Sponsor, page 42 Sustainability Report: Regulatory Compliance, page 55
103-2	The management approach and its components	Sustainability Report: Regulatory Compliance, page 55
103-3	Evaluation of the management approach	Sustainability Report: Regulatory Compliance, page 55
419-1	Non-compliance with laws and regulations in the social and economic area	Sustainability Report: Regulatory Compliance, page 55

CORPORATE GOVERNANCE

First Sponsor Group Limited ("**Company**", and together with its subsidiaries, "**Group**") is committed to maintaining high standards of corporate governance to protect and enhance shareholder value. In compliance with Rule 710 of the listing manual of the Singapore Exchange Securities Trading Limited ("**Listing Manual**"), the corporate governance report ("**Report**") sets out the Company's corporate governance practices for the financial year ended 31 December 2019 ("**FY2019**") with specific reference to the principles and provisions of the Code of Corporate Governance 2018 ("**Code**"). The Company is pleased to confirm that it has complied, in all material respects, with the principles and provisions of the Code. In so far as any provision has not been complied with, the reason has been provided.

A summary of the Company's compliance with the express disclosure requirements of the Code is provided on page 94.

CORPORATE GOVERNANCE FRAMEWORK



BOARD MATTERS

The Board's Conduct of Affairs

Principle 1 : The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Board's Duties and Responsibilities

The Company is headed by an effective Board which oversees the strategic direction, performance and affairs of the Group and provides overall guidance to Management.

The duties and responsibilities of the Board include:

(a) approving the strategic direction of the Group and monitoring its progress;

(b) approving the financial plan (including annual budgets) and monitoring the financial performance of the Group;

(c) reviewing the adequacy and effectiveness of the Group's risk management and internal controls framework in relation to financial, operational, compliance and information technology ("**IT**") controls, and safeguarding shareholders' interests and the Group's assets;

(d) deliberating on and accepting recommendations by the Audit and Risk Committee ("**ARC**"), the Remuneration Committee ("**RC**") and the Nominating Committee ("**NC**"); and

(e) considering sustainability issues such as environmental and social factors as part of the Group's strategic formulation.

Matters requiring the Board's decision and approval include:

(a) interim financial results announcements and annual audited financial statements;

(b) appointment of directors and key management personnel, including review of their performance and remuneration packages;

(c) corporate or financial restructuring, major acquisitions and divestments;

(d) share issuances and funding proposals;

(e) interested person transactions ("**IPTs**"); and

(f) declarations of interim dividends, proposals of final dividends and other returns to shareholders.

The Board also sets the tone for the Group in respect of ethics, values and desired organisational culture, and ensures proper accountability within the Group. In FY2019, the Board approved an internal code of business conduct and ethics ("**Code of Business Conduct and Ethics**") to provide guidance to all officers and employees of the Group in resolving ethical questions that may arise in the course of their work for the Group. Please refer to the section titled "Code of Business Conduct and Ethics, Anti-Corruption Policy & Guidelines and Fraud Policy & Guidelines" on pages 91 and 92 for further information.

Board Meetings

In FY2019 and in prior financial years, board meetings were scheduled to coincide with quarterly financial results reporting in order to facilitate a review of the financial statements and announcement of the unaudited quarterly financial results of the Group. In view of the changes to the quarterly reporting requirement under the Listing Manual which came into effect on 7 February 2020, from FY2020 onwards, board meetings will be scheduled to coincide with the half year and year-end financial results reporting as well as quarterly updates. Such quarterly Board meetings were and will be typically scheduled before the start of the financial year to enable the Directors to plan ahead to attend these meetings. Additional meetings may be convened on an ad-hoc basis as and when necessary.

During every quarterly meeting:

(a) the chairperson of each Board committee provides an update on significant matters discussed at the Board committee meetings which are typically scheduled before the quarterly Board meeting;

(b) the Group Chief Financial Officer ("**Group CFO**") presents the financial performance for that quarter and significant financial highlights; and

(c) the Group Chief Executive Officer ("**Group CEO**") gives an update on the Group's business and operations and/or a macro perspective on the relevant markets and developments.

In addition, senior executives may give presentations in relation to specific business areas. External professionals or in-house subject matter experts may also be invited to present key topics to the Board as well as updates on corporate governance, risk management, tax, accounting and other regulations, which may have an impact on the Group's affairs. This allows the Board to develop a better understanding of the progress of the Group's business as well as the issues and challenges facing the Group and promotes active engagement with Management.

Where exigencies prevent a Director from attending a Board meeting in person, the Company's Articles of Association permit the Director to participate via teleconferencing or video conferencing. The Board and Board committees may also make decisions by way of resolutions in writing. Except where a Director is required to abstain from participating in the deliberation on a transaction or proposed transaction due to a potential conflict of interest situation, in each meeting where matters requiring the Board's approval are to be considered, all members of the Board participate in the discussions and deliberations, and resolutions in writing are circulated to all Directors for their consideration and approval. This principle of collective decisions adopted by the Board ensures that no individual influences or dominates the decision-making process.

Management may communicate with the Directors through email or telephone to brief or update the Directors on prospective transactions and potential developments. Management may also seek in-principle approval for such transactions from the Directors through email or telephone. Such approvals given by the Directors through email or telephone will, as appropriate, be noted and recorded in the minutes of meeting held subsequently by the Board.

There were five Board meetings held in FY2019, one of which was an ad-hoc Board meeting to discuss a prospective transaction. The attendance of the Directors at meetings of the Board and Board committees, and the frequency of such meetings, are set out below:

Attendance Record of Meetings of Shareholders, Board and Board Committees in FY2019

	Board	Ad-Hoc Board	ARC	RC	NC	AGM
Number of Meetings Held	4	1	4	1	1	1
Board Members						
Mr Ho Han Leong Calvin	4	–	–	–	–	1
Mr Ho Han Khoon (Alternate Director to Mr Ho Han Leong Calvin)	4	1	4	1	–	1
Mr Tan Kian Seng[1]	–	–	–	–	–	–
Mr Kingston Kwek Eik Huih[1]	3	1	–	–	–	1
Mr Neo Teck Pheng	4	1	4[2]	1[3]	1	1
Ms Ting Ping Ee, Joan Maria	4	1	4	1	1	1
Mr Yee Chia Hsing	4	1	4	–	1	1
Mr Wee Guan Oei Desmond	4	–[4]	–	1	–	1

Notes:

1. Mr Tan Kian Seng resigned as Non-Executive Director of the Company on 5 March 2019. He was replaced by Mr Kingston Kwek Eik Huih who was appointed on the same date.

2. Mr Neo Teck Pheng is not a member of the ARC but was present at the ARC meetings in his capacity as Group CEO.

3. Mr Neo Teck Pheng is not a member of the RC but was invited by the RC to attend the RC meeting to give his views on the performance of certain key management personnel. For the avoidance of doubt, he was neither involved in any deliberation nor decision on his own remuneration.

4. Mr Wee Guan Oei Desmond was absent as he was overseas.

Directors who are unable to attend a Board meeting are provided with the briefing materials and can discuss issues relating to the matters to be discussed at the Board meeting with the Group CEO and/or the Group CFO.

Off-Site Visits

The Company organises overseas trips by the Directors to countries where the real estate projects of the Group, its associated companies and joint venture companies are located. On such occasions, the Board will meet with the Group's key management personnel in those countries and conduct site visits. This will allow the Board to have a good understanding of the Group's businesses and progress of the projects as well as promote active engagement with key management personnel in those countries. The Directors made trips to the People's Republic of China in FY2017, FY2018 and FY2019 and to the Netherlands in FY2017.

Director Development

All newly appointed Directors are provided with information about the Group's history and core values, principal businesses and strategic direction as well as industry specific knowledge. Meetings are also arranged with Management to allow the new Directors to be acquainted with Management and to facilitate their independent access to Management in the future. In line with best practices in corporate governance, new Directors will be required to sign a letter of appointment from the Company stating clearly the roles of the Board and Non-Executive Directors, the time commitment that the Director would be expected to allocate and other relevant matters. The terms of reference of all Board committees would also be provided to each newly appointed Director.

For a first time Director who has no prior experience as a director of a listed company, he or she will be encouraged to also attend the Listed Entity Director ("LED") Programme conducted by the Singapore Institute of Directors in order to acquire relevant knowledge of what is expected of a listed company director. Completion of the LED Programme, which focuses on comprehensive training of company directors on compliance, regulatory and corporate governance matters, should provide first time Directors with a broad understanding of the roles and responsibilities of a director of a listed company under the requirements of the Listing Manual and the Code. The Company has noted that such training for first time directors is now mandatory under the Listing Manual.

All Directors are provided with relevant information on the Company's policies, procedures and practices relating to governance issues, including disclosure of interests in securities, restrictions on disclosure of price-sensitive and trade-sensitive information and disclosure of interests relating to the Group's businesses. They are also informed about matters such as the code of dealings in the Company's securities as they are privy to price-sensitive and trade-sensitive information.

The Directors are given updates and/or briefings relating to any matters that fall within the responsibility of the Board or key developments in the Group's industry or operations including changes in regulatory requirements, corporate governance and accounting standards. Such updates are given at Board meetings and where necessary via presentations by the Company's external professionals, auditors and Management. The Directors are encouraged to undergo continual professional development (including attending external presentations and seminars conducted by regulatory bodies) during the term of their appointment. The Company funds the training of its Directors as appropriate.

In FY2019, the Directors were provided with material updates in the areas of cybersecurity as well as financial reporting standards. In February 2020, the Company's lawyers, WongPartnership, gave a presentation to the Board on the changes to the Listing Manual which came into effect on 7 February 2020.

Access to Information

The Company recognises the importance of providing the Board with relevant, complete, adequate and timely information prior to Board meetings and on an ongoing basis, to enable the Directors to make informed decisions to discharge their duties and responsibilities. The Board is provided with reports on the Group's operational and financial performance as well as budget variances, on a regular basis. Board papers are distributed in advance of Board meetings (as a general rule, at least one week in advance) so that the Directors have sufficient time to understand the matters to be discussed at the Board meetings. The Directors are entitled to request from Management and be provided with additional information as needed to make informed decisions. Management and senior executives attend Board meetings to answer any query from the Directors.

Where appropriate, ad hoc meetings are also held for Management to brief the Directors on prospective transactions and potential developments in the early stages before formal Board approval is sought. As stated in the section titled "Board Meetings", Management may communicate with the Directors through email or telephone to brief or keep the Directors updated on such deals and developments. The Directors may, at any time, request for further explanations, briefings, informal discussions or updates on any aspect of the Group's operations or business issues from Management through email, telephone or face-to-face meetings.

The Directors have separate and independent access to Management and the company secretary at all times. The Directors also have direct access to the Company's professional advisors and have the discretion to engage their own professional advisers at the Company's expense.

Role of the Company Secretary

Under the direction of the Chairman, the company secretary ensures good information flow within the Board and Board committees and between Management and Non-Executive Directors. She advises the Board on all governance matters as well as facilitates the orientation of newly appointed Directors and assists with the professional development of all Directors. The company secretary plays a role in ensuring that Board procedures as well as relevant rules and regulations are complied with. In FY2019, the company secretary attended all Board and Board committee meetings except for one ad-hoc Board meeting.

The appointment and the removal of the company secretary are subject to the approval of the Board.

Delegation of Authority

To optimise operational efficiency, the Board has established financial authorisation and approval limits for capital expenditure, the procurement of goods and services, acquisitions and disposals, bank borrowings as well as debt and equity fund raising. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Board committees and Management.

The Non-Executive Directors are always available to provide guidance to Management on any business issues and in areas in which they specialise.

Board Committees

To assist the Board in their duties and to ensure that specific issues are subject to in-depth and timely review, certain functions have been delegated to various Board committees, which would submit their recommendations or decisions to the Board. The Board has established three Board committees, namely:

(a) the ARC;

(b) the RC; and

(c) the NC.

Each Board committee operates under delegated authority from the Board with the Board retaining overall oversight and has its own written terms of reference. The Board regularly undertakes a review of its Board committees including their membership and terms of reference. The last review of the terms of reference was undertaken in FY2018. In FY2018, the Board approved amendments to the terms of reference of the ARC to take into account the Code and certain amendments to the Listing Manual. All Board committees are chaired by an Independent Director.

A record of each Director's attendance at Board committee meetings during FY2019 is set out in the section titled "Attendance Record of Meetings of Shareholders, Board and Board Committees in FY2019" on page 64.

AUDIT AND RISK COMMITTEE

MEMBERSHIP

- Mr Yee Chia Hsing, ARC Chairman and Lead Independent Director
- Ms Ting Ping Ee, Joan Maria, ARC Member and Independent Director
- Mr Ho Han Leong Calvin, ARC Member and Non-Executive Chairman of the Board
  Mr Ho Han Khoon (Alternate Director to Mr Ho Han Leong Calvin)

KEY OBJECTIVE

- Assist the Board in discharging its responsibilities relating to financial and accounting matters, compliance, business and financial risk management and internal controls

The ARC comprises three Non-Executive Directors, two of whom, including the ARC Chairman, are Independent Directors. The ARC Chairman and at least one other member of the ARC, being the majority of the ARC, possess the relevant accounting or related financial management expertise or experience, while the remaining member of the ARC possesses business and financial background. With the current composition, the NC believes that the ARC has the relevant accounting and related financial management expertise and experience to discharge its functions within its written terms of reference.

None of the members of the ARC are former partners or directors of the Company's existing external or internal audit firms (a) within a period of two years commencing on the date of their ceasing to be a partner of the external or internal audit firm and in any case, (b) for so long as they have any financial interest in the external or internal audit firm.

The ARC has the authority to investigate any matter within its terms of reference. The ARC has full access to, and the cooperation of, Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The ARC also has full access to the external and internal auditors, and to facilitate a more effective check on Management, the ARC meets (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of Management at least annually. However, FY2019 was an exception as the meeting between the ARC and the internal auditors scheduled to take place in FY2019 was re-scheduled to February 2020 due to the availability of the partner-in-charge. Similarly, both the external and internal auditors are given full access to the ARC.

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

(a) reviewing the audit plan of the Company's external auditors, their evaluation of the system of internal accounting controls, their letter to Management, if any, and Management's response, and results of the Company's audit conducted by the internal and external auditors;

(b) reviewing the reports of the Company's external auditors including key audit matters ("**KAMs**"), as well as the adequacy, effectiveness, independence, objectivity, scope and results of the external audit;

(c) reporting to the Board on the ARC's assessment of the independence and objectivity of the external auditors and the quality of the work carried out by the external auditors;

(d) reviewing the co-operation given by the Company's officers to the external auditors;

(e) reviewing and discussing with the external auditors, where applicable, any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules and regulations, which has or is likely to have a material adverse impact on the Group's operating results or financial position, and Management's response;

(f) making recommendations to the Board on proposals to shareholders, on the appointment, re-appointment and removal of external auditors, and approving the remuneration and terms of engagement of the external auditors;

(g) ensuring co-ordination between the external auditors and Management, reviewing the assistance given by Management to the auditors, and discussing problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of Management, where necessary);

(h) approving the Company's internal audit plans;

(i) monitoring the implementation of internal controls over outstanding internal control weaknesses highlighted by the auditors;

(j) deciding on the appointment, termination and remuneration of the internal auditors;

(k) reviewing the adequacy, effectiveness, independence, scope and results of the Company's internal audit function, reporting to the Board on the ARC's assessment of the adequacy, effectiveness and independence of the internal audit function and commenting on whether the internal audit function is independent, effective and adequately resourced;

(l) reviewing the interim and annual financial statements, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;

(m) reviewing significant financial reporting issues so as to ensure integrity of the financial statements of the Company and any announcements relating to the Company's financial performance and reporting to the Board on such issues (including how these issues were addressed);

(n) reviewing the material internal control procedures addressing financial, operational, compliance and IT risks;

(o) commissioning an independent audit on internal controls and risk management systems if it deems necessary for its assurance, or where it is not satisfied with the systems of internal controls and risk management;

(p) reviewing IPTs falling within the scope of Chapter 9 of the Listing Manual above certain thresholds;

(q) reviewing the grant of any entrusted loans to interested persons prior to such loans being entered into, to ensure that (i) the terms and (ii) the grant of the entrusted loans (taking into account various factors that may include, but are not limited to, the rationale for the grant, the creditworthiness of the borrower and the interest rate payable to the Group) are not prejudicial to the Group and shareholders;

(r) reviewing potential conflicts of interest, if any;

(s) reviewing and considering transactions in which there may be potential conflicts of interests between the Company and interested persons and recommending whether those who are in a position of conflict should abstain from participating in any discussions or deliberations of the Board or from voting on resolutions of the Board or shareholders in relation to such transactions as well as ensuring that proper measures to mitigate such potential conflicts of interest have been put in place;

(t) monitoring investments in the Group's customers, suppliers and competitors made by the Directors, controlling shareholders and their respective associates who are involved in the management of the Company or have shareholding interests in similar or related business of the Company and making assessments on whether there are any potential conflicts of interests and ensuring that proper measures to mitigate such conflicts of interests have been put in place;

(u) reviewing and assessing from time to time the prevailing processes put in place to manage any material conflicts of interest in relation to the controlling shareholders as described in the section titled "Interested Person Transactions and Conflicts of Interest – Conflicts of Interest – Conflict of Interests in relation to First Sponsor Capital Limited and First Sponsor Management Limited" in the prospectus registered by the Monetary Authority of Singapore on 10 July 2014 in relation to the Company's initial public offering and listing of its shares on the Main Board of the Singapore Exchange Securities Trading Limited on 22 July 2014 and considering, where appropriate, additional measures for the management of such conflicts;

(v) reviewing the Group's key financial risk areas with a view to providing an independent oversight of the Group's financial reporting;

(w) reviewing and recommending hedging policies and instruments, if any, to be implemented by the Company to the Directors;

(x) reviewing the suitability of the Group CFO;

(y) undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings from time to time on matters arising and requiring the attention of the ARC;

(z) reviewing the policy and arrangements for concern about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up and reporting to the Board any significant issues raised through such channels;

(aa) generally undertaking such other functions and duties as may be required by statute or the Listing Manual or by such amendments as may be made thereto from time to time on a quarterly basis; and

(ab) apart from the abovementioned duties, commissioning and reviewing the findings of internal investigations in the event of any suspected fraud, irregularity, failure of internal controls or infringement of any applicable law, rule or regulation which has or is likely to have a material adverse impact on the Group's operating results and/or financial position.

In line with the changes to the Practice Guidance on Audit Committees and Engagement with Shareholders which came into effect on 7 February 2020, the ARC will bring to the Board's attention immediately, any significant issues (such as significant adjustments) raised by the external auditors in their review or audit of the Company's year-end financial statements which have a material impact on the interim financial statements or financial updates previously announced by the Company. The Board will then consider whether an immediate announcement is required under the Listing Manual. The ARC will also advise the Board if changes are needed to improve the quality of future interim financial statements or financial updates. Such changes, if any, will be disclosed in the Annual Report.

The ARC held four ARC meetings in FY2019. Management, including the Group CEO and Group CFO, was present at the meetings. In addition, the ARC met with the external auditors without the presence of Management in FY2019. The meeting between the ARC and the internal auditors scheduled to take place in FY2019 was re-scheduled to February 2020 due to the availability of the partner-in-charge.

In FY2019, the ARC reviewed the quarterly financial statements prior to approving or recommending to the Board their release, the auditors' evaluation of the system of internal accounting controls, the adequacy and effectiveness of the Company's internal controls, the annual audit plans of the external and internal auditors and the results of the audits performed by them, as well as IPTs. It also reviewed the scope, results and effectiveness of the internal audit and external audit functions, the independence and objectivity of the external auditors, the non-audit services rendered by the external auditors and the proposed change of external auditors.

The ARC considered the report from the external auditors, including their findings on the significant risks and audit focus areas. The following KAMs were discussed with Management and the external auditors:

KAMs	How the ARC reviewed these matters and what decisions were made
Valuation of investment properties	The ARC reviewed the outcome of the annual valuation process and discussed the details of the valuation with Management. The ARC considered the findings of the external auditors, including their assessment of the appropriateness and reasonableness of the valuation methodologies and the underlying key assumptions applied in the valuation of investment properties. The ARC is satisfied with the methodology and key assumptions applied in assessing the fair values of the Group's investment properties.
Valuation of investment in Dongguan East Sun Limited and Dongguan East Sun No. 1 Property Management Co., Ltd. (collectively "**East Sun**")	The ARC reviewed the valuation methodology and the outcome of the annual valuation process in determining the fair value of the investment in East Sun classified by the Group as financial asset at fair value through profit or loss. The ARC considered the findings of the external auditors including their assessment of the appropriateness and reasonableness of the fair values of the underlying properties held by East Sun. The ARC is satisfied with the approach, the valuation methodology and the valuation of the investment in East Sun as adopted and disclosed in the financial statements.
Valuation of property, plant and equipment	The ARC reviewed the approach adopted by Management in determining the recoverable amounts of the Crowne Plaza Chengdu Wenjiang and the adjoining hotspring. This included an external valuation conducted on the two properties by an external valuer. The ARC considered the findings of the external auditors including their review of Management's assessment of whether there are indicators of impairment and the appropriateness and reasonableness of the methodology and key assumptions used in determining the recoverable amounts of the abovementioned properties. The ARC is satisfied with the approach and the valuation methodology undertaken in arriving at the recoverable amounts as adopted and disclosed in the financial statements.

The ARC concluded that the Group's accounting treatment and estimates in the KAMs were appropriate. All the KAMs that were raised by the external auditors for FY2019 have been addressed by the ARC and covered in the above commentary. Details on the KAMs can be found in the auditors' report for FY2019 on pages 103 to 105 of this Annual Report.

REMUNERATION COMMITTEE

MEMBERSHIP

- Mr Wee Guan Oei Desmond, RC Chairman and Independent Director
- Ms Ting Ping Ee, Joan Maria, RC Member and Independent Director
- Mr Ho Han Leong Calvin, RC Member and Non-Executive Chairman of the Board
  Mr Ho Han Khoon (Alternate Director to Mr Ho Han Leong Calvin)

KEY OBJECTIVES

- Oversee the remuneration of the Board and Management
- Set appropriate remuneration framework and policies to deliver annual and long-term performance of the Group

The RC comprises three Non-Executive Directors, two of whom, including the RC Chairman, are Independent Directors.

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

(a) recommending to the Board a framework of remuneration for the Directors and key management personnel of the Group, including the Group CEO, Group CFO and CEOs of the respective regions;

(b) determining specific remuneration packages for Executive Directors, including the Group CEO;

(c) reviewing all aspects of remuneration of employees (including, among others, employees who are related to the Directors and relatives of the Directors and controlling shareholders, if any), including directors' fees, salaries, allowances, bonuses and other benefits-in-kind;

(d) reviewing and ensuring that the remuneration of Non-Executive Directors is appropriate to the level of contribution by them, taking into account factors such as effort and time spent, and responsibilities of the Directors;

(e) recommending employee share option schemes or any long-term incentive scheme which may be set up from time to time and doing all acts necessary in connection therewith; and

(f) reviewing the Company's obligations arising in the event of termination of any Executive Director's and key executive's contract of services to ensure that such contracts of services contain fair and reasonable clauses which are not overly generous.

In FY2019, the RC met once and discussed various remuneration matters such as Directors' fees as well as the remuneration package of the Group CEO and key management personnel. No member of the RC was involved in the fixing of his or her own remuneration.

NOMINATING COMMITTEE

MEMBERSHIP

- Ms Ting Ping Ee, Joan Maria, NC Chairperson and Independent Director
- Mr Yee Chia Hsing, NC Member and Lead Independent Director
- Mr Neo Teck Pheng, NC Member, Group CEO and Executive Director

KEY OBJECTIVES

- Establish and review the profile of Board members
- Make recommendations to the Board on the appointment and re-nomination of Directors
- Review the independence of Directors
- Assist the Board in evaluating the performance of the Board, Board committees and Directors

The NC comprises three members. Two members are Independent Directors, one of whom is the Lead Independent Director.

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

(a) reviewing and assessing the appointment of any proposed new Directors (including alternate Directors if applicable) before recommending the proposed new Directors for approval by the Board;

(b) reviewing and recommending to the Board the re-election and re-appointment of any Directors (including alternate Directors if applicable) who are retiring by rotation or appointed during the year at the next AGM;

(c) reviewing the effectiveness of the Board annually;

(d) reviewing annually whether the size and composition of the Board are appropriate to ensure that the Board has an appropriate balance of expertise, skills, attributes and abilities;

(e) reviewing and determining annually, and as and when circumstances require, if a Director is independent;

(f) reviewing and determining whether a Director is able to and has been adequately carrying out his or her duties as Director where a Director has multiple board representations or other principal commitments;

(g) reviewing succession plans for the Directors and Management and recommending to the Board for approval;

(h) reviewing and recommending to the Board the employment of related persons and their proposed terms of employment;

(i) assessing whether any individual member of the Board dominates the Board's decision-making process; and

(j) reviewing training and professional development programs for the Board.

In FY2019, the NC met once to discuss various matters, including the appointment of Mr Kingston Kwek Eik Huih as Non-Executive Director.

Board Composition and Guidance

Principle 2 : The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Board consists of six Directors of whom five are Non-Executive Directors. The Non-Executive Directors comprise three Independent Directors and two non-Independent Directors. The Executive Director is the Group CEO. As the Chairman is not independent, the Board appointed a Lead Independent Director. A summary of the role of the Lead Independent Director is set out in the section titled "Role of the Lead Independent Director" on page 75.

The Board, through the NC, reviews from time to time the size and composition of the Board, with a view to ensuring that the size of the Board is appropriate in facilitating effective decision-making taking into account the scope and nature of the Group's operations, and that the Board has a strong independent element.

The Board and the NC are satisfied that the Board's size and composition are appropriate for the Company's needs, taking into account the scope and nature of the operations of the Group and the requirements of the business.

Board Diversity

The Company recognises that a diverse Board is an important element which will better support the Company's achievement of its strategic objectives for sustainable development by enhancing the decision-making process of the Board through the perspectives derived from the various skills, business experience, industry discipline, gender, age, tenure of service and other distinguishing qualities of the Directors. In FY2019, the Board adopted a formal Board Diversity Policy, setting out its policy for promoting diversity on the Board. The Board Diversity Policy provides that, in reviewing the Board composition, the NC will consider all aspects of diversity in order to arrive at an optimum balanced composition of the Board. The selection of Directors will be based on merit against an objective criteria that complements and expands the skills and experience of the Board as a whole, and after having given due regard to the overall balance and effectiveness of a diverse Board. The Board Diversity Policy is available on the Company's corporate website at www.1st-sponsor.com.sg.

The Board comprises business leaders and professionals with real estate, hospitality, banking, financial (including audit and accounting), legal, risk management and business management backgrounds. The Board currently includes one female member and Directors with ages ranging from 30s to 60s who have served on the Board for different tenures. The Board and the NC are of the view that the current composition of the Board encompasses an appropriate balance and diversity of skills, experience, knowledge and competencies.

Profiles and qualifications of the Directors are set out in the section titled "Board of Directors" on pages 23 to 24 and directorships held by the Directors as at the date of this Annual Report and over the preceding three years are set out in the section titled "Directors' Time Commitment" on pages 77 to 79.

Independence

The Independent Directors constitute half of the Board. Other than the Group CEO, none of the Directors is a former or current employee of the Company or its subsidiaries. The Board is aware of Provision 2.2 of the Code which recommends that Independent Directors make up a majority of the Board where the Chairman is not independent. The NC and the Board will review the current composition of Independent Directors, the Board's diversity of skills, experience, knowledge and competencies as well as the size of the Board and the Company's operations to determine whether to align the Board with the recommendation. Currently, matters requiring the Board's approval are discussed and deliberated with the participation of each Director (save for any Director who has a conflict of interest), and decisions are made collectively without any individual influencing or dominating the decision-making process. The NC and the Board are therefore of the view that the current composition of the Board is sufficient for the Board to exercise objective and balanced judgement. As the Chairman is not independent, the Company appointed a Lead Independent Director.

The Board, taking into account the views of the NC, assesses the independence of each Director annually in accordance with the guidance in the Code. In accordance with the Code, a Director is considered independent if he or she is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgement in the best interests of the Company. The Board also takes into account the existence of relationships or circumstances, including those identified by the Listing Manual and related Practice Guidance that are relevant in its determination as to whether a Director is independent. Such relationships or circumstances include the employment of a Director by the Company or any of its related corporations for the current or any of the past three financial years, a Director providing to or receiving from the Company or any of its subsidiaries significant payments or material services during the current or previous financial year, other than compensation for Board service, and a Director being related to any organisation to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments or material services during the current or previous financial year.

The NC and the Board assessed the independence of each Director in FY2019. A summary of the outcome of that assessment is set out below.

Based on the declarations of independence provided by the Directors and taking into account the guidance in the Code, the Board has determined that Ms Ting Ping Ee, Joan Maria, Mr Yee Chia Hsing and Mr Wee Guan Oei Desmond are independent.

The remaining Directors are considered non-independent for the following reasons:

(a) Mr Ho Han Leong Calvin and his alternate, Mr Ho Han Khoon, are controlling shareholders of the Company;

(b) Mr Kingston Kwek Eik Huih is the son of Mr Kwek Leng Beng, the Executive Chairman of Millennium & Copthorne Hotels Limited (formerly known as Millennium & Copthorne Hotels plc) ("**M&C**") which is a controlling shareholder of the Company and a principal subsidiary of City Developments Limited ("**CDL**"); and

(c) Mr Neo Teck Pheng is the Group CEO, the Executive Director and a controlling shareholder of the Company.

Each member of the NC and the Board recused himself or herself from the NC's and the Board's deliberations respectively on his or her own independence.

As at the date of this Report, none of the Independent Directors has served on the Board for more than nine years.

The Non-Executive Directors participate actively in the meetings of the Board. They provide strategic guidance to the Company based on their professional knowledge, in particular, assisting to constructively develop proposals on strategy. They also review and monitor Management's performance. To facilitate this, they are kept informed of the Company's businesses and performances through regular reporting from Management, and have full access to Management. The Non-Executive Directors would also confer among themselves without the presence of Management as and when the need should arise. The chairman of such meetings provides feedback to the Board and/or the Chairman as appropriate.

Conflicts of Interest

Directors as fiduciaries are collectively and individually obliged to act honestly and with due diligence, and in the best interests of the Company. Directors, who are in any way, directly or indirectly, interested in a transaction or proposed transaction, will declare the nature of their interests, and also abstain from participating in the deliberation of the Board and/or the Board committees on such transactions, with abstention duly recorded within the minutes and/or the resolutions of the Board and/or the committees.

Chairman and Chief Executive Officer

Principle 3 : There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Chairman and the Group CEO

The roles and responsibilities of the Chairman and the Group CEO are held by separate individuals, in keeping with the principle that there be a clear division of responsibilities between the leadership of the Board and Management and that no one individual has unfettered powers of decisions-making. The Chairman leads the Board and is responsible for ensuring the effectiveness of the Board while the Group CEO is responsible for implementing the Group's strategies and policies, and for management, operations and growth of the Group's businesses.

The separation of the roles of the Chairman and the Group CEO and the resulting clarity of roles provide a healthy professional relationship between the Board and Management, and facilitate robust deliberations on the Group's business activities and the exchange of ideas and views to help shape the strategic process.

The Non-Executive Chairman is Mr Ho Han Leong Calvin and the Group CEO is Mr Neo Teck Pheng. They do not share any family ties.

Role of Chairman

The Chairman provides leadership to the Board and facilitates the conditions for overall effectiveness of the Board, Board committees and individual Directors. He leads all the Board meetings and ensures that meetings are held on a timely basis to deliberate or approve matters which require the Board's attention. He is also responsible for promoting and maintaining high standards of corporate governance, ensures effective communication with shareholders and facilitates effective contribution from the Non-Executive Directors.

The Chairman provides clear oversight, advice and guidance to the Group CEO and Management on strategy and the growth of the Group's businesses. The Chairman also provides support and advice to, and acts as a sounding board for, the Group CEO, while respecting executive responsibility.

Role of the Lead Independent Director

As the Chairman is not an Independent Director, the Board appointed Mr Yee Chia Hsing as the Lead Independent Director. The Lead Independent Director is appointed by the Board to serve in a lead capacity to coordinate the activities of the Non-Executive Directors in circumstances where it would be inappropriate for the Chairman to serve in such capacity. He also assists the Chairman and the Board to ensure effective corporate governance in managing the affairs of the Board and the Company.

The Lead Independent Director serves as the ARC Chairman. The role of the Lead Independent Director includes meeting with the Independent Directors at least annually. He provides feedback on the meeting(s) to the Board and/or the Chairman as appropriate. He will also be available to shareholders if they have concerns relating to matters that contact through the normal channels of communication with the Chairman, Group CEO or Group CFO are inappropriate or inadequate. No query or request on any matter which requires the Lead Independent Director's attention was received from shareholders in FY2019.

Board Membership

Principle 4 : The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NC establishes and reviews the profile required of Board members and makes recommendations to the Board on the appointment and re-nomination of Directors. Details on the composition and scope of duties and responsibilities of the NC are set out in the section titled "Nominating Committee" on page 72.

The evaluation of the appointment and re-nomination of a Director takes into consideration, among others, the composition and progressive renewal of the Board, the factors described in the Board Diversity Policy and each Director's independent status, competencies, commitment, contribution and performance.

Selection of New Directors

The Company has in place a process for selecting and appointing new Directors. This process includes, among others, an evaluation of the candidate's capabilities by taking into consideration diversity of skills, experience, background, gender, age and other relevant factors and how the candidate fits into the overall desired competency matrix of the Board.

The NC identifies the Company's needs and prepares a shortlist of candidates with the appropriate profile for nomination. The NC may have recourse to both internal sources as well as external sources to draw up the shortlist. Short-listed candidates will be required to furnish their curriculum vitae stating in detail their qualification, working experience and employment history to enable the NC to assess the candidate's independence status and compliance with the Company's established internal guidelines. The NC will take an active role in screening and interviewing short-listed candidates before assessing the candidate's suitability and recommending him or her for nomination to the Board.

In FY2019, Mr Kingston Kwek Eik Huih was appointed as Non-Executive Director. He replaced Mr Tan Kian Seng who resigned as Non-Executive Director to devote more time to his work commitments with M&C. Mr Kwek was nominated by the then Non-Executive Chairman of M&C (now the Executive Chairman of M&C following the privatisation of M&C) with the consent of the M&C board. The NC reviewed the professional qualifications and experience of Mr Kwek and recommended his appointment to the Board. Mr Kwek was subsequently re-elected as Non-Executive Director by shareholders at the 2019 AGM.

Re-nomination of Directors

The Articles of Association of the Company requires each Director to retire at least once every three years and subject himself or herself to re-election by shareholders. In addition, any Director appointed by the Board shall retire at the next AGM and shall then be eligible for re-election at that meeting.

The Group CEO, as an Executive Director, is subject to the same retirement by rotation, resignation and removal provisions as the other Directors, and such provisions will not be subject to any contractual terms that may have been entered into with the Company. His role as Group CEO is separate from his position as a Board member, and does not affect the ability of shareholders to exercise their right to select all Board members.

With regard to the re-election of existing Directors each year, the NC advises the Board of those Directors who are retiring or due for consideration to retire in accordance with the Company's Articles of Association, and makes recommendations to the Board as to whether the Board should support the re-election of a Director who is retiring. In making its recommendations, the NC will undertake a review of the retiring Director's performance and contribution during the period in which he was a member of the Board. The NC takes factors such as attendance, preparedness, participation and candour into consideration when evaluating the past performance and contribution of a Director when making its recommendations to the Board. Each member of the NC will abstain from deliberations on his or her own re-election.

Mr Ho Han Leong Calvin, Mr Neo Teck Pheng and Mr Wee Guan Oei Desmond will be retiring by rotation pursuant to the Company's Articles of Association at the 2020 AGM. Mr Ho Han Leong Calvin, Mr Neo Teck Pheng and Mr Wee Guan Oei Desmond have respectively given their consent to stand for re-election at the 2020 AGM. Mr Ho Han Leong Calvin will, upon re-election, continue to serve as the Non-Executive Chairman of the Board, a member of the ARC and a member of the RC. Mr Neo Teck Pheng will, upon re-election, continue to serve as a member of the NC. Mr Wee Guan Oei Desmond will, upon re-election, continue to serve as the RC Chairman. The NC considered their performance and contribution during the NC meeting held in February 2020 and recommended to the Board their re-election at the 2020 AGM. The Board has concurred with the NC to recommend the re-election of Mr Ho Han Leong Calvin, Mr Neo Teck Pheng and Mr Wee Guan Oei Desmond as Directors by shareholders at the 2020 AGM. Additional information on Mr Ho Han Leong Calvin, Mr Neo Teck Pheng and Mr Wee Guan Oei Desmond as prescribed in Appendix 7.4.1 of the Listing Manual may be found on pages 217 to 224 of this Annual Report. Mr Neo Teck Pheng recused himself from the NC's deliberations on his own re-election and each of the three Directors recused himself from the Board's deliberations on his own re-election.

Directors' Time Commitment

In view of the responsibilities of a Director, the Board is cognisant of the need for Directors to be able to devote sufficient time and attention to adequately perform their roles. However, the Board has not imposed any limit on the number of listed company directorships that an individual may hold as it is of the view that this should be considered on a case-by-case basis as a person's available time and attention may be affected by different factors, such as whether he or she is in full-time employment and the nature of his or her other responsibilities. The Company also does not wish to omit from consideration outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as new members of the Board. While having a limit on the number of listed company directorships may be considered by some other companies to be suitable for their circumstances, at present, the Company considers that the effectiveness of each of the Directors is best assessed by a qualitative assessment of the Director's contribution and devotion of appropriate time and attention to the Company.

A Director with multiple directorships is expected to ensure that he or she can devote sufficient time and attention to the affairs of the Company. The Directors are also required to consult the Chairman and the NC Chairperson before accepting new appointments as directors or full time executives. The Directors must also immediately report any changes in their external appointments, including any corporate developments relating to their external appointments, which may affect their independence.

The NC conducts a review of the commitments of each Director on an annual basis and as and when there is a change of circumstances involving a Director. All Directors are required to confirm on an annual basis, and for FY2019, have confirmed that they were able to devote sufficient time and attention to their duties as Directors. For FY2019, the NC is of the view that the Directors have devoted sufficient time and attention to the affairs of the Company and have been able to discharge their duties as Directors effectively. Although some Board members have multiple board representations, the Board experienced minimal competing time commitments among its members as Board meetings are planned and scheduled well in advance of the meeting dates. The NC is satisfied that in FY2019, where a Director had other listed company board representations and/or other principal commitments, the Director adequately carried out his or her duties as Director.

The table below shows the directorships and principal commitments of each Director (including past directorships and principal commitments over the preceding three years):

Name of Director	Date of First Appointment	Date of Last Re-election	Past Directorships in other listed companies and principal commitments over the preceding three years	Present Directorships in other listed companies and principal commitments
Mr Ho Han Leong Calvin[1] ● Non-Executive Chairman ● ARC Member ● RC Member	1 October 2007	26 April 2017	–	Chief Executive Officer and Director of Tai Tak Estates Sendirian Berhad
Mr Ho Han Khoon (Alternate Director to Mr Ho Han Leong Calvin)[2]	19 May 2014	–	–	Executive Vice-President and Director of Tai Tak Estates Sendirian Berhad
Mr Kingston Kwek Eik Huih[3] ● Non-Executive Director	5 March 2019	24 April 2019	–	● Director of Beijing Fortune Hotel Co., Ltd. ● Governor of Hong Leong Foundation ● Alternate Director of Welland Investments Limited
Mr Neo Teck Pheng[1] ● Group CEO and Executive Director ● NC Member	1 October 2007	26 April 2017	–	–
Ms Ting Ping Ee, Joan Maria ● Independent Director ● NC Chairperson ● ARC Member ● RC Member	19 May 2014	24 April 2018	Independent Director of Grandland Shipping Limited	Independent Director of Grand Union Holdings and Investments Incorporated

Name of Director	Date of First Appointment	Date of Last Re-election	Past Directorships in other listed companies and principal commitments over the preceding three years	Present Directorships in other listed companies and principal commitments
Mr Yee Chia Hsing ● Lead Independent Director ● ARC Chairman ● NC Member	19 May 2014	24 April 2018	–	● Head of Catalist, CIMB Bank Berhad, Singapore Branch ● Elected Member of the Parliament of Singapore ● Independent Director of Ezion Holdings Limited ● Audit Committee Member of Ren Ci Hospital
Mr Wee Guan Oei Desmond[1] ● Independent Director ● RC Chairman	6 February 2017	26 April 2017	–	● Partner and Head, Corporate Commercial Practice Group of Rajah & Tann Singapore LLP ● Non-Executive Chairman, Independent Director and Audit Committee Member of Popular Holdings Limited ● Non-Executive Director of Spartans Rugby Singapore Limited

Notes:

1. Mr Ho Han Leong Calvin, Mr Neo Teck Pheng and Mr Wee Guan Oei Desmond will retire and stand for re-election at the 2020 AGM. The NC has considered their contribution and performance and recommended to the Board their re-election at the 2020 AGM.

2. An alternate Director bears all the duties and responsibilities of a Director.

3. Mr Kingston Kwek Eik Huih is the son of Mr Kwek Leng Beng, the Executive Chairman of M&C which is a controlling shareholder of the Company and a principal subsidiary of CDL.

Succession Planning

The Board believes in carrying out succession planning for itself to ensure continuity of leadership. Board renewal is a continuing process and in this regard, the NC reviews annually the composition of the Board and Board committees, which includes size and mix, and recommends to the Board the selection and appointment of new Directors, whether in addition to the existing Board members or as replacement of retiring Board members, with a view to identifying any gaps in the Board's skills set taking into consideration the Group's business operations. The Board would be able to function smoothly notwithstanding any resignation or retirement of any Director given the present number of members and mix of competencies on the Board.

Board Performance

Principle 5 : The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

While Board performance is ultimately reflected in the long-term performance of the Group, the Board believes that engaging in a regular process of assessment and evaluation of Board performance in order to identify key strengths and areas for improvement is essential to effective stewardship and to attaining success for the Company.

Board and Board Committee Evaluation Process

Each year, the NC undertakes a formal annual process to assess the effectiveness of the Board as a whole and the Board committees.

The NC uses objective and appropriate criteria to assess the performance of the Board and effectiveness of Board committees. Assessment parameters include evaluation of Board structure, conduct of meetings, corporate strategy, corporate planning, risk management, internal controls, measuring and monitoring performance, compensation, financial reporting and communication with shareholders.

As part of the process, each Director is required to complete an appraisal form with the above assessment parameters. The completed appraisal forms are collated by the company secretary who then presents the results to the NC Chairperson who in turn presents a report to the NC and the Board. The feedback, comments and recommendations by the Directors are reviewed and discussed constructively by the NC and the Board to identify areas for improvements and follow up action to be taken by the Board and Management. No external facilitator was used in FY2019.

The NC is satisfied that for FY2019, the Board and the Board committees were effective in the conduct of their respective duties. The results of the NC's assessment were communicated to and accepted by the Board.

Individual Director Evaluation Process

In FY2019, the Company implemented a formal process to evaluate the performance of individual Directors.

As part of the process, each Director (including the Chairman) is requested to complete a self-evaluation form. Performance criteria include factors such as the Director's attendance, preparedness, candour, participation and contribution at Board meetings, industry and business knowledge, commitment and dedication. The completed self-evaluation forms are collated by the company secretary who then presents the results to the NC, which assesses the performance of the individual Directors, and will discuss with each individual Director if necessary. Each member of the NC will recuse himself or herself from the NC's deliberations on his or her own performance.

The performance of individual Directors is taken into account in their re-appointment or re-election. Specific needs which arise from time to time are taken into account in any appointment of new Directors.

The NC is satisfied that for FY2019, each Director contributed to the effectiveness of the Board and, if applicable, Board committee(s). The results of the NC's assessment were communicated to and accepted by the Board.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6 : The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Level and Mix of Remuneration

Principle 7 : The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Disclosure on Remuneration

Principle 8 : The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The Board established the RC to oversee the remuneration of the Board and Management. In carrying out this role, the RC also aims to set the appropriate remuneration framework and policies to deliver annual and long-term performance of the Group. Details on the composition and scope of duties and responsibilities of the RC are set out in the section titled "Remuneration Committee" on page 71.

The broad principles that guide the RC in its administration of fees, benefits, remuneration and incentives for the Board and Management are set out below.

Remuneration of Non-Executive Directors

The Group CEO is an Executive Director and is therefore remunerated as part of Management. He does not receive Directors' fees.

The RC recommends the Non-Executive Directors' fees for the Board's endorsement and approval by shareholders. The Company seeks shareholders' approval at the 2020 AGM so that Directors' fees can be paid on a quarterly basis in arrears. No Director decides his or her own fees.

The remuneration packages of Non-Executive Directors comprise base Directors' fees and additional fees for services rendered on the various Board committees. In reviewing the structure and level of such fees, the RC takes into consideration factors such as the roles and responsibilities of, effort and time spent by, the Directors, changes in the business, corporate governance practices and regulatory rules, and the interval since the last fee review. The RC also compares the Company's fee framework against industry practices.

The Company established the First Sponsor Employee Share Option Scheme on 19 May 2014. However, no options were granted under the scheme as at the date of this Report. Details of the First Sponsor Employee Share Option Scheme can be found in the Directors' Statement on page 99. The First Sponsor Employee Share Option Scheme allows for participation by Non-Executive Directors. The Company believes that the scheme will help the Company to attract experienced and qualified persons from different professional backgrounds to join the Company as Non-Executive Directors and will better align the interests of such Non-Executive Directors with the interests of shareholders.

FY2019

A review of the framework for the Non-Executive Directors' fees for FY2019 was conducted. The framework remained the same as that for the previous financial year. No remuneration consultant was appointed in FY2019. The framework for Non-Executive Directors' fees for FY2019 is as follows:

Base Directors' Fee	
Board Chairman	S$50,000 per annum[1]
Director	S$50,000 per annum
Fee for appointment to ARC	
Committee Chairman	S$55,000 per annum
Committee Member	S$33,000 per annum
Fee for appointment to RC	
Committee Chairman	S$18,000 per annum
Committee Member	S$12,000 per annum
Fee for appointment to NC	
Committee Chairperson	S$18,000 per annum
Committee Member	S$12,000 per annum

Note:

1. Mr Ho Han Leong Calvin and Mr Ho Han Khoon elected not to receive Directors' fees.

No separate attendance fees for Board meetings or travel allowance are paid or payable to Non-Executive Directors.

The aggregate Directors' fees paid to Non-Executive Directors for FY2019 was S$339,370, details of which are set out in the table below:

Name of Director	**Directors' Fees (S$)**
Mr Ho Han Leong Calvin[1]	–
Mr Ho Han Khoon[1] (Alternate Director to Mr Ho Han Leong Calvin)	–
Mr Tan Kian Seng[2]	–
Mr Kingston Kwek Eik Huih[2]	41,370
Ms Ting Ping Ee, Joan Maria[3]	113,000
Mr Yee Chia Hsing[4]	117,000
Mr Wee Guan Oei Desmond[5]	68,000
Total	**339,370**

Notes:

1. Mr Ho Han Leong Calvin and Mr Ho Han Khoon elected not to receive Directors' fees.
2. Mr Tan Kian Seng, who resigned as Non-Executive Director of the Company on 5 March 2019, previously elected not to receive Directors' fees. He was replaced by Mr Kingston Kwek Eik Huih who was appointed on the same date.
3. In addition to the base Directors' fee, Ms Ting Ping Ee, Joan Maria received additional fees as the NC Chairperson and a member of the ARC and the RC.
4. In addition to the base Directors' fee, Mr Yee Chia Hsing received additional fees as the ARC Chairman and a member of the NC.
5. In addition to the base Directors' fee, Mr Wee Guan Oei Desmond received an additional fee as the RC Chairman.

The increase of S$41,370 in Directors' fees from S$298,000 in FY2018 to S$339,370 in FY2019 was due to the pro-rated Directors' fee payable to Mr Kingston Kwek Eik Huih who was appointed on 5 March 2019. Mr Tan Kian Seng, who resigned as Non-Executive Director on the same date previously elected not to receive Directors' fees. The payment of the Directors' fees of S$339,370 for FY2019 was approved by shareholders as a lumpsum at the 2019 AGM.

FY2020

For FY2020, it is proposed that aggregate fees of S$378,000 be paid to the Non-Executive Directors. The proposed framework for Non-Executive Directors' fees for FY2020 is the same as that for FY2019 except for an additional one-off fee of S$30,000 payable to Mr Yee Chia Hsing for his additional time commitment as Chairman of the ARC in FY2019. No remuneration consultant was appointed in FY2020. The increase of S$38,630 in Directors' fees from S$339,370 in FY2019 to S$378,000 in FY2020 is due to a full year's Directors' fee being payable to Mr Kingston Kwek Eik Huih and the additional one-off fee payable to Mr Yee Chia Hsing. The proposed Directors' fees of S$378,000 are subject to shareholders' approval as a lumpsum at the 2020 AGM.

Remuneration of Management

In reviewing the remuneration packages of the Group CEO and key management personnel, the RC considers the level of remuneration based on the Company's remuneration policy which comprises the following distinct objectives:

(a) to ensure that the remuneration packages are competitive in attracting and retaining employees capable of meeting the Company's needs;

(b) to reward employees for achieving corporate performance targets in a fair and equitable way; and

(c) to ensure that the remuneration reflects the employees' duties and responsibilities.

Link to Corporate and Individual Performance

Remuneration for the Group CEO and key management personnel comprises fixed and variable components. The level and mix of the variable component are structured to ensure that the total remuneration for the Group CEO and key management personnel is strongly aligned to the financial performance and returns delivered to shareholders.

Fixed components comprise base salary and, where applicable, fixed allowances and other benefits-in-kind determined by the Company's human resource policies. The base salary is determined based on the responsibilities, experience and competencies that the individual brings to the role, individual performance and market competitiveness. This is approved by the Board based on the RC's recommendation and reviewed annually. Fixed allowances and other benefits-in-kind provided are in line with local market practices and legislative requirements, and are not directly linked to performance.

The variable component comprises the annual variable bonus. The annual variable bonus is intended to recognise the performance and contribution of the individual, while driving the achievement of key business results for the Company and enhancement of shareholder value.

For FY2019, the RC reviewed and is satisfied that adjustments made to the salaries as well as the variable bonuses granted to the Group CEO and key management personnel were reflective of their performance and the contribution made by them.

The RC recognises that long-term incentives reinforce the delivery of long-term growth and shareholder value to drive an ownership culture and retain key talent. The RC will consider granting long-term incentives as a performance-related component to the Group CEO and key management personnel at the appropriate time. This may include the grant of employee share options under the First Sponsor Employee Share Option Scheme and awards under any proposed performance share plans that may be approved by shareholders in the future. The RC will also consider the implementation of contractual provisions to reclaim long-term incentives from the Group CEO and key management personnel in the event of exceptional circumstances of misstatement of financial results or of misconduct resulting in financial or other losses to the Company, only after the introduction of long-term incentives.

Remuneration of Group CEO

Details of the remuneration of the Group CEO and Executive Director for FY2019 are set out below:

Group CEO and Executive Director	Salary[1] (S$)	Variable Bonus[2] (S$)	Benefits[3] (S$)	Total (S$)
Mr Neo Teck Pheng	792,375	5,150,000	16,099	5,958,474

Notes:

1. Salary refers to base salary, allowances and employer's central provident fund contributions.
2. Variable bonus includes employer's central provident fund contributions.
3. Benefits refer to car benefits.

Remuneration of Other Key Management Personnel

The top five key management personnel (excluding the Group CEO) in FY2019 are:

1. Ms Lee Sau Hun, Group CFO;
2. Mr Shu Zhen, CEO (Guangdong Operations);
3. Mr Wang Gongyi, CEO (Chengdu Operations);
4. Ms Zhang Jing, CEO (Shanghai Operations); and
5. Mr Alex Barentsen, CEO (European Operations).

The aggregate remuneration paid/payable in respect of FY2019 to the abovementioned top five key management personnel in FY2019 was S$2.9 million[1].

As set out above, the Company has taken the further step to identify its key management personnel and provided disclosure of the aggregate remuneration paid to the abovementioned top five key management personnel for FY2019. The Company however maintains its view that it is not in its interest to disclose the remuneration of each of its key management personnel in bands of S$250,000. Having considered the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Group's business activities, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues. There would be negative impact to the Group if members of the experienced and qualified senior management team are poached, which may affect the ability to both nurture a sustainable talent pool and ensure the smooth continuity in leadership needed for the achievement of the strategic objectives of the Group. The Company believes that shareholders' interest will not be prejudiced as a result of such non-disclosure of the remuneration for each of the Group's key management personnel, and with the Company's disclosure on the aggregate remuneration of the identified top five key management personnel, shareholders are provided an insight into the level of remuneration paid to the identified top five key management personnel.

For FY2019, there were no termination, retirement or post-employment benefits granted to the Directors, the Group CEO and key management personnel.

Other than the Group CEO who is a controlling shareholder of the Company, there was no employee of the Group who is a substantial shareholder of the Company, or an immediate family member of a Director, the Group CEO or a substantial shareholder of the Company, and whose remuneration exceeded S$100,000 during FY2019.

[1] Mr Alex Barentsen was appointed CEO (European Operations) on 1 July 2019. The amount disclosed takes into account his remuneration for the period from 1 July 2019 to 31 December 2019.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9 : The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board has overall responsibility for the governance of risk, including the determination of the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The ARC assists the Board in carrying out the Board's responsibility of overseeing the Group's risk management and internal controls. Having considered the Group's business and operations, as well as its existing risk management and internal controls systems, the Board is of the view that, currently, a separate Risk Committee is not required. In December 2019, the Audit Committee was renamed as the Audit and Risk Committee.

The Group has in place a risk management framework which identifies the key risks within the Group's business, along with mitigating measures. The categories of risks identified in the risk management framework include strategic, operational, financial and treasury, IT and compliance risks. The risk management framework is reviewed on an ongoing basis.

The identification and day-to-day management of risks rest with Management. Management is responsible for the effective implementation of risk management strategy, policies and processes to facilitate the achievement of business objectives within the risk tolerance established by the Board. Key business risks are proactively identified, addressed and reviewed on an ongoing basis. The systems of risk management and internal controls are reviewed by Management regularly in order to ensure that sufficient checks and balances exist within the system to safeguard the Company's assets, ensure maintenance of proper accounting records and compliance with relevant legislation and best practices. The Board reviews and approves the processes for managing risks recommended by Management.

The risk management and internal controls systems are reviewed at least annually by Management, the ARC and the Board. The Group's external auditors highlight any material internal control weaknesses that come to their attention in the course of their audit. The Group's internal auditors, PricewaterhouseCoopers LLP ("**PwC**"), reviews the Group's internal controls and reports directly to the ARC Chairman. Please refer to the section titled "Internal Audit" on page 87 for further information on the internal audit function carried out by PwC. All audit findings and recommendations made by the external auditors and PwC are reported to and discussed with the ARC during its meetings. This gives the ARC the opportunity to comment on the effectiveness and adequacy of internal controls and to submit its findings to the Board so as to reassure the Board that sufficient checks have been put in place and enable the Board to comment on the adequacy and effectiveness of the internal controls.

With increased reliance on IT as a business enabler, in FY2019, the ARC requested PwC to undertake an internal audit review of the Company's corporate IT operations in various areas including overall IT governance, computer operations, network management and incident response. PwC recommended that certain actions be undertaken by the Company to address the internal control issues outlined in PwC's report including enhancing its multi-layered defence such as intrusion prevention system, access controls and data encryption, raising employees' IT security awareness through employee security training and putting in place a cybersecurity policy which will set out, among other things, cybersecurity measures, a disaster recovery plan and an incident response plan. Most of these actions have been implemented in FY2019, with the remaining actions to be implemented in due course.

In order to mitigate the risk of corruption and fraud by employees, in FY2019, the Board approved the Code of Business Conduct and Ethics as well as the Anti-Corruption Policy & Guidelines and Fraud Policy & Guidelines. Please refer to the section titled "Code of Business Conduct and Ethics, Anti-Corruption Policy & Guidelines and Fraud Policy & Guidelines" on pages 91 and 92 for further information.

In FY2019, the Board reviewed the adequacy and effectiveness of the Group's internal controls framework in relation to financial, operational, compliance and IT controls as well as risk management systems, with the assistance of Management, PwC and the external auditors. The Board also received assurance from the Group CEO and the Group CFO that:

(a) the financial records have been properly maintained and the financial statements for FY2019 give a true and fair view of the Company's operations and finances; and

(b) the systems of risk management and internal controls within the Group are adequate and effective to address the risks (including financial, operational, compliance and IT risks) in the context of the current scope of the Group's business operations as at 31 December 2019.

Based on its assessment of the work performed by PwC and the external auditors as well as the assurance from the Group CEO and Group CFO, the Board, with the concurrence of ARC, is of the opinion that the systems of risk management and internal controls within the Group are adequate and effective to address the risks (including financial, operational, compliance and IT risks) which the Group considers to be relevant and material in the context of the current scope of the Group's business operations as at 31 December 2019. During FY2019, no material weakness was identified in the Group's risk management or internal controls systems.

While the Board notes that the systems of risk management and internal controls established by Management provide reasonable assurance that the Group, as it strives to achieve its business objective, will not be significantly affected by any event that can be reasonably foreseen or anticipated, the Board acknowledges that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of human and system errors, poor judgement in decision-making, losses, fraud or other irregularities. The Board, together with the ARC and Management, will continue to enhance and improve the existing risk management and internal controls frameworks to identify and mitigate these risks.

In FY2019, Management provided assurance to the Board on the integrity of the quarterly unaudited financial results and the Board in turn provided a negative assurance confirmation in respect of such results to shareholders as required by Rule 705(5) of the Listing Manual.

Audit Committee

Principle 10 : The Board has an audit committee which discharges its duties objectively.

Details on the composition and scope of duties and responsibilities of the ARC are set out in the section titled "Audit and Risk Committee" on pages 67 to 70.

External Auditors

The Board is responsible for the initial appointment of the external auditors. Shareholders then approve the appointment at the Company's AGM. The ARC assesses the external auditors based on factors such as the performance and quality of its audit and the independence of the external auditors, and recommends its appointment to the Board. Pursuant to the requirements of the Listing Manual, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years. The Group's external auditors, KPMG LLP ("**KPMG**") has met this requirement, and the current KPMG audit partner for the Company took over from the previous KPMG audit partner with effect from the commencement of the audit of the financial statements for FY2015. The Company has complied with Rules 712 and 715 of the Listing Manual in relation to the appointment of KPMG.

The ARC also reviewed the non-audit services provided by KPMG (including other member firms of KPMG International) during FY2019 and the fees paid for such services. KPMG provided confirmation of its independence to the ARC. The ARC is satisfied that the independence of KPMG was not affected by the provision of those services. The total fees paid/payable to KPMG (including other member firms of KPMG International) for FY2019 are disclosed in the table below:

External Auditor Fees for FY2019	Total Audit Fees	Total Non-Audit Fees	Total Fees Paid/Payable
S$'000	424	50	474
% of total audit fees		10.5	

During FY2019, in line with the Group's policy on periodic review of the appointment of external auditors, the ARC recommended, and the Board endorsed, the appointment of Ernst & Young LLP ("**EY**") as the Group's external auditors for shareholders' approval at the 2020 AGM. In recommending the appointment, an audit tender exercise was conducted and proposals from the Big Four audit firms were considered, taking into consideration the Audit Quality Indicators Disclosure Framework issued by the Singapore Accounting and Corporate Regulatory Authority and the criteria for the evaluation and selection of external auditors contained in the Guidebook for Audit Committees in Singapore and the Audit Committee Guide issued by the Singapore Institute of Directors. The proposed appointment of EY complies with Rules 712 and 715 of the Listing Manual. Please refer to the Letter to Shareholders in relation to the proposed change of auditors, which will be available on the Company's corporate website at www.1st-sponsor.com.sg in due course for further information.

Internal Audit

The ARC's responsibilities over the Group's risk management and internal controls are complemented by the internal audit function.

The Company has in past years outsourced its internal audit function to PwC. At the recommendation of the ARC, the Board approved the re-engagement of PwC as the internal auditors of the Group for FY2020. In FY2019 and as in past years, the ARC assessed the adequacy and effectiveness of the internal audit function by reviewing the audit plan submitted by PwC at the start of the year and the quality of its reports during the year. PwC has unfettered access to the ARC, the Board and Management as well as the Group's documents, records, properties and personnel, and has appropriate standing within the Company. PwC's primary line of reporting is to the ARC Chairman. The ARC has unfettered access to PwC and meets with PwC without the presence of Management at least annually. However, FY2019 was an exception as the meeting between the ARC and PwC scheduled to take place in FY2019 was re-scheduled to February 2020 due to the availability of the partner-in-charge at PWC.

The Company's internal audit function is independent of the external audit. PwC is a corporate member of the Institute of Internal Auditors Singapore, and is staffed by professionals with relevant qualifications and experience. The Group's engagement with PwC stipulates that its work shall comply with the PricewaterhouseCoopers Global Internal Audit Services Methodology, which is aligned to the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

At the beginning of each year, an annual internal audit plan entailing the review of selected functions or business units of the Group is developed and agreed to by the ARC. The audit plan is devised in such a way that all major functions or business units will be audited within an internal-audit cycle. The ARC directs PwC, as and when deemed necessary and important, to focus on certain aspects of an audit to be conducted, as well as to audit any operational or business aspects. Having reviewed the audit plan of PwC, the ARC is satisfied that the Company's internal audit function is adequately resourced to perform the work for the Group.

For FY2019, the ARC reviewed the adequacy of the internal audit function to ensure that the internal audits were conducted effectively and that Management provided the necessary cooperation to enable PwC to perform its internal audit function. After reviewing the PwC reports and remedial actions implemented by Management, the ARC is satisfied that the internal control functions were adequate and effective.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11 : The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Engagement with Shareholders

Principle 12 : The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13 : The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Shareholder Rights

The Company is fully committed to treating all shareholders fairly and equitably. All shareholders enjoy specific rights under the Company's Articles of Association and the relevant laws and regulations. The Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET, and where appropriate, also posted on the Company's corporate website at www.1st-sponsor.com.sg.

The Company recognises that the release of timely, regular and relevant information regarding the Group's performance, progress and prospects aids shareholders in their investment decisions.

Shareholders are entitled to attend general meetings and are accorded the opportunity to participate effectively in and vote at general meetings (including through the appointment of up to two proxies, if they are unable to attend in person or in the case of a corporate shareholder, through its appointed representative). A shareholder who is a relevant intermediary (as defined in the Companies Act, Chapter 50) may appoint more than two proxies each. This enables indirect investors to be appointed as proxies to participate at general meetings. Shareholders are also informed of the rules, including the voting procedures that govern the general meetings.

Conduct of General Meetings

Shareholders are informed of general meetings through notices sent to all shareholders. All shareholders of the Company will typically receive the notice of AGM, proxy form and request form to request for hard copies of the Annual Report, at least 21 days in advance. Shareholders may download the Annual Report and notice of AGM from the Company's corporate website. The notice of AGM is also advertised in either The Straits Times or The Business Times for the benefit of shareholders.

The general meeting procedures provide shareholders the opportunity to raise questions relating to each resolution tabled for approval. Opportunities are given to shareholders to participate, engage and openly communicate their views on matters relating to the Company to the Directors.

Shareholders or their appointed proxies are given the opportunity to vote at general meetings. The Company has been conducting electronic poll voting for all resolutions passed at general meetings for greater transparency in the voting process. An independent scrutineer is also appointed for the electronic poll voting process. Prior to the commencement of the general meeting, the independent scrutineer would review the proxies and the proxy process. A proxy verification process agreed upon with the scrutineer is also in place. Votes cast for or against and the respective percentages on each resolution are tallied and displayed 'live' on-screen to shareholders immediately at the general meetings. The outcome of the general meeting (including total numbers of votes cast for or against the resolutions and the respective percentages) is also promptly announced on SGXNET after the general meetings. Each share is entitled to one vote. Provision has been made under Article 60 of the Company's Articles of Association allowing for shareholders to vote in absentia. Examples of absentia voting are voting via telephone or electronic means at general meetings. The Company has not previously implemented voting in absentia by telephone or electronic means due to concerns relating to the authentication of shareholder identity and other related security and integrity issues.

All Directors (including the chairpersons of the respective Board committees) and Management are in attendance at general meetings to address any queries that shareholders may have. The external auditors attend the AGMs to assist the Directors in answering any queries relating to the conduct of the audit and the preparation and content of the auditors' report. The Directors and Management also interact with shareholders after general meetings. All Directors attended the 2019 AGM. A record of the Directors' attendance at the 2019 AGM can be found in the section titled "Attendance Record of Meetings of Shareholders, Board and Board Committees in FY2019" on page 64.

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings. "Bundling" of resolutions will be avoided unless the resolutions are interdependent and linked so as to form one significant proposal. Where resolutions are "bundled", the Company will explain the reasons and material implications in the notice of meeting. Detailed information on each resolution in the notice of AGM is in the explanatory notes to the notice of AGM.

The company secretary prepares minutes of the general meetings, which capture the essence of the comments or queries from meeting attendees and responses from the Board and Management. These minutes are available on the Company's corporate website.

Disclosure of Information on a Timely Basis

To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Company and its financial performance is disclosed in an accurate and timely manner via SGXNET.

In FY2019 and in prior financial years, the Company reported financial results on a quarterly basis, within the prescribed forty-five days from the end of each financial quarter. In view of the changes to the quarterly reporting requirement under the Listing Manual which came into effect on 7 February 2020, from FY2020 onwards, the Company will report its financial results for the first half of the financial year, within the prescribed forty-five days from the end of the half year, and its financial results for the full financial year, within the prescribed sixty days from the end of the financial year. The financial results and all other information (including a presentation pack highlighting key developments of the Group) were and will be published through the SGXNET, via media releases and on the Company's corporate website, to ensure fair dissemination to shareholders.

In line with the recommendation by the Corporate Governance Advisory Committee, the Company will provide voluntary interim updates to keep shareholders informed on various matters considered useful and relevant to enable shareholders to have a better understanding of the Company's performance in the context of the current business environment. The interim updates will be provided on a quarterly basis and will include a discussion of the significant factors that affected the Company's interim performance, relevant market trends including the risks and opportunities that may have a material impact on the Company's prospects.

In FY2019 and in prior financial years, the Company held briefings for analysts and other interested investors immediately after each release of its quarterly financial results. From FY2020 onwards, the Company will hold briefings for analysts and other interested investors immediately after the release of its half year financial results and full year financial results. The Company does not practise selective disclosure. Price-sensitive or trade-sensitive information is first publicly released through SGXNET, either before the Company meets with any analysts or investors or simultaneously with such meetings.

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, financial position, results of operations, capital needs, plans for expansion and other factors which the Board may deem appropriate. The Board will work towards a stable payout with a steady growth when appropriate, subject to the successful implementation of the Group's business strategy and prevailing market conditions. Any payout is clearly communicated to shareholders via an announcement on SGXNET when the Company discloses its financial results.

The Company has been declaring dividends at half-year and final year-end. For FY2019, the Board has recommended a final tax exempt (one-tier) dividend of 1.6 Singapore cents per ordinary share for shareholders' approval at the 2020 AGM.

Corporate Website

The Company adopts transparent, accountable and effective communication practices as a key means to enhance standards of corporate governance. The Company aims to provide clear and continuous disclosure of its corporate governance practices through efficient use of technology. The following information is made available on the Company's corporate website at www.1st-sponsor.com.sg:

(a) Board and Management profiles;

(b) Notices of general meetings, results of general meetings and minutes of general meetings;

(c) Annual Reports;

(d) Letters/Circulars to shareholders;

(e) Company announcements;

(f) Press releases;

(g) Financial results;

(h) Company policies; and

(i) Milestone events.

The latest Annual Report, financial results (including the presentation pack highlighting key developments of the Group) and company announcements are posted on the Company's corporate website following their release to the market, to ensure fair dissemination to shareholders.

Managing Stakeholders Relationships

An investor relations contact is provided on the Company's corporate website, which shareholders can use to voice their concerns or feedback. In FY2019, the Company put in place a formal Investor Relations ("**IR**") Policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders. The IR Policy sets out the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions. The IR Policy is available on the Company's corporate website.

The Group's approach to stakeholder engagement can be found in the Sustainability Report for FY2019 on pages 45 to 46 of this Annual Report.

ADDITIONAL INFORMATION

Dealings in Securities

The Group has devised and adopted an internal compliance code which provides guidance to its Directors and officers with regard to dealings in the Company's securities.

In FY2019 and in prior financial years, under the internal compliance code, the Directors and officers of the Group were required to refrain from dealing in the Company's securities (i) while in possession of material unpublished price-sensitive or trade-sensitive information, (ii) during the two weeks immediately preceding and up to the time of the announcement of the Company's financial statements for each of the first three quarters of its financial year and (iii) during the one month immediately preceding and up to the time of the announcement of the Company's financial statements for the full financial year. From FY2020 onwards, under the internal compliance code, the Directors and officers of the Group are required to refrain from dealing in the Company's securities (i) while in possession of material unpublished price-sensitive or trade-sensitive information, (ii) during the two weeks immediately preceding and up to the time of the announcement of the Company's quarterly updates for the first and third quarters and (iii) during the one month immediately preceding and up to the time of the announcement of the Company's financial statements for the half year and full financial year. Prior to the commencement of each relevant period, an email would be sent to all Directors and officers of the Group to inform them of the duration of the period. They are also advised not to deal in the Company's securities on short-term or speculative considerations. Further, the Directors and officers of the Group are prohibited from using any information with respect to other companies or entities obtained in the course of their employment in connection with securities transactions of such companies or entities. There has not been any incidence of non-compliance.

Any dealings by the Directors in securities of the Company are disclosed, in accordance with the requirements of the Securities and Futures Act, Chapter 289.

Code of Business Conduct and Ethics, Anti-Corruption Policy & Guidelines and Fraud Policy & Guidelines

The Board and Management are committed to conducting business with integrity and consistent with high standards of business ethics and in compliance with all applicable laws and regulatory requirements. In FY2019, the Company put in place the Code of Business Conduct and Ethics crystallising the Company's business principles and practices with respect to matters which may have ethical implications. The code, which provides a communicable and understandable framework for officers and employees to observe the Company's principles such as honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of the Company's business in their relationships with customers, suppliers and amongst employees, have been disseminated to officers and employees of the Group.

The Code of Business Conduct and Ethics provides guidance on issues such as:

(a) conflicts of interest and the appropriate disclosures to be made;

(b) the Company's stance against corruption and bribery;

(c) compliance with applicable laws and regulations including those relating to the protection of the environment and the conservation of energy and natural resources;

(d) compliance with the Company's policies and procedures, including those on internal controls and accounting;

(e) safeguarding and proper use of the Company's assets, confidential information and intellectual property rights, including the respect of the intellectual property rights of third parties; and

(f) competition and fair dealing in the conduct of the Company's business, in its relationships with customers, suppliers, competitors and towards its employees.

In line with the Board's commitment to maintain high ethical standards which are integral to the Group's corporate identity and business, the Company has also put in place the following two corporate policies:

(i) Anti-Corruption Policy & Guidelines which set out the responsibilities of the Group companies and of each employee in observing and upholding the Company's 'zero-tolerance' position against all forms of corruption, bribery and extortion and provide information and guidance to employees on how to recognise, address, resolve, avoid and prevent instances of corruption, bribery and extortion which may arise in the course of their work.

(ii) Fraud Policy & Guidelines which provide guidance on actions which may constitute fraudulent conduct and highlight the importance of the implementation, maintenance and compliance with the internal controls framework of the Group and its policies and procedures.

These policies are available on the Company's corporate website and have also been disseminated to officers and employees of the Group. These policies have been translated into Mandarin for dissemination to employees of the Group in the People's Republic of China.

Whistle-Blowing Policy

The Group has a whistle-blowing policy which is posted on the Company's corporate website, that allows employees of the Group to raise in confidence, whether anonymously or otherwise, concerns on possible improprieties relating to accounting, financial reporting, internal controls and auditing matters or other operational matters without fear of reprisals in any form. While the whistle-blowing policy is meant to protect genuine whistle-blowers from any unfair treatment as a result of their report, it strictly prohibits frivolous and bogus complaints. The policy is also not a route for taking up personal grievances.

A mechanism for the submission of issues and concerns has been established which includes a dedicated e-mail address allowing whistle-blowers to contact the ARC Chairman directly, and in confidence so that his or her identity will be protected from reprisals within the limits of the law. The ARC has the authority to conduct independent investigations into any complaints.

IPTs

The Company has adopted an internal policy in respect of IPTs. The Directors are required to disclose their interest and any conflict of interest in such transactions, and will accordingly abstain from the deliberation and voting on resolutions relating to these transactions. For each material IPT, key information pertaining to the IPT together with the identification of the relationship of each party is provided to the ARC for review and evaluation. The ARC will review the IPT to ensure that the IPT is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders. In the event that the relevant threshold as stipulated in the Listing Manual is met, the IPT including the interested person(s) and its or their relationship with the Company, will be announced via SGXNET or put to vote by disinterested shareholders at the Company's general meeting as the case may be.

A list of all IPTs (including an IPT with a value of less than S$100,000) is submitted quarterly to the ARC for its review. The aggregate value of IPTs entered into in FY2019 did not amount to S$100,000 or more.

Material Contracts

Since the end of the previous financial year ended 31 December 2018, no material contracts involving the interest of the Group CEO, any Director or controlling shareholder has been entered into by the Company or any of its subsidiaries, and no such contract subsisted as at 31 December 2019, save as may be disclosed on SGXNET or herein.

SUMMARY OF DISCLOSURES OF CODE

Rule 710 of the Listing Manual requires Singapore listed companies to describe their corporate governance practices with specific reference to the Code in their annual reports. This summary of disclosures describes the Company's corporate governance practices with specific reference to the disclosure requirements in the principles and provisions of the Code.

Board Matters

The Board's Conduct of Affairs
Principle 1

Provision 1.1	Pages 62, 74
Provision 1.2	Pages 64, 65
Provision 1.3	Pages 62, 63
Provision 1.4	Pages 66 - 72
Provision 1.5	Pages 63, 64, 77
Provision 1.6	Page 65
Provision 1.7	Page 65

Board Composition and Guidance
Principle 2

Provision 2.1	Pages 73, 74
Provision 2.2	Page 73
Provision 2.3	Page 73
Provision 2.4	Page 73
Provision 2.5	Page 74

Chairman and Chief Executive Officer
Principle 3

Provision 3.1	Page 75
Provision 3.2	Page 75
Provision 3.3	Page 75

Board Membership
Principle 4

Provision 4.1	Page 72
Provision 4.2	Page 72
Provision 4.3	Page 76
Provision 4.4	Pages 73, 74
Provision 4.5	Pages 77-79

Board Performance
Principle 5

Provision 5.1	Page 80
Provision 5.2	Page 80

Remuneration Matters

Procedures for Developing Remuneration Policies
Principle 6

Provision 6.1	Page 71
Provision 6.2	Page 71
Provision 6.3	Page 71
Provision 6.4	Pages 82, 83

Level and Mix of Remuneration
Principle 7

Provision 7.1	Page 83
Provision 7.2	Page 81
Provision 7.3	Pages 81, 83

Disclosure on Remuneration
Principle 8

Provision 8.1	Pages 82 - 84
Provision 8.2	Page 84
Provision 8.3	Pages 81 - 84

Accountability and Audit

Risk Management and Internal Controls
Principle 9

Provision 9.1	Page 85
Provision 9.2	Page 86

Audit Committee
Principle 10

Provision 10.1	Pages 67 - 69
Provision 10.2	Page 67
Provision 10.3	Page 67
Provision 10.4	Page 87
Provision 10.5	Page 67

Shareholder Rights and Responsibilities

Shareholder Rights and Conduct of General Meetings
Principle 11

Provision 11.1	Page 88
Provision 11.2	Page 89
Provision 11.3	Pages 63, 89
Provision 11.4	Page 89
Provision 11.5	Page 89
Provision 11.6	Page 90

Engagement with Shareholders
Principle 12

Provision 12.1	Pages 88 - 90
Provision 12.2	Page 91
Provision 12.3	Page 91

Managing Stakeholders Relationships

Engagement with Stakeholders
Principle 13

Provision 13.1	Page 91
Provision 13.2	Page 91
Provision 13.3	Page 91

USE OF PROCEEDS FROM THE 2019 RIGHTS ISSUE

USE OF PROCEEDS FROM THE ISSUE OF SERIES 2 CONVERTIBLE SECURITIES UNDER THE 2019 RIGHTS ISSUE

The Company has fully utilised the gross proceeds from the issue of the 3.98% subordinated perpetual convertible capital securities ("**Series 2 Convertible Securities**") under the rights issue undertaken in May 2019 ("**2019 Rights Issue**") of approximately S$147.6 million as follows:

(a) approximately S$70.7 million was used to repay borrowings incurred by the Group to fund the acquisition of 94.9% of the shares in each of BRE/GH II Dresden I Investor and Hotel Bellevue Dresden Betriebs which owns, and operates, the Westin Bellevue Dresden Hotel (now known as Bilderberg Bellevue Hotel Dresden);

(b) approximately S$49.7 million was used to repay borrowings incurred by the Group to partially satisfy the estimated consideration for the Group's acquisition of a 60.0% controlling equity stake in Concord Focus Development Limited, which through its wholly-owned subsidiary, has the land use rights to a development site in Chang'an in Dongguan, the PRC;

(c) approximately S$26.0 million was used to fund the Group's property financing activities in the PRC; and

(d) approximately S$1.2 million was used to pay the professional fees and related expenses ("**Related Fees and Expenses**") incurred in connection with the 2019 Rights Issue and the bonus issue ("**2019 Bonus Issue**") which was undertaken concurrently with the 2019 Rights Issue.

The above utilisations are in accordance with the intended use of proceeds as stated in the offer information statement dated 7 May 2019 lodged with the Monetary Authority of Singapore ("**OIS**") except that the percentage allocation of the net proceeds from the issue of the Series 2 Convertible Securities (after deducting Related Fees and Expenses) to the use stated in (b) increased from 33.5% to 33.9% and the percentage allocation to the use stated in (c) decreased from 18.2% to 17.8%. The deviation to such percentage allocation was due to the movements in exchange rates which resulted in a higher utilisation of the proceeds for (b) and leaving a lower percentage for (c).

As at 9 March 2020, an aggregate of 5,733,387 warrants issued in connection with the 2019 Rights Issue and the 2019 Bonus Issue ("**Warrants**") were exercised into new ordinary shares in the capital of the Company at the exercise price of S$1.30 for each new ordinary share, raising gross proceeds of approximately S$7.5 million. The Company intends to use such gross proceeds for general working capital purposes, which is in accordance with the intended use of proceeds as stated in the OIS. Specifically, the entire gross proceeds would be ear-marked for payment of the final dividend. As at 9 March 2020, such proceeds had not been utilised.

As at 9 March 2020, there were 187,064,459 outstanding Warrants.

REPORTS AND FINANCIAL STATEMENTS

As at 31 December 2019

Oliphant,
Amsterdam, the Netherlands

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2019.

In our opinion:

(a) the financial statements set out on pages 108 to 213 are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of Company as at 31 December 2019 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date in accordance with International Financial Reporting Standards; and

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

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

Directors

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

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

Directors' interests

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

	Holdings in the name of the director, spouse and/or children		**Holdings in which directors are deemed to have an interest**	
	At beginning of the year	**At end of the year**	**At beginning of the year**	**At end of the year**
The Company				
Ordinary shares				
Ho Han Leong Calvin	2,050,000	3,450,000	291,791,490	361,284,437
Ho Han Khoon (Alternate Director to Ho Han Leong Calvin)	1,050,000	1,830,000	286,764,270	286,764,270
Neo Teck Pheng	–	3,363,000	301,561,470	301,561,470
Ting Ping Ee, Joan Maria	110,000	135,000	–	–
Yee Chia Hsing	220,000	320,000	–	–

	Holdings in the name of the director, spouse and/or children		Holdings in which directors are deemed to have an interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
The Company				
$162.2 million 3.98% Perpetual convertible capital securities ("PCCS") Series 1				
Ho Han Leong Calvin	425,000	–	66,316,247	–
Ho Han Khoon (Alternate Director to Ho Han Leong Calvin)	225,000	–	–	–
Neo Teck Pheng	3,363,000	–	–	–
Ting Ping Ee, Joan Maria	25,000	–	–	–
Yee Chia Hsing	100,000	–	–	–
$147.6 million 3.98% PCCS Series 2				
Ho Han Leong Calvin	–	432,142	–	51,371,076
Ho Han Khoon (Alternate Director to Ho Han Leong Calvin)	–	225,000	–	–
Neo Teck Pheng	–	2,594,313	–	–
Ting Ping Ee, Joan Maria	–	19,285	–	–
Yee Chia Hsing	–	45,714	–	–
Warrants				
Ho Han Leong Calvin	–	734,642	–	87,330,829
Ho Han Khoon (Alternate Director to Ho Han Leong Calvin)	–	382,500	–	28,676,427
Neo Teck Pheng	–	2,930,613	–	30,156,147
Ting Ping Ee, Joan Maria	–	32,785	–	–
Yee Chia Hsing	–	77,714	–	–

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2020.

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

Share options

Employee share option scheme

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

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

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

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

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

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

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

During the financial year, there were:

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

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

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

Audit and Risk Committee

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

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

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

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

The Audit and Risk Committee also reviewed the following:

- assistance provided by the Company's officers to the external and internal auditors;

- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

- interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual).

The Audit and Risk Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit and Risk Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees. The Audit and Risk Committee had reviewed the independence of the auditors, KPMG LLP and determined that the auditors were independent in carrying out their audit of the financial statements for the current financial year.

The Audit and Risk Committee has made its recommendations to the Board of Directors and the Board of Directors is satisfied with the proposed appointment of Ernst & Young LLP as external auditors of the Company in place of the retiring auditors, KPMG LLP, at the forthcoming annual general meeting of the Company.

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

Auditors

The retiring auditors, KPMG LLP, will not be seeking re-appointment at the forthcoming annual general meeting of the Company. Ernst & Young LLP has expressed its willingness to accept appointment as auditors of the Company for the financial year ending 31 December 2020.

On behalf of the Board of Directors

Ho Han Leong Calvin	**Neo Teck Pheng**
Director	*Director*

6 March 2020

Members of the Company
First Sponsor Group Limited

Opinion

We have audited the financial statements of First Sponsor Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 108 to 213.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Valuation of investment properties ($94.8 million) (Refer to Note 3.5 and Note 5 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group owns a portfolio of investment properties in China and the Netherlands. These investment properties are carried at their fair values. The Group engaged external valuers to value its properties, where appropriate. The valuation models applied to determine the value of investment properties are sensitive to assumptions around market growth rate and discount rates. The biggest asset in the portfolio is Arena Towers which was carried at a fair value of $93.0 million as at 31 December 2019.	**Our response:** We assessed the competency and objectivity of the valuers engaged and held discussions with the valuers to understand their valuation methods and assumptions used, when necessary. We reviewed the valuation methodologies and assumptions used by the valuers and management in arriving at the valuations of the Group's investment properties. This includes a comparison of market growth rate and discount rates with externally derived data. We also tested the data and information used by the valuers including rental yield by comparing to the actual rental yield, and analysed trends of this key assumption. **Our findings:** The valuers are members of recognised professional bodies for valuers. The valuation methodologies applied were consistent with generally accepted market practices. The key assumptions used were within the range of market data and our expectations.

<table>
<tr><td colspan="2">Valuation of property, plant and equipment ($345.8 million)
(Refer to Note 3.3 and Note 4 to the financial statements)</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group owns a portfolio of hotels in China and Europe. These hotels are carried at cost less accumulated depreciation and impairment losses, and are subject to an annual review to assess whether or not they may be impaired.

Crowne Plaza Chengdu Wenjiang incurred a loss during the year and the adjoining hotspring property also performed below expectation. Indicators of impairment for these assets were identified. The Group performed an impairment assessment of Crowne Plaza Chengdu Wenjiang and the hotspring property separately as at 31 December 2019. As a result of the assessment, impairment losses of $38.3 million and $7.9 million were recognised for Crowne Plaza Chengdu Wenjiang and the hotspring property, respectively.

The Group engaged an external valuer to ascertain the recoverable amount of Crowne Plaza Chengdu Wenjiang and the hotspring property. The estimation of the recoverable amount of Crowne Plaza Chengdu Wenjiang and the hotspring property is dependent on assumptions about the future. Specifically, significant judgement is required in relation to the appropriate occupancy rate, average daily rate, revenue growth rate and the discount rate to use in determining the recoverable amount.

No indicator of impairment was identified for the rest of the Group's hotels as at 31 December 2019.</td><td>Our response:

We assessed the competency and objectivity of the valuer engaged and held discussions with the valuer to understand the valuer's valuation method and assumptions used.

We reviewed the key assumptions adopted by the valuer in determining the recoverable amounts of Crowne Plaza Chengdu Wenjiang and the hotspring property. This included a comparison of occupancy rate, average daily rate and revenue growth rate to historical rates and trends. We also compared the discount rate against externally derived data.

Our findings:

The valuer is a member of recognised professional bodies for valuers.

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

<table>
<tr><td colspan="2">Valuation of investment in Dongguan East Sun Limited and Dongguan East Sun No. 1 Property Management Co., Ltd. (collectively, “East Sun”)
(Refer to Note 9 to the financial statements)</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group accounted for the investment in East Sun as financial assets measured at fair value through profit or loss.

In estimating the fair value of this investment, the Group has used the net asset value of the investees, adjusted for the fair values of the underlying properties held by the investees based on independent external valuations, and applied a discount to take into consideration the non-marketable nature of the investment, where applicable.

Judgement is involved in determining an appropriate valuation method and the key assumptions to be applied in fair valuing the investment.</td><td>Our response:

We engaged internal valuation specialists to assess the valuation approach and assumptions used by the Group in deriving the fair value of the equity securities against those applied for similar equity securities. We assessed the reasonableness of the fair values of the underlying properties held by the investees as well as the discount rate applied, by considering comparable properties and available industry market data.

Our findings:

The valuer is a member of recognised professional bodies for valuers.

The valuation approach used by the Group in deriving the fair value of the investment in East Sun is in line with generally accepted market practices. The key assumptions used were within the range of market data and our expectations.</td></tr>
</table>

Other information

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

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

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

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

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

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

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

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

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

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

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

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
6 March 2020

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-current assets					
Property, plant and equipment	4	**345,847**	170,435	**950**	306
Investment properties	5	**94,827**	259,135	**–**	–
Subsidiaries	6	**–**	–	**774,562**	720,981
Interests in associates and joint ventures	7	**298,062**	80,817	**9,680**	9,669
Derivative assets	8	**28,778**	19,385	**28,778**	19,385
Other investments	9	**74,594**	78,131	**–**	–
Deferred tax assets	10	**43,470**	33,387	**–**	–
Trade and other receivables	11	**824,848**	660,948	**860,557**	779,204
		1,710,426	1,302,238	**1,674,527**	1,529,545
Current assets					
Development properties	12	**390,046**	356,890	**–**	–
Inventories		**550**	215	**–**	–
Trade and other receivables	11	**315,255**	505,887	**483,451**	389,902
Assets held-for-sale	13	**18,285**	51,610	**–**	–
Derivative assets	8	**12,545**	–	**12,545**	–
Other investments	9	**–**	39,262	**–**	–
Cash and cash equivalents	14	**313,389**	125,711	**22,629**	18,139
		1,050,070	1,079,575	**518,625**	408,041
Total assets		**2,760,496**	2,381,813	**2,193,152**	1,937,586
Equity					
Share capital	15	**101,251**	81,405	**101,251**	81,405
Reserves	16	**1,320,670**	1,069,091	**1,080,079**	868,766
Equity attributable to owners of the Company		**1,421,921**	1,150,496	**1,181,330**	950,171
Perpetual convertible capital securities	17	**146,548**	161,285	**146,548**	161,285
Non-controlling interests		**30,120**	11,713	**–**	–
Total equity		**1,598,589**	1,323,494	**1,327,878**	1,111,456
Non-current liabilities					
Loans and borrowings	18	**369,943**	641,390	**369,943**	604,732
Derivative liabilities	8	**2,717**	5,564	**2,717**	5,564
Other payables	19	**49,431**	12,527	**–**	–
Lease liabilities	20	**69,358**	–	**466**	–
Deferred tax liabilities	10	**7,202**	8,638	**–**	–
		498,651	668,119	**373,126**	610,296
Current liabilities					
Loans and borrowings	18	**251,220**	45,338	**251,220**	45,338
Current tax payable		**61,925**	36,994	**1,914**	30
Trade and other payables	19	**307,085**	138,381	**238,858**	170,466
Contract liabilities	21	**39,288**	161,279	**–**	–
Receipts in advance	22	**1,349**	8,208	**–**	–
Lease liabilities	20	**2,389**	–	**156**	–
		663,256	390,200	**492,148**	215,834
Total liabilities		**1,161,907**	1,058,319	**865,274**	826,130
Total equity and liabilities		**2,760,496**	2,381,813	**2,193,152**	1,937,586

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000
Revenue	23	**319,164**	277,361
Cost of sales		**(130,129)**	(115,861)
Gross profit		**189,035**	161,500
Administrative expenses		**(38,206)**	(27,997)
Selling expenses		**(9,609)**	(7,782)
Other (expenses)/ income (net)		**(61,940)**	3,257
Other gains (net)	24	**42,827**	2,838
Results from operating activities		**122,107**	131,816
Finance income		**23,798**	17,132
Finance costs		**(22,928)**	(9,902)
Net finance income	25	**870**	7,230
Share of after-tax profit of associates and joint ventures		**71,222**	5,502
Profit before tax	26	**194,199**	144,548
Tax expense	27	**(28,623)**	(26,298)
Profit for the year		**165,576**	118,250
Attributable to:			
Equity holders of the Company		**167,088**	113,008
Non-controlling interests		**(1,512)**	5,242
Profit for the year		**165,576**	118,250
Earnings per share			
- Basic (cents)	28	**21.64**	16.72
- Diluted (cents)	28	**17.12**	15.02

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000
Profit for the year		**165,576**	118,250
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on financial statements arising from liquidation of foreign subsidiaries reclassified to profit or loss		**–**	1,187
Share of translation differences on financial statements of foreign associates and joint ventures, net of tax	7	**(7,543)**	(1,589)
Translation differences on financial statements of foreign subsidiaries, net of tax		**(23,213)**	(22,464)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax		**(1,496)**	(1,486)
Total other comprehensive income for the year, net of tax		**(32,252)**	(24,352)
Total comprehensive income for the year		**133,324**	93,898
Total comprehensive income attributable to:			
Equity holders of the Company		**135,608**	88,912
Non-controlling interests		**(2,284)**	4,986
Total comprehensive income for the year		**133,324**	**93,898**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019

	Share capital $'000	Share premium $'000	Statutory reserve $'000	Capital reserve $'000	Distributable reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total attributable to equity holders of the Company $'000	Perpetual convertible capital securities $'000	Non-controlling interests $'000	Total equity $'000
Group											
At 1 January 2019, as previously stated	81,405	9,821	36,607	245	655,029	12,854	354,535	1,150,496	161,285	11,713	1,323,494
Adjustment on initial application of IFRS 16	-	-	-	-	-	-	(1,965)	(1,965)	-	-	(1,965)
Adjusted balance at 1 January 2019	81,405	9,821	36,607	245	655,029	12,854	352,570	1,148,531	161,285	11,713	1,321,529
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	167,088	167,088	-	(1,512)	165,576
Other comprehensive income											
Share of translation differences on financial statements of foreign associates and joint ventures, net of tax	-	-	-	-	-	(7,543)	-	(7,543)	-	-	(7,543)
Translation differences on financial statements of foreign subsidiaries, net of tax	-	-	-	-	-	(22,441)	-	(22,441)	-	(772)	(23,213)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	-	-	-	-	-	(1,496)	-	(1,496)	-	-	(1,496)
Total other comprehensive income	-	-	-	-	-	(31,480)	-	(31,480)	-	(772)	(32,252)
Total comprehensive income for the year	-	-	-	-	-	(31,480)	167,088	135,608	-	(2,284)	133,324

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

	Share capital $'000	Share premium $'000	Statutory reserve $'000	Capital reserve $'000	Distributable reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total attributable to equity holders of the Company $'000	Perpetual convertible capital securities $'000	Non-controlling interests $'000	Total equity $'000
Transaction with owners, recognised directly in equity											
Contributions by and distributions to owners											
Dividends paid to owners of the Company (Note 16)	-	-	-	-	-	-	(19,078)	(19,078)	-	-	(19,078)
Issuance of perpetual convertible capital securities ("PCCS") (Note 17)	-	-	-	-	-	-	-	-	147,649	-	147,649
PCCS issue expenses	-	-	-	-	-	-	-	-	(1,100)	-	(1,100)
Distributions of PCCS	-	-	-	-	-	-	(3,478)	(3,478)	-	-	(3,478)
Redemption of PCCS	-	-	-	-	-	-	-	-	(948)	-	(948)
Issuance of new shares pursuant to conversion of PCCS	19,846	140,492	-	-	-	-	-	160,338	(160,338)	-	-
Transfer to statutory reserve	-	-	3,352	-	-	-	(3,352)	-	-	-	-
Total contributions by and distributions to owners	19,846	140,492	3,352	-	-	-	(25,908)	137,782	(14,737)	-	123,045
Changes in ownership interests in subsidiaries											
Acquisition of subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	32,373	32,373
Derecognition of a subsidiary with non-controlling interests	-	-	-	-	-	-	-	-	-	(11,682)	(11,682)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	20,691	20,691
Total transactions with owners of the Company	19,846	140,492	3,352	-	-	-	(25,908)	137,782	(14,737)	20,691	143,736
At 31 December 2019	101,251	150,313	39,959	245	655,029	(18,626)	493,750	1,421,921	146,548	30,120	1,598,589

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

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

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	Group 2019 $'000	2018 $'000
Cash flows from operating activities			
Profit for the year		**165,576**	118,250
Adjustments for:			
Depreciation of property, plant and equipment	4	**10,356**	6,172
Fair value loss/(gain) on:			
- derivative assets/liabilities (net)	26	**(24,786)**	(30,761)
- investment properties	5	**(1,918)**	(6,930)
- other investments	26	**(528)**	(12,850)
Finance income	25	**(23,798)**	(17,132)
Finance costs	25	**22,928**	9,902
(Gain)/loss on disposal of:			
- a subsidiary	24	**(35,516)**	(1)
- assets held-for-sale	24	**(7,710)**	(6,253)
- investment properties (net)	24	**(679)**	(272)
- other investments		**(76)**	–
- property, plant and equipment	24	**14**	1
Impairment loss on:			
- assets held-for-sale	13	**481**	4,088
- property, plant and equipment	4,26	**46,160**	14,053
Loss on deconsolidation of a subsidiary	24	**637**	–
Loss on liquidation of subsidiaries (net)	24	**–**	85
Property, plant and equipment written off	24	**22**	1
Share of after-tax profit of associates and joint ventures		**(71,222)**	(5,502)
Tax expense	27	**28,623**	26,298
Write down of development properties	12,26	**1,915**	3,153
		110,479	102,302
Changes in:			
- development properties		**5,346**	24,172
- inventories		**(95)**	(42)
- trade and other receivables		**68,410**	(458,197)
- trade and other payables		**72,839**	(126,488)
- loans and borrowings		**1,122**	128,173
- contract liabilities		**(119,784)**	(12,226)
Cash generated from/(used in) operating activities		**138,317**	(342,306)
Interest received		**50,517**	80,705
Interest paid		**(21,272)**	(13,054)
Tax paid		**(9,240)**	(22,074)
Net cash from/(used in) operating activities		**158,322**	(296,729)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2019

	Note	Group 2019 $'000	2018 $'000
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	29	**(156,770)**	–
Advances to associates (net)		**(86,867)**	–
Deposits received in respect of assets held-for-sale		**4,102**	6,839
Dividends received from an associate		**–**	18,295
Deconsolidation of a subsidiary	30	**(2,322)**	–
Dividends received from a joint venture		**757**	–
Interest received		**22,543**	15,366
Loan to a non-controlling interest		**(31,929)**	–
Payment for acquisition of other investments		**(357)**	(3,395)
Payment for additions to:			
- investment properties		**(4,976)**	(15,851)
- property, plant and equipment		**(37,482)**	(421)
Payment for investments in associates and joint ventures		**(81,242)**	(36,778)
Decrease in/(placement of) other investments		**36,754**	(1,427)
Proceeds from disposal of:			
- a subsidiary, net of cash disposed	30	**73,003**	–*
- assets held-for-sale		**43,286**	29,665
- investment properties		**10,041**	3,278
- other investments		**3,372**	–
- property, plant and equipment		**1**	68
Return of capital from an associate		**–**	5,369
Net cash (used in)/from investing activities		**(208,086)**	21,008
Cash flows from financing activities			
Advances from associates (net)		**120,261**	3,009
Distributions to PCCS holders	28	**(3,478)**	(4,541)
Dividends paid to the owners of the Company	16	**(19,078)**	(14,271)
Interest paid		**(15,665)**	(5,038)
Loan from an affiliate of a non-controlling interest		**46,679**	–
Payment of transaction costs related to:			
- bank borrowings		**(2,838)**	(3,153)
- PCCS		**(1,200)**	(672)
Payment of lease liabilities		**(5,422)**	–
Proceeds from bank borrowings		**611,205**	293,551
Proceeds from issuance of PCCS		**147,649**	162,199
Redemption of PCCS		**(952)**	–
Repayment of bank borrowings		**(632,633)**	(345,950)
Net cash from financing activities		**244,528**	85,134

* Amount less than $1,000

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

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000
Net increase/(decrease) in cash and cash equivalents		**194,764**	(190,587)
Cash and cash equivalents at beginning of the year		**125,711**	319,298
Effect of exchange rate changes on balances held in foreign currencies		**(7,086)**	(3,000)
Cash and cash equivalents at end of the year	14	**313,389**	125,711

Significant non-cash transaction

During the financial year ended 31 December 2019, an amount of $85,363,000 due from an associate was capitalised to investment in associates.

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 6 March 2020.

1 Domicile and activities

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

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

The financial statements of the Group as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"), and the Group's interests in equity-accounted investees.

2 Basis of preparation

2.1 Statement of compliance

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

This is the first set of the Group's annual financial statements in which IFRS 16 *Leases* has been applied. The related changes to significant accounting policies are described in Note 2.5.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

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

2 Basis of preparation (cont'd)

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

- Note 3.17 – Estimation of provisions for current and deferred taxation
- Note 4 – Estimation of useful lives, residual values and recoverable amounts of property, plant and equipment
- Note 5 – Valuation of investment properties
- Note 27 – Estimation of provisions for withholding tax and land appreciation tax
- Note 32 – Valuation of financial instruments

Measurement of fair values

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

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

2 Basis of preparation (cont'd)

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

- Note 5 – Valuation of investment properties
- Note 32 – Valuation of financial instruments

2.5 Changes in accounting policies

The Group applied IFRS 16 *Leases* using the modified retrospective approach, under which the cumulative effect of initial application was recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented, for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in IFRS 16.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

B. As a lessee

As a lessee, the Group leases many assets including land, properties (i.e. office spaces and a hotel) and motor vehicles. The Group previously classified leases as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

I. Leases classified as operating leases under IAS 17

Previously, the Group classified leases of properties and motor vehicles as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities' incremental borrowing rate applicable to the leases as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application.

2 Basis of preparation (cont'd)

2.5 Changes in accounting policies (cont'd)

B. As a lessee (cont'd)

I. Leases classified as operating leases under IAS 17 (cont'd)

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- used hindsight when determining the lease term.

C. As a lessor

The Group leases out its investment properties. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

The Group sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognised from the head leases are presented in investment property, and measured at fair value at that date. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under IFRS 16.

D. Impact on financial statements

Impact on transition*

The effect of adopting IFRS 16 as at 1 January 2019 is summarised below:

	Group $'000	Company $'000
Right-of-use - Property, plant and equipment	78,294	303
Lease liabilities	(80,259)	(312)
Retained earnings	1,965	9

* For the impact of IFRS 16 on profit or loss for the period and segment information, see Notes 25, 26 and 31. For the details of accounting policies under IFRS 16 and IAS 17, see Note 3.14.

2 Basis of preparation (cont'd)

2.5 Changes in accounting policies (cont'd)

D. Impact on financial statements (cont'd)

Impact on transition* (cont'd)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the respective lessee entities' incremental borrowing rate at 1 January 2019. The incremental borrowing rate applied on the individual lease ranged between 1.8% to 6.0% per annum at 1 January 2019.

	Group $'000	Company $'000
Operating lease commitments as at 31 December 2018 as disclosed under IAS 17 in the Group's consolidated financial statements	126,274	331
Discounted using the incremental borrowing rate as at 1 January 2019	80,342	312
- Recognition exemption for leases with less than 12 months of lease term at transition	(83)	–
Lease liabilities recognised as at 1 January 2019	80,259	312

3 Significant accounting policies

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

3.1 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3 Significant accounting policies (cont'd)

3.1 Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(ii) Subsidiaries

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

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

(iii) Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Loss of control

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

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

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

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

3 Significant accounting policies (cont'd)

3.1 Basis of consolidation (cont'd)

(vi) Transactions eliminated on consolidation

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

(vii) Subsidiaries, associates and joint ventures in the separate financial statements

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

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within other expenses.

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income (except on impairment, in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Singapore dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Singapore dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity, except to the extent that the translation difference is allocated to non-controlling interests.

3 Significant accounting policies (cont'd)

3.2 Foreign currency (cont'd)

(ii) Foreign operations (cont'd)

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary that retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or a joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

3.3 Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

(ii) Subsequent costs

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

3 Significant accounting policies (cont'd)

3.3 Property, plant and equipment (cont'd)

(iii) Depreciation

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

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

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

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

Leasehold land and leased assets	2 to 29 years
Buildings	
• Core component of hotel and hotspring buildings	35 years
• Other buildings	30 to 50 years
• Surface, finishes and services of hotel and hotspring buildings	30 to 35 years
Plant and machinery	5 to 15 years
Equipment and furniture	1 to 10 years
Motor vehicles	5 to 10 years

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

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

3.4 Intangible assets

Goodwill

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

Subsequent measurement

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

3 Significant accounting policies (cont'd)

3.5 Investment properties

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

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

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

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

Transfers

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

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

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

3.6 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

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

3 Significant accounting policies (cont'd)

3.6 Financial instruments (cont'd)

(ii) Classification and subsequent measurement

Non-derivative financial assets

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

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

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

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

Financial assets at fair value through profit or loss

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

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

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

3 Significant accounting policies (cont'd)

3.6 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets: Business model assessment (cont'd)

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

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

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

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

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

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

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

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at fair value through profit or loss

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

3 Significant accounting policies (cont'd)

3.6 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets at amortised cost

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

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

Financial liabilities are classified as measured at amortised cost.

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

(iii) Derecognition

Financial assets

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

Financial liabilities

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

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

(iv) Offsetting

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

3 Significant accounting policies (cont'd)

3.6 Financial instruments (cont'd)

(v) Cash and cash equivalents

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

(vi) Derivative financial instruments

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

(vii) Share capital

Ordinary shares and perpetual convertible capital securities

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

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

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

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

(viii) Financial guarantees

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Liabilities arising from financial guarantees will be included in 'loans and borrowings' when applicable.

3 Significant accounting policies (cont'd)

3.7 Development properties

Properties under development for sale

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

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

Completed properties for sale

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

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

3.8 Impairment

(i) Non-derivative financial assets

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

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

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

- Lifetime expected credit losses: these are expected credit losses that result from all possible default events over the expected life of a financial instrument.

Simplified approach

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

3 Significant accounting policies (cont'd)

3.8 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

General approach

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

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

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

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

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

The Group considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Group in full, without recourse by the Group to actions such as realising security (if any is held).

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

Measurement of expected credit losses

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

Expected credit losses for FGCs are measured at the expected payments to reimburse the holder less any amounts that the Group expects to recover.

3 Significant accounting policies (cont'd)

3.8 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Credit-impaired financial assets

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

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

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

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

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

Write-off

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

(ii) Associates and joint ventures

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

(iii) Non-financial assets

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

3 Significant accounting policies (cont'd)

3.8 Impairment (cont'd)

(iii) Non-financial assets (cont'd)

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

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

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

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

3.9 Non-current assets held-for-sale

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

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

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

3 Significant accounting policies (cont'd)

3.10 Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

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

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

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

(iii) Share-based payment transactions

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

3 Significant accounting policies (cont'd)

3.11 Provisions and contingent liabilities

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

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

3.12 Revenue

(i) Sale of properties

Revenue from the sale of properties is recognised when control over a development property has been transferred to the customer at a point in time, when (a) the construction of the relevant property has been completed; (b) the property is ready for handover to the purchasers; and (c) collectability of the proceeds is reasonably assured and the Group has present right to the proceeds.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

<u>Existence of significant financing component</u>

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of properties or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

3 Significant accounting policies (cont'd)

3.12 Revenue (cont'd)

(i) Sale of properties (cont'd)

Existence of significant financing component (cont'd)

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the receipt of advance payments and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(ii) Rental income

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

(iii) Hotel income

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

(iv) Interest income on entrusted loans, vendor financing arrangements and loans to third parties, associates and joint ventures

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

3.13 Government grants

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

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

3 Significant accounting policies (cont'd)

3.14 Leases

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2019 has not been restated and continues to be presented as previously reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3 Significant accounting policies (cont'd)

3.14 Leases (cont'd)

Policy applicable from 1 January 2019 (cont'd)

(i) As a lessee (cont'd)

- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties in property, plant and equipment, and lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

3 Significant accounting policies (cont'd)

3.14 Leases (cont'd)

Policy applicable from 1 January 2019 (cont'd)

(ii) As a lessor (cont'd)

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received from investment properties under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16.

Leases - Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

3 Significant accounting policies (cont'd)

3.14 Leases (cont'd)

Leases - Policy applicable before 1 January 2019 (cont'd)

(ii) As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Rental income from investment property is recognised as "revenue" on a straight-line basis over the term of the lease.

3.15 Earnings per share

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

3.16 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income on funds invested and other receivables (other than entrusted loans, vendor financing arrangements and loans to associates and joint ventures); and

- interest expense on borrowings and financial derivatives.

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

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or

- the amortised cost of the financial liability.

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

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

3 Significant accounting policies (cont'd)

3.17 Tax

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

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

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

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

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

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

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

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

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

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

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

3 Significant accounting policies (cont'd)

3.17 Tax (cont'd)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered based on the business plans of individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

3.18 Segment reporting

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

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

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

3.19 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 38.

4 Property, plant and equipment

	Interests in leasehold land and leased assets $'000	Buildings $'000	Plant and machinery $'000	Equipment and furniture $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Group							
Cost							
At 1 January 2018	29,006	213,582	12,731	2,320	2,964	–	260,603
Additions	–	36	149	128	31	77	421
Written off during the year	–	–	–	(2)	–	–	(2)
Disposals	–	–	(116)	(2)	(153)	–	(271)
Reclassification to assets held-for-sale	(8,692)	(47,576)	(1,630)	(528)	5	–	(58,421)
Transfer to development properties	(613)	(738)	–	–	–	–	(1,351)
Translation differences on consolidation	(534)	(4,354)	(290)	(44)	(37)	(2)	(5,261)
At 31 December 2018	19,167	160,950	10,844	1,872	2,810	75	195,718
At 1 January 2019	**19,167**	**160,950**	**10,844**	**1,872**	**2,810**	**75**	**195,718**
Recognition of right-of-use assets on initial recognition application of IFRS 16	**80,259**	**–**	**–**	**–**	**–**	**–**	**80,259**
Adjusted balance at 1 January 2019	**99,426**	**160,950**	**10,844**	**1,872**	**2,810**	**75**	**275,977**
Additions	**2,886**	**4,544**	**135**	**9,378**	**–**	**23,425**	**40,368**
Acquisition of subsidiaries (Note 29)	**–**	**70,266**	**1,018**	**562**	**–**	**–**	**71,846**
Written off during the year	**–**	**–**	**(6)**	**(102)**	**–**	**–**	**(108)**
Disposals	**–**	**–**	**–**	**(38)**	**(48)**	**(1)**	**(87)**
Disposal of a subsidiary (Note 30)	**(6,282)**	**–**	**–**	**–**	**–**	**–**	**(6,282)**
Transfer from investment properties (Note 5)	**–**	**28,069**	**–**	**–**	**–**	**29,164**	**57,233**
Translation differences on consolidation	**(3,521)**	**(6,359)**	**(335)**	**(195)**	**(41)**	**(871)**	**(11,322)**
At 31 December 2019	**92,509**	**257,470**	**11,656**	**11,477**	**2,721**	**51,792**	**427,625**

4 Property, plant and equipment (cont'd)

	Note	Interests in leasehold land and leased assets $'000	Buildings $'000	Plant and machinery $'000	Equipment and furniture $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Group								
Accumulated depreciation, amortisation and impairment loss								
At 1 January 2018		1,655	23,870	1,950	915	1,369	–	29,759
Charge for the year	26	695	3,196	1,670	320	291	–	6,172
Impairment loss	26	–	14,053	–	–	–	–	14,053
Written off during the year		–	–	–	(1)	–	–	(1)
Disposals		–	–	(83)	(1)	(118)	–	(202)
Transfer to development properties		(77)	(15)	–	–	–	–	(92)
Reclassification to assets held-for-sale		(1,146)	(21,293)	(888)	(427)	–	–	(23,754)
Translation differences on consolidation		(30)	(519)	(66)	(17)	(20)	–	(652)
At 31 December 2018		1,097	19,292	2,583	789	1,522	–	25,283
At 1 January 2019		**1,097**	**19,292**	**2,583**	**789**	**1,522**	**–**	**25,283**
Recognition of right-of-use assets on initial recognition application of IFRS 16		**1,965**	**–**	**–**	**–**	**–**	**–**	**1,965**
Adjusted balance at 1 January 2019		**3,062**	**19,292**	**2,583**	**789**	**1,522**	**–**	**27,248**
Charge for the year	26	**4,038**	**3,595**	**1,685**	**761**	**277**	**–**	**10,356**
Impairment loss	26	**–**	**46,160**	**–**	**–**	**–**	**–**	**46,160**
Written off during the year		**–**	**–**	**(2)**	**(84)**	**–**	**–**	**(86)**
Disposals		**–**	**–**	**–**	**(33)**	**(39)**	**–**	**(72)**
Translation differences on consolidation		**(102)**	**(1,560)**	**(107)**	**(33)**	**(26)**	**–**	**(1,828)**
At 31 December 2019		**6,998**	**67,487**	**4,159**	**1,400**	**1,734**	**–**	**81,778**
Carrying amounts								
At 1 January 2018		27,351	189,712	10,781	1,405	1,595	–	230,844
At 31 December 2018		18,070	141,658	8,261	1,083	1,288	75	170,435
At 31 December 2019		**85,511**	**189,983**	**7,497**	**10,077**	**987**	**51,792**	**345,847**

4 Property, plant and equipment (cont'd)

	Interests in leased assets $'000	Equipment and furniture $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
Company					
Cost					
At 1 January 2018	–	154	356	–	510
Additions	–	21	–	–	21
At 31 December 2018	–	175	356	–	531
At 1 January 2019	**–**	**175**	**356**	**–**	**531**
Recognition of right-of-use assets on initial recognition application of IFRS 16	**312**	**–**	**–**	**–**	**312**
Adjusted balance at 1 January 2019	**312**	**175**	**356**	**–**	**843**
Additions	**517**	**81**	**–**	**50**	**648**
At 31 December 2019	**829**	**256**	**356**	**50**	**1,491**
Accumulated depreciation					
At 1 January 2018	–	46	75	–	121
Charge for the year	–	55	49	–	104
At 31 December 2018	–	101	124	–	225
At 1 January 2019	**–**	**101**	**124**	**–**	**225**
Recognition of right-of-use assets on initial recognition application of IFRS 16	**9**	**–**	**–**	**–**	**9**
Adjusted balance at 1 January 2019	**9**	**101**	**124**	**–**	**234**
Charge for the year	**202**	**55**	**50**	**–**	**307**
At 31 December 2019	**211**	**156**	**174**	**–**	**541**
Carrying amounts					
At 1 January 2018	–	108	281	–	389
At 31 December 2018	–	74	232	–	306
At 31 December 2019	**618**	**100**	**182**	**50**	**950**

4 Property, plant and equipment (cont'd)

(i) Construction-in-progress

The construction in progress balance of the Group as at 31 December 2019 relates to (i) the Crowne Plaza Utrecht Centraal Station which was undergoing fit-out works and is expected to be fully completed in the second quarter of 2020, and (ii) the bare shell property in Milan which is to be refurbished into a hostel.

(ii) Reclassification

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

(iii) Transfer to development properties

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

(iv) Transfer from investment properties

In 2019, the Group reclassified two hotels in Utrecht in the Netherlands, which are deemed to be part of one CGU, from investment properties to property, plant and equipment upon commencement of hotel operations of one hotel. Refer to Note 5 for more details.

(v) Significant accounting estimates

Depreciation of property, plant and equipment

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

(vi) Impairment loss

Impairment assessment of property, plant and equipment

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

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

4 Property, plant and equipment (cont'd)

(vi) Impairment loss (cont'd)

Impairment assessment of property, plant and equipment (cont'd)

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

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

Hotel and its adjoining hotspring facility

Based on the assessment, an impairment charge of $46,160,000 (2018: $14,053,000), included in other expenses, was made in aggregate in relation to the Crowne Plaza Chengdu Wenjiang hotel and an adjoining hotspring facility, both located in the PRC. The impairment in relation to the hotel and the hotspring was a result of market conditions in Chengdu, affecting the operating performance of the hotel and the hotspring. The estimated recoverable amounts of the hotel and the hotspring facility were based on the fair value of the hotel and the hotspring facility determined by external valuers.

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

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

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Hotspring facility		
Discounted cash flow method	• Revenue growth rate: 3% for the first two years and 2% to 5% in subsequent years (2018: 54% for the first year and 6% to 8% in subsequent years) • Discount rate: 8% (2018: 8%)	A significant increase in revenue growth rate and a significant decrease in discount rate would result in a significantly higher fair value measurement.
Hotel		
Discounted cash flow method	• Occupancy rate: 50% to 70% (Not applicable in 2018) • Average daily rate ("ADR"): RMB405 to RMB611 (2018: Not applicable) • Discount rate: 8% (2018: Not applicable)	A significant increase in occupancy rate and ADR, and a significant decrease in discount rate would result in a significantly higher fair value measurement.

The carrying amounts of the hotel and its adjoining hotspring facility are the same as their recoverable amounts after the impairment loss. Therefore, any adverse movement in the key assumptions would lead to a further impairment.

5 Investment properties

	Note	Group 2019 $'000	Group 2018 $'000
At 1 January		**259,135**	282,634
Additions		**4,976**	15,863
Capitalised interest expense		**123**	105
Disposals		**(9,362)**	(3,006)
Deconsolidation of a subsidiary	30(b)	**(97,762)**	–
Fair value gain (net)	26	**1,918**	6,930
Lease incentives		**(489)**	(724)
Reclassification to assets held-for-sale	13	**–**	(36,722)
Transfer to property, plant and equipment	4	**(57,233)**	–
Translation differences on consolidation		**(6,479)**	(5,945)
At 31 December		**94,827**	259,135
Analysed between:			
Completed properties		**94,827**	205,708
Properties under construction		**–**	53,427
		94,827	259,135

In May 2018, the Group entered into a sale and purchase agreement for the disposal of certain commercial space in the Chengdu Cityspring project completed in bare-shell condition. Accordingly, the properties were reclassified to assets held-for-sale (see Note 13 for further information). The sale has not yet been fully completed as at 31 December 2019.

On 31 December 2018, completed investment properties comprised a number of commercial properties including an office property and two hotels in Amsterdam and adjoining car parks, that are leased to external tenants. Each of the leases contains annual rent indexed to consumer prices. The leases contained initial non-cancellable period of between ten to twenty five years. No contingent rents were charged. The investment properties under construction at 31 December 2018 comprised 2 hotels under construction in Utrecht which were subject to a lease to a third party which was terminated in 2019.

In June 2019, the office property in Amsterdam was deconsolidated (see Note 30(b) for more details). In the same month, the Group also transferred the abovementioned two Utrecht hotels which are deemed to be in one CGU, from investment properties to property, plant and equipment (see Note 4 for more information) upon the commencement of operations of one hotel. The other hotel is still undergoing fit-out works and is expected to be fully completed in the second quarter of 2020.

On 31 December 2019, completed investment properties comprised two hotels in Amsterdam and adjoining car parks that are leased to external tenants. Each of the leases contains annual rent indexed to consumer prices. The leases contain initial non-cancellable period of ten to twenty five years. No contingent rents are charged.

(i) Security

On 31 December 2018, an investment property of the Group held through a 33%-owned subsidiary with a total carrying amount of $99,582,000 was mortgaged to a financial institution to secure a credit facility (refer to Note 18 for more details of the facility). In June 2019, the 33%-owned subsidiary was deconsolidated as a subsidiary and being accounted for by the Group as an associate subsequently (see Note 6 for details).

5 Investment properties (cont'd)

Measurement of fair value

(i) Fair value hierarchy

The fair value measurement for investment properties of $1,804,000 (2018: $10,851,000) has been categorised as a Level 2 fair value based on contracted sale prices.

The fair value measurement for investment properties of $93,023,000 (2018: $248,284,000) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The fair value of the investment properties as at 31 December 2019 were based on valuations undertaken by independent valuers. The fair values at the reporting date were based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

Level 3 fair value

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

	Group	
	2019	**2018**
	$'000	**$'000**
At 1 January	**248,284**	272,635
Additions	**4,976**	15,863
Capitalised interest expense	**123**	105
Disposals	**(450)**	(1,311)
Reclassification to property, plant and equipment	**(57,233)**	–
Fair value gain recognised in profit or loss – unrealised (net)	**1,918**	7,138
Lease incentives	**(489)**	(724)
Reclassification to assets held-for-sale	**–**	(36,722)
Deconsolidation of a subsidiary (Note 30(b))	**(97,762)**	–
Change in fair value hierarchy to Level 2 [i]	**–**	(3,045)
Translation differences on consolidation	**(6,344)**	(5,655)
At 31 December	**93,023**	248,284

[i] In 2018, the Group entered into various sale and purchase agreements with third parties for the sale of retail and commercial units. In this respect, the fair value measurements of such investment properties were reclassified from Level 3 to Level 2, with the fair value of the investment properties being the contracted sale prices.

5 Investment properties (cont'd)

Measurement of fair value (cont'd)

(ii) Valuation technique and key unobservable inputs

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

Type	Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Completed properties	Discounted cash flow method	• Rental yield of 6.3% (2018: 6.3%) • Discount rate of 8.3% (2018: 8.3%)	A significant decrease in rental yield and discount rate would result in a significantly higher fair value measurement.
	Market comparable method	• Average sales price of RMB9,445 to RMB25,740 per sq m (2018: RMB18,895 to RMB25,740 per sq m)	A significant increase in average sales prices would result in a significantly higher fair value measurement.
	Income capitalisation method	• Not applicable for 2019, capitalisation rate of 5.9% for 2018 • Not applicable for 2019, occupancy rate of 100% for 2018	A significant decrease in capitalisation rate and a significant increase in occupancy rate would result in a significantly higher fair value measurement.
Properties under construction	Discounted cash flow method	• Not applicable for 2019, rental yield of 6.5% for 2018 • Not applicable for 2019, discount rate of 8.5% for 2018	A significant decrease in rental yield and discount rate would result in a significantly higher fair value measurement.

6 Subsidiaries

	Company 2019 $'000	Company 2018 $'000
Unquoted equity shares, at cost	**145,869**	145,869
Redeemable preference shares	**628,693**	575,112
	774,562	720,981

6 Subsidiaries (cont'd)

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

Details of significant subsidiaries are as follows:

	Name of subsidiaries	Principal activity	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2019 %	2018 %
	Held through subsidiaries				
**	Chengdu Gaeronic Real Estate Co., Ltd ("CDRE")	Property development, property investment, hotel ownership and operations, and investment holding	People's Republic of China	**100**	100
**	Chengdu Millennium Zhong Ren Real Estate Co., Ltd ("CMZR")	Property development, hotel ownership and operations, and property investment	People's Republic of China	**100**	100
**	Chengdu Yong Chang Real Estate Co., Ltd ("CDYC")	Property development and property investment	People's Republic of China	**100**	100
**	Dongguan Kanghe Property Management Consulting Services Co. Ltd (i) ("DGKH")	Property investment and property development	People's Republic of China	**60**	–
**	First Sponsor (Guangdong) Group Limited ("FSGD")	Investment holding	People's Republic of China	**100**	100
^	FS Euro Capital Limited	Property financing	British Virgin Islands	**100**	100
^	FS Milan Property 1 S.r.l (ii) ("FSMP1")	Hotel ownership and operations	Italy	**100**	–
^	FS NL Amstel Development 16 B.V.	Hotel ownership	The Netherlands	**100**	100
^	FS NL Property 2 B.V.	Property investment	The Netherlands	**100**	100

6 Subsidiaries (cont'd)

	Name of subsidiaries	Principal activity	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2019 %	2018 %
	Held through subsidiaries				
^	FS NL Zuid Property 12 B.V	Property investment and property development	The Netherlands	**100**	100
^	FS NL Zuidoost Property 11 B.V.	Property investment and property development	The Netherlands	**100**	100
^	FS NL Zuidoost Property 15 B.V. (iii) ("NLP15")	Property investment and property development	The Netherlands	**–**	100
^^	FSE Propco 2 GmbH (iv) ("FSEP2")	Hotel ownership	Germany	**94.9**	–
^	NL Property 1 B.V. (v) ("NLP1")	Property investment	The Netherlands	**–**	33
**	Shanghai Sigma Enterprise Co., Ltd (vi)	Property financing	People's Republic of China	**100**	100

** Audited by other member firms of KPMG International for group reporting purpose

^ Not subject to audit by law of country of incorporation

^^ Audited by Ernst & Young Germany

(i) The 60% equity interest in DGKH was acquired on 20 May 2019.

(ii) FSMP1 was incorporated on 11 January 2019 and acquired a vacant hotel property from a third party in the same month.

(iii) The entire equity interest in NLP15 was disposed on 27 November 2019 to FSMC NL Property Group B.V. ("FSMC"), a 33.0%-owned indirect associate of the Company.

(iv) The 94.9% equity interest in FSEP2 was acquired on 29 March 2019.

(v) The entire equity interest in NLP1 was acquired from a third party by an indirect subsidiary of the Company and three co-investors in 2015. Pursuant to a call option agreement entered amongst the Company and the three co-investors in 2015, the three co-investors irrevocably and unconditionally granted to the Company, or its nominee, the right (but not the obligation) to acquire such number of new non-redeemable and non-convertible preference voting shares in the capital of NLP1 at EUR1 each, such that the Group would have majority voting interest in NLP1 (the "Call Option"). As a result of this Call Option, the Company was deemed to have control over NLP1 and consolidated NLP1 as a subsidiary. On 28 June 2019, NLP1 was deconsolidated as a subsidiary when the Group forfeited its unilateral right to exercise the Call Option. Accordingly, NLP1 was accounted for by the Group as an associated company effective from that date.

(vi) Held by CDYC, CMZR, CDRE and FSGD in the proportion of 55.6%, 22.2%, 11.1% and 11.1% (2018: 33.3%, 33.3%, 16.7% and 16.7%) respectively.

7 Interests in and balances with associates and joint ventures

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Interests in associates		**274,535**	58,245	**11**	–
Interests in joint ventures		**23,527**	22,572	**9,669**	9,669
Total interests in associates and joint ventures		**298,062**	80,817	**9,680**	9,669
Balances with associates and joint ventures					
Loans to associates (trade)	11	**521,595**	608,379	**–**	–
Loans to joint ventures (trade)	11	**57,485**	59,388	**–**	–
Amounts due from associates (non-trade)	11	**42,348**	41,831	**–**	–
Amounts due from a joint venture (non-trade)	11	**912**	521	**17**	–
Amounts due to associates (non-trade)	19	**(131,466)**	(14,124)	**–**	–

Management had assessed the recoverable amount of the investment in associates and joint ventures and determined that the recoverable amount, taking into consideration the fair value of the underlying assets of the associates and joint ventures, is higher than the carrying amount of the investment as at 31 December 2019. Accordingly, no impairment loss is necessary.

The loans to associates as at 31 December 2019 were unsecured and interest bearing with interest rates that ranged between 3.7% and 9.1% (2018: 3.7% and 12.9%) per annum and will mature between 2022 to 2027 (2018: 2023 to 2027).

$57,485,000 (2018: $59,388,000) of the loans to joint ventures were secured. The loans to joint ventures were interest bearing with interest rates of between 6.0% and 7.5% per annum. The loans are due between 2021 to 2024 in both years.

The non-trade amounts due from associates and a joint venture were unsecured and interest-free. $37,914,000 (2018: $39,051,000) of the balance will mature beyond twelve months after the end of the financial year. The remaining balance of $5,346,000 (2018: $3,301,000) is repayable on demand.

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

7 Interests in and balances with associates and joint ventures (cont'd)

Details of significant associates are as follows:

	Name of associates	Principal activity	Principal place of business/Country of incorporation	Effective equity interest held by the Group 2019 %	2018 %
	Held by the Company				
^	FS Dongguan Investment Holdings Limited ("FSDIH")	Investment holding	British Virgin Islands	**30**	30
	Held through subsidiaries				
*	FSMC	Property investment and investment holding	The Netherlands	**33**	33
^	FSMCR Hilton Rotterdam B.V.	Investment holding	The Netherlands	**33**	24.7
^	NLP1 (i)	Property development	The Netherlands	**33**	–
**	Dongguan Baozhu Industrial Investment Co. Ltd	Property investment and investment holding	People's Republic of China	**27**	–

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

* Audited by BDO Audit Assurance B.V.

** Audited by BDO China Shu Lun Pan Certified Public Accountants LLP.

(i) Since June 2019, NLP1 was accounted for as an associated company when the Group forfeited its unilateral right to exercise the Call Option. Refer to Note 6 for more details.

The following summarises the financial information of each of the Group's material associates based on their respective (consolidated) financial statements prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also analyses, in aggregate, the carrying amount and share of profit and other comprehensive income of the remaining individually immaterial associates.

7 Interests in and balances with associates and joint ventures (cont'd)

	Associate FSDIH $'000	Immaterial associates $'000	Total $'000
2019			
Revenue	641,985		
Profit from continuing operations	146,083		
Attributable to investee's shareholders	146,083		
Other comprehensive income	(5,010)		
Total comprehensive income	141,073		
Non-current assets	9,402		
Current assets	1,697,912		
Non-current liabilities	(126,391)		
Current liabilities	(1,322,938)		
Net assets (100%)	257,985		
Group's share of net assets (30%)	77,396		
Group's interest in net assets of investees at beginning of the year	35,063	23,182	58,245
Group's share of:			
- profit from continuing operations	43,825	24,789	68,614
- other comprehensive income	(1,503)	(5,594)	(7,097)
Total comprehensive income	42,322	19,195	61,517
Deferred gain on disposal of a subsidiary to an associate (Note 30(a))	–	(17,758)	(17,758)
Group's contribution during the year	11	167,646	167,657
Fair value acquired	–	4,874	4,874
Carrying amount of interest in investees at end of the year	77,396	197,139	274,535

7 Interests in and balances with associates and joint ventures (cont'd)

	Immaterial associates $'000
2018	
Group's interest in net assets of investees at beginning of the year	58,015
Group's contribution during the year	20,081
Group's share of:	
- profit from continuing operations	5,091
- other comprehensive income	(1,285)
Total comprehensive income	3,806
Capital distribution from associate	(876)
Dividends received during the year	(22,781)
Carrying amount of interest in investees at end of the year	58,245

Details of significant joint ventures are as follows:

	Name of joint ventures	Principal activity	Principal place of business/Country of incorporation	Effective equity interest held by the Group 2019 %	2018 %
	Held by the Company				
	FS Nieuw Holland Pte. Ltd.	Investment holding	Singapore	**50**	50
	Held through subsidiaries				
^	FSCT DE Property 1 GmbH & Co. KG	Property investment	Germany	**50**	50
^	Dongguan Huijing Hotel Co., Ltd ("DGHH") (i)	Hotel ownership	People's Republic of China	**10**	10

^ Not subject to audit by law of country of incorporation

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

7 Interests in and balances with associates and joint ventures (cont'd)

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

	2019 $'000	2018 $'000
Carrying amounts of interests in joint ventures	**23,527**	22,572
Group's share of:		
- net profit	**2,608**	411
- other comprehensive income	**(446)**	(304)
- total comprehensive income	**2,162**	107

8 Derivative assets and liabilities

	Group and Company	
	2019 $'000	2018 $'000
Derivative assets		
Cross currency swaps	**37,457**	18,310
Foreign currency forward swaps	**3,866**	1,075
	41,323	19,385
Non-current	**28,778**	19,385
Current	**12,545**	–
	41,323	19,385
Non-current derivative liabilities		
Cross currency swaps	**(2,584)**	(5,564)
Foreign currency forward swaps	**(133)**	–
	(2,717)	(5,564)

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

During the financial year ended 31 December 2019, the Group has also started to hedge its Renminbi ("RMB") exposure to the PRC property development and property financing operations to the extent that these are not funded by onshore Chinese Yuan (also known as CNY) assets by executing offshore Chinese Yuan ("CNH") CCSs and/or drawing CNH-denominated borrowings.

8 Derivative assets and liabilities (cont'd)

As at 31 December 2019, the Group and Company had 17 CCSs and two FCSs outstanding. The total notional amount of such contracts amounted to approximately EUR524,236,000, AUD10,000,000 and CNH530,570,000 (2018: EUR477,505,000 and AUD10,000,000) with remaining tenors of between approximately seven months to 5 years (2018: 1 year to 5 years). Under these contracts, the Group and Company would pay the fixed notional amounts denominated in EUR, AUD and CNH and receive fixed amounts of $568,271,000 and US$274,661,000 in aggregate (2018: $497,172,000 and US$196,280,000) on the maturity dates of the financial derivatives.

9. Other investments

	Group	
	2019	**2018**
	$'000	**$'000**
Non-current		
Financial assets measured at fair value through profit or loss		
- equity securities	**35,094**	38,631
- debt securities	**39,500**	39,500
	74,594	78,131
Current		
Financial assets measured at fair value through profit or loss		
- structured deposits	**–**	39,262
	74,594	117,393

As at 31 December 2019, the financial assets measured at fair value through profit or loss comprised:

(a) the Group's 90% (2018: 90%) unquoted equity interest in Dongguan East Sun Limited and Dongguan East Sun No. 1 Property Management Co., Ltd (collectively, "East Sun") of $34,278,000 (2018: $35,305,000);

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

(c) a quoted equity investment of $816,000 (2018: $3,326,000).

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

As at 31 December 2018, structured deposits related to amounts placed with financial institutions in the PRC, which were principal-guaranteed. The structured deposits were not publicly traded and bore interest at 2.45% to 3.5% per annum. There were no structured deposits placed as at 31 December 2019.

Information about the Group's exposure to credit and market risks, and fair value measurement, is included in Note 32.

10 Deferred tax assets/(liabilities)

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

	At 1 January 2018 $'000	Recognised in profit or loss (Note 27) $'000	Translation differences on consolidation $'000	At 31 December 2018 $'000	Recognised in profit or loss (Note 27) $'000	Deconsolidation of a subsidiary (Note 30(b)) $'000	Acquisition of subsidiaries (Note 29) $'000	Translation differences on consolidation $'000	At 31 December 2019 $'000
Group									
Deferred tax assets									
Development properties	15,973	(1,040)	(391)	14,542	**622**	-	-	**(102)**	**15,062**
Property, plant and equipment	2,068	2,932	(119)	4,881	**10,724**	-	**2,261**	**(402)**	**17,464**
Contract liabilities	10,157	2,353	(314)	12,196	**(9,644)**	-	-	**(160)**	**2,392**
Receipts in advance	–	328	(7)	321	**1,760**	-	-	**(41)**	**2,040**
Trade and other receivables	1,422	1,035	(77)	2,380	**3,215**	-	-	**(119)**	**5,476**
Others	3,196	(92)	(84)	3,020	**890**	**(2,636)**	-	**(57)**	**1,217**
Total	32,816	5,516	(992)	37,340	**7,567**	**(2,636)**	**2,261**	**(881)**	**43,651**
Deferred tax liabilities							-		
Investment properties	(10,299)	45	234	(10,020)	**(541)**	**4,985**	-	**298**	**(5,278)**
Trade and other receivables	(482)	68	11	(403)	**401**	-	-	**2**	-
Other investments	–	(2,218)	50	(2,168)	-	-	-	**63**	**(2,105)**
Total	(10,781)	(2,105)	295	(12,591)	**(140)**	**4,985**	-	**363**	**(7,383)**

10 Deferred tax assets/(liabilities) (cont'd)

Deferred tax liabilities and assets are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts, determined after appropriate offsetting, are included in the consolidated statement of financial position as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Deferred tax assets	**43,470**	33,387
Deferred tax liabilities	**(7,202)**	(8,638)

Unrecognised deferred tax liabilities

As at 31 December 2019, deferred tax liabilities of $18,336,000 (2018: $17,317,000) in respect of temporary differences of $337,044,000 (2018: $316,723,000) relating to the withholding tax on the distributable profit of the Group's subsidiaries in the PRC were not recognised because the Group controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

Unrecognised deferred tax assets

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

	Group	
	2019	**2018**
	$'000	**$'000**
Tax losses	**47,667**	25,648
Interest carry forward	**14,819**	–
Total	**62,486**	25,648

The tax losses and interest carry forward are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate.

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

According to tax legislation as of 31 December 2019, the expiry dates of the tax losses are as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Expiry date:		
- After 5 years	**27,648**	25,639
- Indefinite	**20,019**	9
	47,667	25,648

Interest carry forward may be carried forward indefinitely and in unlimited amounts.

11 Trade and other receivables

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Trade receivables	(i)	**389,548**	370,378	**–**	–
Loans to associates (trade)	7	**521,595**	608,379	**–**	–
Loans to joint ventures (trade)	7	**57,485**	59,388	**–**	–
Amounts due from associates (non-trade)	7	**42,348**	41,831	**–**	–
Amounts due from a joint venture (non-trade)	7	**912**	521	**17**	–
Loans to third parties (non-trade)	(ii)	**41,169**	35,713	**–**	–
Loan to a non-controlling interest of a subsidiary	(iii)	**31,266**	–	**–**	–
Non-trade amounts due from subsidiaries	(iv)	**–**	–	**1,341,430**	1,166,483
Security deposits		**25,084**	25,839	**–**	–
Advance payment to contractors		**18,504**	4,014	**–**	–
Other receivables	(v)	**6,668**	7,736	**2,506**	2,566
		1,134,579	1,153,799	**1,343,953**	1,169,049
Prepayments	(vi)	**5,524**	13,036	**55**	57
		1,140,103	1,166,835	**1,344,008**	1,169,106
Non-current		**824,848**	660,948	**860,557**	779,204
Current		**315,255**	505,887	**483,451**	389,902
		1,140,103	1,166,835	**1,344,008**	1,169,106

(i) Included in trade receivables as at 31 December 2019 were (i) entrusted loans to third parties of $340,554,000 (2018: $241,153,000) via entrusted banks in the PRC, bearing interest ranging from 9.0% to 18.0% (2018: 10.0% to 18.0%) per annum and (ii) a loan to a third party of $39,500,000 (2018: $115,594,000) bearing interest of 9.5% (2018: 12.0%) per annum. $340,554,000 (2018: $241,153,000) of the aforementioned loans were secured. Refer to Note 32 for more details.

(ii) The loans outstanding as at 31 December 2019 and 31 December 2018 related to unsecured interest-free loans which are repayable on demand.

(iii) The loan to a non-controlling interest of a subsidiary as at 31 December 2019 was unsecured, interest bearing at 6.5% per annum and would be due in 2022.

(iv) The non-trade amounts due from subsidiaries as at 31 December 2019 were unsecured and comprised the following:

- an amount of $576,382,000 (2018: $721,311,000) bearing interest ranging from 1.4% to 4.8% (2018: 1.2% to 1.9%) per annum and due from 2020 to 2024 (2018: 2021);
- an amount of $299,653,000 (2018: $90,528,000) which was interest-free and not due within the next 12 months; and
- an amount of $465,395,000 (2018: $354,644,000) which was interest-free and repayable on demand.

11 Trade and other receivables (cont'd)

(v) Included in the other receivables of the Group as at 31 December 2019 was interest receivable of $3,659,000 (2018: $2,056,000).

(vi) Included in the prepayments of the Group as at 31 December 2019 was prepaid taxes of $3,750,000 (2018: $12,102,000).

The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables. Refer to Note 32 for more details.

12 Development properties

	Group	
	2019	**2018**
	$'000	**$'000**
Properties under development for sale	**374,155**	334,335
Completed properties for sale	**21,752**	26,695
	395,907	361,030
Write down	**(5,861)**	(4,140)
	390,046	356,890

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

		Group	
	Note	**2019**	**2018**
		$'000	**$'000**
At 1 January		**4,140**	987
Allowance made	26	**1,915**	3,153
Utilised		**(194)**	–
At 31 December		**5,861**	4,140
Interest expense capitalised in properties under development during the year		**2,048**	985

Interest was capitalised at rates ranging from 1.4% to 4.8% (2018: 1.4% to 2.3%) per annum for development properties during the financial year ended 31 December 2019.

Included in development properties are staff costs capitalised of $1,983,000 (2018: $1,744,000) during the financial year ended 31 December 2019 (Note 26).

During the financial year ended 31 December 2019, development properties recognised in cost of sales amounted to $76,276,000 (2018: $73,668,000).

12 Development properties (cont'd)

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

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

13 Assets held-for-sale

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

In 2018, property, plant and equipment and investment properties amounting to $34,667,000 and $36,722,000 respectively, were accordingly reclassified to assets held-for-sale.

In accordance with various supplemental sale and purchase agreements executed in 2018 and 2019, the assets were to be transferred to the Purchaser over three tranches. A gain on disposal of $7,710,000 (2018: $6,253,000) was recognised in other gains in the profit or loss account upon the receipt of sale proceeds and transfer of title of underlying assets to the Purchaser. An impairment loss of $481,000 (2018: $4,088,000) was made on the remaining assets held-for-sale, which are contractually required to be transferred before August 2020.

Cumulative income or expenses recognised in other comprehensive income

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

14 Cash and cash equivalents

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Fixed deposits	**4,199**	23,779	**4,118**	7,264
Cash at bank and in hand	**309,190**	101,932	**18,511**	10,875
	313,389	125,711	**22,629**	18,139

The balance as at 31 December 2019 included $12,696,000 (2018: Nil) which were held under PRC development project rules, where the utilisation of the funds is restricted to project related payments.

Cash and cash equivalents as at 31 December 2019 included $279,356,000 (2018: $111,581,000) which were deposited with financial institutions in the PRC. The remittance of these funds by the Group out of the PRC is subject to currency exchange restrictions.

15 Share capital

	Group and Company			
	2019		2018	
	Number of shares	US$'000	Number of shares	US$'000
Authorised share capital:				
At 1 January and 31 December	**2,000,000,000**	**200,000**	2,000,000,000	200,000

	Group			
	2019		2018	
	Number of shares	US$'000	Number of shares	US$'000
Ordinary shares issued and fully paid				
At 1 January	**648,707,986**	**81,405**	589,814,949	73,640
Issue of bonus shares	**–**	**–**	58,673,350	7,735
Conversion of PCCS during the year	**146,368,487**	**19,846**	219,687	30
At 31 December (i)	**795,076,473**	**101,251**	648,707,986	81,405

	Company			
	2019		2018	
	Number of shares	US$'000	Number of shares	US$'000
Ordinary shares issued and fully paid				
At 1 January	**649,015,668**	**81,405**	589,814,949	73,640
Issue of bonus shares	**–**	**–**	58,981,032	7,735
Conversion of PCCS during the year	**146,368,487**	**19,846**	219,687	30
At 31 December	**795,384,155**	**101,251**	649,015,668	81,405

(i) Excludes 307,682 shares in the Company held by a subsidiary which are accounted for as treasury shares in the consolidated financial statements of the Group in accordance with IAS 32 *Financial Instruments: Presentation*.

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

Issuance of ordinary shares

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

In addition, 146,368,487 (2018: 219,687) ordinary shares were issued as a result of the conversion of PCCS (see Note 17).

15 Share capital (cont'd)

Capital management

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

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

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

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

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

16 Reserves

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Share premium	**150,313**	9,821	**150,525**	10,033
Statutory reserve	**39,959**	36,607	**–**	–
Capital reserve	**245**	245	**(5,988)**	(5,988)
Distributable reserve	**655,029**	655,029	**655,029**	655,029
Foreign currency translation reserve	**(18,626)**	12,854	**–**	–
Retained earnings	**493,750**	354,535	**280,513**	209,692
	1,320,670	1,069,091	**1,080,079**	868,766

Share premium

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

16 Reserves (cont'd)

Statutory reserve

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

Capital reserve

The capital reserve of the Group comprises:

(a) interest waived on intercompany loans;

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

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

The capital reserve of the Company comprises:

(a) interest waived on intercompany loans;

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

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

Distributable reserve

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

Foreign currency translation reserve

The foreign currency translation reserve comprises:

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

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

16 Reserves (cont'd)

Dividends

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
For the year ended 31 December				
Final tax-exempt (one-tier) ordinary dividend paid of 1.3 cents (2018: 1.2 cents) per ordinary share in respect of the financial year ended 31 December 2018 (2018: 31 December 2017)	**10,332**	7,785	**10,336**	7,785
Interim tax-exempt (one-tier) ordinary dividend paid of 1.1 cent (2018: 1.0 cent) per ordinary share in respect of the financial year ended 31 December 2019 (2018: 31 December 2018)	**8,746**	6,486	**8,749**	6,489
	19,078	14,271	**19,085**	14,274

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
1.6 cents per qualifying ordinary share (2018: 1.3 cents)	**12,721**	10,332	**12,726**	10,336

17 Perpetual convertible capital securities

Rights issue of up to $162.2 million in aggregate principal amount of 3.98% Series 1 Perpetual Convertible Capital Securities ("PCCS 1") in the denomination of $1.10 for each PCCS 1

On 19 April 2018, the Company issued 147,453,737 PCCS 1 on the basis of one PCCS 1 for every four existing ordinary shares at an issue price of $1.10 for each PCCS 1. Each PCCS 1 shall entitle the PCCS 1 holder to convert such PCCS 1 into one new ordinary share of the Company, subject to adjustments under certain conditions.

During the financial year, 146,368,487 (2018: 219,687) PCCS 1 were converted into 146,368,487 (2018: 219,687) ordinary shares of the Company (see Note 15).

The Company fully redeemed all the outstanding PCCS 1 on 14 June 2019.

17 Perpetual convertible capital securities (cont'd)

Rights issue of up to $147.6 million in aggregate principal amount of 3.98% Series 2 Perpetual Convertible Capital Securities ("PCCS 2") in the denomination of $1.30 for each PCCS 2, on the basis of one PCCS 2 for every seven existing ordinary shares, at an issue price of $1.30 for each PCCS 2, with up to 113,576,237 free detachable warrants, on the basis of one warrant for every one PCCS 2 subscribed for ("2019 Rights Issue")

Pursuant to the 2019 Rights Issue, the Company issued 113,576,237 PCCS 2 on 31 May 2019. Each PCCS 2 shall entitle the PCCS 2 holder to convert such PCCS 2 into one new ordinary share of the Company at a conversion price of $1.30, subject to adjustments under certain conditions. The PCCS 2 were issued with 113,576,237 warrants.

Both PCCS 1 and PCCS 2 confer a right to the holder to receive a distribution of 3.98% per annum but the Company may, at its sole discretion, elect to defer the distribution. Any arrears of PCCS distribution will have to be paid prior to any dividend distribution by the Company to its ordinary shareholders. In the event the conversion rights are exercised, any arrears of PCCS distribution will be extinguished.

Bonus issue of warrants

On 31 May 2019, 79,221,609 warrants were allotted and issued on the basis of one warrant for every ten existing ordinary shares, pursuant to a bonus issue.

Each warrant shall entitle the warrantholder to exercise such warrant into one new ordinary share of the Company at the exercise price of $1.30, subject to adjustments under certain conditions, within a period of 5 years from (and including) 31 May 2019.

As at end of 31 December 2019, 113,576,237 PCCS 2 and 192,797,846 warrants were outstanding.

18 Loans and borrowings

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Non-current liabilities				
Secured bank loan	–	36,658	–	–
Unsecured bank loans	**369,943**	604,732	**369,943**	604,732
	369,943	641,390	**369,943**	604,732
Current liabilities				
Unsecured bank loans	**251,220**	45,338	**251,220**	45,338
Total loans and borrowings	**621,163**	686,728	**621,163**	650,070

18 Loans and borrowings (cont'd)

Terms and debt repayment schedule

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Secured bank loan				
Repayable:				
- After 1 year but within 5 years	**–**	36,658	**–**	–
Unsecured bank loans				
Repayable:				
- Within 1 year	**251,220**	45,338	**251,220**	45,338
- After 1 year but within 5 years	**369,943**	604,732	**369,943**	604,732
	621,163	650,070	**621,163**	650,070
	621,163	686,728	**621,163**	650,070

The secured bank loan of the Group at 31 December 2018 was secured by a mortgage of an investment property of a 33%-owned subsidiary, assignment of its bank accounts, lease receivables and insurance proceeds (where applicable). In June 2019, the subsidiary was deconsolidated as a subsidiary and was accounted for by the Group as an associate subsequently (see Notes 5, 6 and 7 for details).

The Group's secured bank loan bore interest of 1.37% per annum at the end of 2018.

The unsecured bank loans of the Group and Company bore interest ranging from 1.10% to 3.56% (2018: 1.20% to 3.91%) per annum at the end of the year.

18 Loans and borrowings (cont'd)

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

	Liabilities					
	Bank loans $'000	Loans from non-controlling interests of subsidiaries $'000	Non-trade amounts due to associates $'000	Loans from an affiliate of a non-controlling interest of a subsidiary $'000	Lease liabilities $'000	Total $'000
					Restated*	
Balance at 1 January 2019	**686,728**	**12,527**	**14,124**	**–**	**–**	**713,379**
Recognition of right-of-use assets on initial recognition	**–**	**–**	**–**	**–**	**80,259**	**80,259**
Restated balance at 1 January 2019	**686,728**	**12,527**	**14,124**	**–**	**80,259**	**793,638**
Changes from financing cash flows						
Advances from associates	**–**	**–**	**121,181**	**–**	**–**	**121,181**
Repayment to associates	**–**	**–**	**(920)**	**–**	**–**	**(920)**
Payment of transaction costs related to borrowings	**(2,838)**	**–**	**–**	**–**	**–**	**(2,838)**
Proceeds from an affiliate of a non-controlling interest of a subsidiary	**–**	**–**	**–**	**46,679**	**–**	**46,679**
Proceeds from bank borrowings	**611,205**	**–**	**–**	**–**	**–**	**611,205**
Repayment of bank borrowings	**(632,633)**	**–**	**–**	**–**	**–**	**(632,633)**
Payment of lease liabilities	**–**	**–**	**–**	**–**	**(5,422)**	**(5,422)**
	(24,266)	**–**	**120,261**	**46,679**	**(5,422)**	**137,252**
The effect of changes in foreign exchange rates	**(10,809)**	**(178)**	**(2,919)**	**(1,504)**	**(3,032)**	**(18,442)**
Other changes						
Liability-related						
Additions	**–**	**–**	**–**	**–**	**2,886**	**2,886**
Disposals	**–**	**–**	**–**	**–**	**(6,282)**	**(6,282)**
Amortisation of transaction costs	**4,536**	**–**	**–**	**–**	**–**	**4,536**
Interest expense on lease liabilities	**–**	**–**	**–**	**–**	**3,338**	**3,338**
Deconsolidation of a subsidiary (Note 30(b))	**(36,147)**	**(12,349)**	**–**	**–**	**–**	**(48,496)**
Loans from non-controlling interest of subsidiaries in operating cash flows	**–**	**3,721**	**–**	**–**	**–**	**3,721**
Loans from an affiliate of a non-controlling interests of a subsidiary in operating cash flows [(i)]	**–**	**–**	**–**	**25,845**	**–**	**25,845**
Net proceeds from bank borrowings in operating cash flows [(ii)]	**1,121**	**–**	**–**	**–**	**–**	**1,121**
Total liability-related other changes	**(30,490)**	**(8,628)**	**–**	**25,845**	**(58)**	**(13,331)**
Balance at 31 December 2019	**621,163**	**3,721**	**131,466**	**71,020**	**71,747**	**899,117**

18 Loans and borrowings (cont'd)

	Liabilities					
	Bank loans $'000	Loans from non-controlling interests of subsidiaries $'000	Non-trade amounts due to associates $'000	Loans from an affiliate of a non-controlling interest of a subsidiary $'000	Lease liabilities $'000	Total $'000
Balance at 1 January 2018	609,988	12,811	12,437	–	–	635,236
Changes from financing cash flows						
Advances from associates	–	–	3,009	–	–	3,009
Payment of transaction costs related to borrowings	(3,153)	–	–	–	–	(3,153)
Proceeds from bank borrowings	293,551	–	–	–	–	293,551
Repayment of bank borrowings	(345,950)	–	–	–	–	(345,950)
	(55,552)	–	3,009	–	–	(52,543)
The effect of changes in foreign exchange rates	75	(284)	(1,322)	–	–	(1,531)
Other changes						
Liability-related						
Amortisation of transaction costs	4,044	–	–	–	–	4,044
Net proceeds from bank borrowings in operating cash flows (ii)	128,173	–	–	–	–	128,173
Total liability-related other changes	132,217	–	–	–	–	132,217
Balance at 31 December 2018	686,728	12,527	14,124	–	–	713,379

* see Note 2.5

(i) This relates to non-interest bearing loans from an affiliate of a non-controlling interest of a subsidiary.

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

19 Trade and other payables

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Trade payables		**54,023**	65,668	**–**	–
Accruals		**32,283**	25,228	**9,419**	7,466
Value added tax, business tax and other taxes payable		**4,587**	4,312	**97**	–
Non-trade amounts due to:					
- former shareholders and affiliates of subsidiaries		**1,735**	1,738	**–**	–
- subsidiaries		**–**	–	**227,024**	160,813
- associates	7	**131,466**	14,124	**–**	–
- non-controlling interest of a subsidiary		**731**	–	**–**	–
Loans from non-controlling interests of subsidiaries		**3,721**	12,527	**–**	–
Loans from an affiliate of a non-controlling interest of a subsidiary		**71,020**	–	**–**	–
Other payables		**56,950**	27,311	**2,318**	2,187
		356,516	150,908	**238,858**	170,466

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

The loans from non-controlling interests of subsidiaries as at 31 December 2019 were unsecured, interest bearing at rates ranging from 3.6% to 4.8% per annum and due between 2026 to 2029.

The loans from an affiliate of a non-controlling interest of a subsidiary as at 31 December 2019 were unsecured, and consisted of (i) $25,310,000 which was interest-free and repayable on demand and (ii) $45,710,000 which was interest-bearing at 6.5% per annum and due in 2022.

The loan from a non-controlling interest of a subsidiary of $12,527,000 as at 31 December 2018 was unsecured, interest bearing at 8.9% per annum and due in 2022. This loan was deconsolidated during the current financial year (see Note 30(b)).

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-current	**49,431**	12,527	**–**	–
Current	**307,085**	138,381	**238,858**	170,466
	356,516	150,908	**238,858**	170,466

20 Lease liabilities

	Group 2019 $'000	Company 2019 $'000
Non-current	**69,358**	**466**
Current	**2,389**	**156**
	71,747	**622**

On transition to IFRS 16, the Group measured lease liabilities that were classified as operating leases and discounted lease payments using the applicable incremental borrowing rates as at 1 January 2019. The incremental borrowing rates applied to the lease liabilities ranged from 1.8% to 6.0% per annum for the Group and 1.8% per annum for the Company. The comparative information has not been restated, see Note 2.5 for more details.

Information about the exposure of the Group and the Company to foreign currency and liquidity risk is included in Note 32.

21 Contract liabilities

Contract liabilities mainly represent advance consideration received from customers for the sale of development properties. See Note 3.12 for more details.

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

	Group	
	2019 $'000	2018 $'000
Revenue recognised that was included in contract liabilities at the beginning of the year	**(211,143)**	(90,243)
Increase due to cash received, excluding amounts recognised as revenue during the year	**89,152**	73,796

22 Receipts in advance

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

23 Revenue

	Group 2019 $'000	Group 2018 $'000
Sale of properties	**159,976**	139,336
Rental income from investment properties	**11,082**	13,732
Interest income under the effective interest method on:		
- loans to third parties	**47,394**	44,459
- loans to associates and joint ventures	**39,828**	37,672
- vendor financing arrangements	**203**	209
	87,425	82,340
Hotel operations	**60,681**	41,953
	319,164	277,361

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

Property development

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

23 Revenue (cont'd)

Property financing

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

Hotel operations

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

Disaggregation of revenue from contracts with customers

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

	Reportable segments							
	Property development		Property financing		Hotel operations		Total*	
	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Primary geographical markets								
PRC	**151,429**	134,066	**51,559**	47,200	**21,543**	22,646	**224,531**	203,912
Europe	**8,547**	5,270	**35,866**	35,140	**39,138**	19,307	**83,551**	59,717
	159,976	139,336	**87,425**	82,340	**60,681**	41,953	**308,082**	263,629
Timing of revenue recognition								
Products transferred at a point in time	**159,976**	139,336	**87,425**	82,340	**60,681**	41,953	**308,082**	263,629

* This excludes rental income from investment properties.

24 Other gains (net)

Other gains (net) comprise:

	Note	Group 2019 $'000	Group 2018 $'000
Gain/(loss) on disposal of:			
- assets held-for-sale		**7,710**	6,253
- a subsidiary	30(a)	**35,516**	1
- investment properties		**679**	272
- other investments		**76**	–
- property, plant and equipment (net)		**(14)**	(1)
Impairment loss on assets held-for-sale		**(481)**	(4,088)
Loss on deconsolidation of a subsidiary	30(b)	**(637)**	–
Loss on liquidation of subsidiaries (net)		**–**	(85)
Property, plant and equipment written off		**(22)**	(1)
Others		**–**	487
		42,827	2,838

25 Net finance income

	Group 2019 $'000	Group 2018 $'000
Finance income		
Interest income under the effective interest method on bank deposits	**1,470**	1,149
Interest income on:		
- structured deposits	**5,592**	7,130
- financial derivatives	**15,181**	8,853
- loan to a non-controlling interest of a subsidiary	**1,352**	–
Dividend income from other investments	**203**	–
	23,798	17,132
Finance costs		
Amortisation of transaction costs	**(4,536)**	(4,044)
Interest expense on:		
- bank loans	**(8,653)**	(4,550)
- financial derivatives	**(5,941)**	(1,259)
- loans from non-controlling interests	**(679)**	(1,139)
- a loan from an affiliate of a non-controlling interest of a subsidiary	**(1,952)**	–
- lease liabilities	**(3,338)**	–
	(25,099)	(10,992)
Less: Amount capitalised	**2,171**	1,090
	(22,928)	(9,902)
Net finance income	**870**	7,230

26 Profit before tax

Profit before tax is after debiting/crediting the following:

	Note	Group 2019 $'000	Group 2018 $'000
Audit fees paid/payable to:			
- auditors of the Company		**263**	265
- other auditors		**373**	249
Non-audit fees paid/payable to:			
- auditors of the Company		**50**	161
Depreciation of property, plant and equipment	4	**10,356**	6,172
Direct operating expenses arising from rental of investment properties		**980**	5,785
Exchange loss (net)		**27,374**	26,248
Fair value loss/(gain) (net) on:			
- investment properties	5	**(1,918)**	(6,930)
- derivative assets/liabilities		**(24,786)**	(30,761)
- other investments		**(528)**	(12,850)
Write down of development properties	12	**1,915**	3,153
Impairment loss on property, plant and equipment	4	**46,160**	14,053
Hotel base stocks written off		**495**	–
Hotel pre-opening expenses		**937**	–
Expenses relating to short-term leases		**113**	–
Interest expense on lease liabilities		**3,338**	–
Lease expense		**–**	4,550
Staff costs		**37,539**	29,289
Staff costs			
Wages and salaries		**36,412**	28,660
Contributions to defined contribution plans		**3,110**	2,117
Termination benefits		**–**	256
		39,522	31,033
Less: Amounts capitalised in development properties	12	**(1,983)**	(1,744)
		37,539	29,289

27 Tax expense

	Group 2019 $'000	Group 2018 $'000
Current tax expense		
Current year	**18,938**	23,475
Under/(over) provision in respect of prior years	**621**	(101)
	19,559	23,374
Land appreciation tax expense	**16,452**	4,621
Withholding tax	**39**	1,714
	36,050	29,709
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	**(7,658)**	(2,845)
Under provision in respect of prior years	**–**	100
Effect of changes in tax rates	**231**	(666)
Total tax expense	**28,623**	26,298

Reconciliation of effective tax rate

	Group 2019 $'000	Group 2018 $'000
Profit for the year	**165,576**	118,250
Tax expense	**28,623**	26,298
Profit before tax	**194,199**	144,548
Tax calculated using tax rate of 25% (2018: 25%)	**48,550**	36,137
Effect of changes in tax rates	**231**	(666)
Effect of different tax rates in other jurisdictions	**(5,565)**	(2,975)
Effect of deferred tax assets not recognised	**2,893**	1,546
Expenses not deductible for tax purposes	**6,043**	8,161
Income not subject to tax	**(18,021)**	(16,979)
Utilisation of previously unrecognised deferred tax assets	**(701)**	(2,729)
Land appreciation tax expense	**16,452**	4,621
Effect of tax deduction on land appreciation tax expense	**(4,113)**	(1,155)
Under/(over) provision in respect of prior years	**621**	(1)
Withholding tax	**39**	1,714
Effect of share of results of associates and joint ventures	**(17,806)**	(1,376)
	28,623	26,298

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

The Group's operations are mainly in the PRC and the Netherlands. Pursuant to the PRC and Dutch Corporate Income Tax Law, the statutory tax rates applicable to the Group's subsidiaries in the PRC and the Netherlands during the financial year ended 31 December 2019 are 25% (2018: 25%).

27 Tax expense (cont'd)

Withholding tax arising from the distribution of dividends

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

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

The Group's determination as to whether to accrue for withholding taxes arising from the distribution of dividends by certain subsidiaries is subject to judgement on the timing of the payment of the dividends (see Note 10). The Group considered that the applicable withholding tax rate to be 5% to 10% (2018: 5% to 10%).

PRC Land Appreciation Tax ("LAT")

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

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

Effect of changes in tax rates

The deferred tax charge of $231,000 related to the effect of an increase in the corporate income tax rates in the Netherlands on opening deferred tax balances. Specifically, the rate applicable from 1 January 2021 had been increased from 20.5% to 21.7%. For the year ending 31 December 2020, the rate has been revised back to 25% instead of the earlier announced 22.55%. The change in tax rates had increased the relevant deferred tax liability accordingly as at 31 December 2019.

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

28 Earnings per share

Basic earnings per share

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

Profit attributable to ordinary shareholders

	Group	
	2019	**2018**
	$'000	**$'000**
Profit for the year, attributable to the owners of the Company	**167,088**	113,008
Distributions of PCCS	**(3,478)**	(4,541)
Profit attributable to ordinary shareholders	**163,610**	108,467

Weighted average number of ordinary shares

	Group	
	2019	**2018**
Weighted average number of ordinary shares (basic)	**648,707,986**	589,814,949
Issuance of bonus shares	**–**	58,981,032
Effect of own shares held [1]	**–**	(128,974)
Effect of PCCS converted during the year	**107,389,385**	50,189
Weighted average number of ordinary shares during the year	**756,097,371**	648,717,196

[1] Adjusted for the effect of shares in the Company held by a subsidiary. As at 31 December 2019, the subsidiary held 307,682 (2018: 307,682) of the Company's shares.

Diluted earnings per share

	Group	
	2019	**2018**
	$'000	**$'000**
Profit attributable to ordinary shareholders (basic)	**163,610**	108,467
Distributions of PCCS	**3,478**	4,541
Profit attributable to ordinary shareholders (diluted)	**167,088**	113,008

Weighted average number of ordinary shares (diluted)

	Group	
	2019	**2018**
Weighted average number of ordinary shares (basic)	**903,331,421**	648,667,007
Effect of conversion of PCCS	**72,600,888**	103,773,402
Weighted-average number of ordinary shares (diluted) during the year	**975,932,309**	752,440,409

29 Acquisition of subsidiaries

(a) On 29 March 2019, FS DE Property 2 GmbH, an indirect wholly-owned subsidiary of the Company incorporated under the laws of Germany, acquired from a third party seller, 94.9% of the issued shares in the capital of each of FSE PropCo 2 GmbH (formerly known as BRE/GH II Dresden I Investor GmbH) and Hotel Bellevue Dresden Betriebs GmbH, which owns and operates the 340-room Westin Bellevue Dresden Hotel respectively, for a total purchase consideration of $70.8 million (EUR46.3 million) (“Dresden Acquisition”). The remaining 5.1% of the issued shares in the capital of the two entities continues to be held by Event Hotels Group (“Event”) which manages the hotel. The Group had ascribed an acquisition value of $71.8 million (EUR47.0 million) to the hotel which was based on its fair value at the acquisition date. No goodwill or negative goodwill has arisen from the acquisition. The hotel was renamed as Bilderberg Bellevue Hotel Dresden on 1 January 2020.

From the date of acquisition to 31 December 2019, the 2 entities acquired contributed revenue of $14.2 million (EUR9.3 million) and net profit after tax and non-controlling interests of $0.3 million (EUR0.2 million) to the Group’s results. If the acquisition had occurred on 1 January 2019, management estimates that consolidated revenue would have been $17.3 million (EUR11.3 million), and consolidated loss after tax and non-controlling interests for the year would have been $1.7 million (EUR1.1 million). In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

(b) On 20 May 2019, Wenjiang (BVI) Limited, a wholly-owned subsidiary of the Company, acquired 60% of the issued shares in Concord Focus Development Limited (“CFDL”), a limited liability investment holding company incorporated in Hong Kong from three individual vendors for a total purchase consideration of $87.8 million (RMB444.3 million), including transaction costs. The remaining 40% was acquired by Masaoka Realty Investment (H.K) Limited, an unrelated third party. CFDL’s wholly-owned subsidiary has the land use rights to the development site, namely, The Pinnacle, Chang’an in Dongguan, which is under development. When completed, it would comprise residential apartments, SOHO units, retail space and car park lots.

(c) On 15 November 2019, the Company acquired the remaining 50% of the issued shares of FS Australia Holdings Pte. Ltd., formerly known as FS Nieuw Holland Holdco 2 Pte. Ltd. (“FSAH”) from Tai Tak Industries Pte. Ltd., a wholly-owned subsidiary of Tai Tak Estates Sendirian Berhad for a nominal cash consideration of $1 (AUD1). Accordingly, FSAH became a wholly-owned subsidiary of the Company after this transaction.

The acquisitions in (b) and (c) were accounted for as acquisitions of assets and are out of scope of IFRS 3 *Business Combinations*.

29 Acquisition of subsidiaries (cont'd)

Identifiable assets acquired and liabilities assumed

The following table summarises the aggregated recognised amounts of assets acquired and liabilities assumed at the respective dates of acquisition.

	Note	2019 $'000
Property, plant and equipment	4	**71,846**
Deferred tax assets	10	**2,261**
Development properties		**146,747**
Inventories		**252**
Trade and other receivables		**739**
Cash and cash equivalents		**1,802**
Trade and other payables		**(2,740)**
Shareholders' loans		**(110,786)**
Net identifiable assets acquired		**110,121**
Shareholders' loans acquired		**110,786**
Non-controlling interests (based on share of net assets)		**(62,335)**
Total consideration		**158,572**
Less: Cash and cash equivalents acquired		**(1,802)**
Net cash outflow		**156,770**

The transaction costs incurred for the Dresden Acquisition amounted to $1,322,000 and had been included in "other operating expenses" in the consolidated statement of profit or loss.

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Asset required	Valuation technique
Property, plant and equipment	*Market comparison and discounted cash flow methodology:* The market comparison method considers recent quoted market prices for similar properties. Under the discounted cash flow methodology, future cash flows are estimated based on the present value of expected payment, which is determined by considering the fair value at the time of exit and discounted to their present value.

Goodwill

Goodwill arising from the Dresden Acquisition has been recognised as follows:

	$'000
Total consideration transferred	**70,770**
Fair value of pre-existing interest in the acquiree	**(40,001)**
Fair value of identifiable net assets	**(30,769)**
Goodwill	**–**

30 Disposal of subsidiaries

a) Disposal of a subsidiary – NLP15

On 27 November 2019, the Group disposed of the one ordinary share it held in the capital of NLP15 representing the entire issued share capital of NLP15, to its 33%-owned associate, FSMC, for a total cash consideration of $75.5 million (EUR49.4 million). NLP15 owns the Oliphant office property in Amsterdam. In addition, pursuant to the sale and purchase agreement entered by the Group with FSMC, the Group will further receive $8.9 million (EUR5.8 million) from FSMC within ten business days after the completion of the development works in respect of a new parking garage at the Oliphant. The Group would bear the costs of such development works which have commenced after the financial year end and expected to be completed by the end of June 2021.

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

	Note	2019 $'000
Property, plant and equipment	4	**6,282**
Development property		**90,470**
Other receivables		**679**
Cash at bank		**2,544**
Trade and other payables		**(72,184)**
Lease liabilities		**(6,282)**
Identified net assets disposed		**21,509**
Total consideration		**75,547**
Less: Cash and cash equivalents disposed		**(2,544)**
Net cash inflow		**73,003**
Total consideration		**75,547**
Less:		
Net identified assets on disposal		**(21,509)**
Transaction costs		**(764)**
Gain on disposal		**53,274**

$35,516,000 of the gain on disposal was recognised in "other gains" in the consolidated statement of profit or loss. The balance of $17,758,000 was recognised as part of the Group's share of after-tax profit of associates in the consolidated statement of profit or loss.

30 Disposal of subsidiaries (cont'd)

b) Deconsolidation of a subsidiary – NLP1

On 28 June 2019, NLP1 was deconsolidated when the Group forfeited its unilateral right to exercise a call option entered with the other three co-investors which would have entitled the Group to hold majority voting rights in NLP1. Accordingly, NLP1 has been accounted for by the Group as an associated company effective from that date.

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

	Note	**2019 $'000**
Investment property	5	**97,762**
Other receivables		**31**
Cash at bank		**2,322**
Trade and other payables		**(31,358)**
Deferred tax liability	10	**(2,349)**
Loan from non-controlling interest		**(12,349)**
Loans and borrowings	18	**(36,147)**
Identified net assets disposed		**17,912**
Realisation of foreign currency translation reserve		**318**
Less: non-controlling interest		**(11,682)**
		6,548
Consideration		**–**
Less: Cash and cash equivalents deconsolidated		**(2,322)**
Net cash outflow		**(2,322)**
Fair value of interest retained		**5,911**
Less: Net identified assets on deconsolidation		**(6,548)**
Loss on deconsolidation of a subsidiary		**(637)**

30 Disposal of subsidiaries (cont'd)

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

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

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

* Amount less than $1,000

31 Operating segments

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

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

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

31 Operating segments (cont'd)

Information about reportable segments

	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
2019							
Segment revenue	159,976	9,450	87,425	65,668	322,519	12,243	334,762
Elimination of inter-segment revenue	–	–	–	(4,987)	(4,987)	(10,611)	(15,598)
External revenue	159,976	9,450	87,425	60,681	317,532	1,632	319,164
Profit/(loss) from operating activities	91,416	14,633	73,736	(47,229)	132,556	(10,449)	122,107
Finance income	15,711	2,683	486	3,248	22,128	1,670	23,798
Finance costs	(12,032)	(1,077)	(13)	(6,882)	(20,004)	(2,924)	(22,928)
Share of after-tax profit/(loss) of associates and joint ventures	65,461	18,342	358	(12,931)	71,230	(8)	71,222
Segment profit/(loss) before tax	160,556	34,581	74,567	(63,794)	205,910	(11,711)	194,199
Other material non-cash items (debit)/credit:							
Depreciation	(665)	–	(18)	(9,191)	(9,874)	(482)	(10,356)
Impairment loss on assets held-for-sale	–	(481)	–	–	(481)	–	(481)
Impairment loss on property, plant and equipment	–	–	–	(46,160)	(46,160)	–	(46,160)
Fair value gain on other investments	–	–	–	–	–	528	528
Fair value gain on investment properties	–	1,918	–	–	1,918	–	1,918
Fair value gain on derivatives (net)	4,643	2,372	15,911	1,860	24,786	–	24,786

31 Operating segments (cont'd)

	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
2019							
Assets							
Segment assets	760,472	184,109	1,088,498	350,179	2,383,258	79,176	2,462,434
Interests in associates and joint ventures	251,027	45,577	14,162	(12,718)	298,048	14	298,062
	1,011,499	229,686	1,102,660	337,461	2,681,306	79,190	2,760,496
Liabilities							
Segment liabilities	387,057	15,900	527,826	119,106	1,049,889	112,018	1,161,907
Other segment information:							
Capital expenditure *	1,028	4,976	266	38,290	44,560	784	45,344

The Group initially applied IFRS 16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases (see Note 2.5). As a result, the Group recognised $78,294,000 of right-of-use assets and $80,259,000 of lease liabilities from those lease contracts. These assets and liabilities were included in property development, property financing, hotel operations and unallocated segments as at 31 December 2019. The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated (see Note 2.5).

* Includes property, plant and equipment and investment properties

31 Operating segments (cont'd)

	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
2018							
Segment revenue	139,336	13,734	82,340	42,513	277,923	10,100	288,023
Elimination of inter-segment revenue	–	(2)	–	(560)	(562)	(10,100)	(10,662)
External revenue	139,336	13,732	82,340	41,953	277,361	–	277,361
Profit/(loss) from operating activities	54,378	36,849	75,194	(20,873)	145,548	(13,732)	131,816
Finance income	9,772	5,206	2,015	8	17,001	131	17,132
Finance costs	(2,208)	(6,630)	–	–	(8,838)	(1,064)	(9,902)
Share of after-tax (loss)/profit of associates and joint ventures	(231)	10,847	180	(5,294)	5,502	–	5,502
Segment profit/(loss) before tax	61,711	46,272	77,389	(26,159)	159,213	(14,665)	144,548
Other material non-cash items (debit)/credit:							
Depreciation	(77)	–	(97)	(5,794)	(5,968)	(204)	(6,172)
Impairment loss on assets held-for-sale	(4,088)	–	–	–	(4,088)	–	(4,088)
Impairment loss on property, plant and equipment	–	–	–	(14,053)	(14,053)	–	(14,053)
Fair value gain on other investments	–	12,850	–	–	12,850	–	12,850
Fair value gain on investment properties (net)	–	6,930	–	–	6,930	–	6,930
Fair value gain on derivatives (net)	6,482	5,492	18,787	–	30,761	–	30,761

31 Operating segments (cont'd)

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

** Includes property, plant and equipment and investment properties

Geographical information

The Group's main businesses are those relating to property development, property investment, property financing and hotel operations.

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

	2019 $'000	2018 $'000
Revenue		
PRC	**224,818**	204,972
Europe	**94,346**	72,389
	319,164	277,361
Non-current assets*		
PRC	**361,026**	221,312
Europe	**366,948**	278,494
Other countries	**10,762**	10,581
	738,736	510,387

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

32 Financial risk management

Overview

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

Risk management framework

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

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

Credit risk

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

The trade receivables of the Group comprise two (2018: three) borrowers that represented 54% (2018: 48%) of the trade receivables as at 31 December 2019.

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

Trade and other receivables - vendor financing

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

The Group assesses the credit risk in respect of its property development operations to be relatively low as payments are usually received from property buyers in advance.

Expected credit loss assessment

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

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

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

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

32 Financial risk management (cont'd)

Credit risk (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019:

	Group	
	Gross carrying amount $'000	Credit impaired
2019		
Not past due	**7,841**	No
Past due 1 – 60 days	**153**	No
Past due 61 – 90 days	**50**	No
More than 90 days	**36**	Yes
	8,080	

	Group	
	Gross carrying amount $'000	Credit impaired
2018		
Not past due	12,823	No
Past due 1 – 60 days	11	No
Past due 61 – 90 days	–	No
More than 90 days	–	No
	12,834	

The gross trade receivable balances of $36,000 (RMB186,000) at 31 December 2019 that were more than 90 days past due related to outstanding vendor financing receivables in the PRC, for which the purchasers had defaulted on their instalment payments. The Group still holds the legal title of the underlying units. The Group believes that no impairment allowance in respect of these balances is required at reporting date.

32 Financial risk management (cont'd)

Credit risk (cont'd)

Trade and other receivables – hotel receivables

The Group does not have any significant concentrations of credit risk. Sales are made to customers that meet the Group's credit rating. Goods and services are sold subject to payment deadlines ranging from zero to 90 days. A different payment period may apply to major customers, in which case additional securities are demanded, including guarantees. The impairment allowance in respect of these balances is immaterial at reporting date.

Trade and other receivables (excluding vendor financing and hotel receivables)

The Group assesses the credit risk in respect of the property financing operations, including entrusted loans to third parties to be relatively low as such loans are generally secured by a first legal mortgage of land use rights and/or property as well as personal guarantees and/or corporate guarantees in favour of the entrusted bank, except for loans to third parties for which the Group has an equity interest. The loan disbursed is capped at a pre-set loan to value ratio of the property collateral. In respect of the credit risk arising from its property investment operations, the Group manages the risk by collecting rental deposits in advance and monitors the outstanding balances on an ongoing basis, therefore, the credit risk is relatively low.

The gross trade receivable balances of $33,900,000 (RMB170.0 million) at 31 December 2018 that were more than 90 days past due related to an entrusted loan receivable in the PRC, for which the borrower defaulted on its interest payment. The Group had called for an event of default and accelerated the principal loan repayment date on the defaulted loan. The Group held the first legal mortgage to the properties pledged as loan collateral. Based on the external valuation of the mortgaged properties, no impairment was deemed necessary for the outstanding loan principal due and interest accrued at 31 December 2018.

The Group had successfully enforced on the defaulted loan during the financial year ended 31 December 2019 which resulted in the full settlement of the outstanding loan receivable and the recognition of related penalty interest was included as part of property financing revenue income in the profit or loss account.

Non-trade amounts due from subsidiaries

The Company held non-trade receivables from its subsidiaries of $1,341,430,000 (2018: $1,166,483,000). These balances represent amounts lent to its subsidiaries to satisfy their long and short term funding requirements. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposure. No allowance of these balances is required at the reporting date.

Derivatives and structured deposits

Derivatives and structured deposits are only entered into with banks and financial institutions with sound credit ratings.

32 Financial risk management (cont'd)

Credit risk (cont'd)

Cash and cash equivalents

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

Financial guarantees

As at 31 December 2019, the Group provided guarantees amounting to $172,927,000 (2018: $229,527,000) to banks in connection with mortgage loans granted to purchasers to finance their purchase of the properties developed by the Group. For properties under development for sales, the Group typically provides guarantees to the banks for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of his or her mortgage loan during the term of the guarantee, the bank holding the mortgage interest may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon to discharge the Group's obligation.

Under such circumstances, the Group is able to retain the purchaser's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by no less than 30%, which is remote, the Group would not be in a loss position in reselling those properties subsequently.

The guarantees will be released by the banks upon the registration of the relevant property mortgages and the completion of transfer of legal title of the properties to the purchasers. The Group has not suffered any loss due to the guarantees. At the reporting date, the directors of the Company did not consider it probable that the Group will sustain a loss under these guarantees. As such, no value has been recognised at the inception of the guarantee contracts and at the end of the reporting period as at 31 December 2019 and 2018.

Liquidity risk

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

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

The Group has contractual commitments to incur expenditure on its development properties, investment properties and property, plant and equipment (see Note 34).

32 Financial risk management (cont'd)

Liquidity risk (cont'd)

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

	Carrying amount $'000	Contractual cash flows $'000	Cash flows within 1 year $'000	Cash flows after 1 year but within 5 years $'000	Cash flows after 5 years $'000
Group					
2019					
Non-derivative financial liabilities					
Loans and borrowings	**621,163**	**628,932**	**251,861**	**377,071**	**–**
Lease liabilities	**71,747**	**119,256**	**5,350**	**19,496**	**94,410**
Trade and other payables	**356,516**	**358,935**	**307,085**	**47,897**	**3,953**
Recognised financial liabilities	**1,049,426**	**1,107,123**	**564,296**	**444,464**	**98,363**
Financial guarantees	**–**	**172,927**	**172,927**	**–**	**–**
	1,049,426	**1,280,050**	**737,223**	**444,464**	**98,363**
Derivative financial instruments					
CCSs and FCSs (gross settled)	**(41,323)**				
- Outflow		**(860,071)**	**(253,696)**	**(606,375)**	**–**
- Inflow		**902,300**	**281,938**	**620,362**	**–**
CCSs and FCSs (gross settled)	**2,717**				
- Outflow		**(126,729)**	**(93,684)**	**(33,045)**	**–**
- Inflow		**130,887**	**99,061**	**31,826**	**–**
2018					
Non-derivative financial liabilities					
Loans and borrowings	686,728	695,718	45,870	649,848	–
Trade and other payables	150,908	154,955	138,381	16,574	–
Recognised financial liabilities	837,636	850,673	184,251	666,422	–
Financial guarantees	–	229,527	229,527	–	–
	837,636	1,080,200	413,778	666,422	–
Derivative financial instruments					
CCSs and FCSs (gross settled)	(19,385)				
- Outflow		(107,019)	(65,254)	(41,765)	–
- Inflow		105,281	65,129	40,152	–
CCSs (gross settled)	5,564				
- Outflow		(689,120)	(57,691)	(631,429)	–
- Inflow		713,430	73,715	639,715	–

32 Financial risk management (cont'd)

Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	Cash flows within 1 year $'000	Cash flows after 1 year but within 5 years $'000	Cash flows after 5 years $'000
Company					
2019					
Non-derivative financial liabilities					
Loans and borrowings	**621,163**	**628,932**	**251,861**	**377,071**	**–**
Lease liabilities	**622**	**556**	**133**	**423**	**–**
Trade and other payables	**238,858**	**238,858**	**238,858**	**–**	**–**
Recognised financial liabilities	**860,643**	**868,346**	**490,852**	**377,494**	**–**
Derivative financial instruments					
CCSs and FCSs (gross settled)	**(41,323)**				
- Outflow		**(860,071)**	**(253,696)**	**(606,375)**	**–**
- nflow		**902,300**	**281,938**	**620,362**	**–**
CCSs and FCSs (gross settled)	**2,717**				
- Outflow		**(126,729)**	**(93,684)**	**(33,045)**	**–**
- Inflow		**130,887**	**99,061**	**31,826**	**–**
2018					
Non-derivative financial liabilities					
Loans and borrowings	650,070	695,216	45,719	649,497	–
Trade and other payables	170,466	170,466	170,466	–	–
Recognised financial liabilities	820,536	865,682	216,185	649,497	–
Derivative financial instruments					
CCSs and FCSs (gross settled)	(19,385)				
- Outflow		(107,019)	(65,254)	(41,765)	–
- Inflow		105,281	65,129	40,152	–
CCSs (gross settled)	5,564				
- Outflow		(689,120)	(57,691)	(631,429)	–
- Inflow		713,430	73,715	639,715	–

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

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

32 Financial risk management (cont'd)

Market risk

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

Interest rate risk

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

Interest rate profile

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

	Group Nominal amount		Company Nominal amount	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Fixed rate instruments				
Financial assets	**1,057,883**	1,073,104	**4,118**	7,264
Financial liabilities	**(554,293)**	(500,806)	**(504,862)**	(488,279)
	503,590	572,298	**(500,744)**	(481,015)
Variable rate instruments				
Financial assets	**286,529**	157,414	**594,892**	732,186
Financial liabilities	**(124,070)**	(207,439)	**(124,070)**	(170,728)
	162,459	(50,025)	**470,822**	561,458

Sensitivity analysis

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 (2018: 100) basis points ("bps") in interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. There is no impact on other components of equity. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

32 Financial risk management (cont'd)

Market risk (cont'd)

Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments (cont'd)

	Increase/(decrease) in profit before tax	
	100 bps increase	**100 bps decrease**
	$'000	**$'000**
Group		
31 December 2019		
Variable rate instruments	**1,625**	**(1,625)**
31 December 2018		
Variable rate instruments	(500)	500
Company		
31 December 2019		
Variable rate instruments	**4,708**	**(4,708)**
31 December 2018		
Variable rate instruments	5,615	(5,615)

Foreign currency risk

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

32 Financial risk management (cont'd)

Market risk (cont'd)

Foreign currency risk

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

	EUR $'000	Singapore Dollar $'000	RMB $'000	US Dollar $'000	Malaysian Ringgit $'000	AUD $'000
Group						
2019						
Cash and cash equivalents	**16,400**	**–**	**736**	**3,465**	**–**	**498**
Trade and other receivables	**4**	**–**	**31,266**	**715**	**–**	**–**
Trade and other payables	**(1,034)**	**(25)**	**(147)**	**(730)**	**(1,685)**	**–**
Intercompany balances	**849,429**	**–**	**123,268**	**(3,129)**	**–**	**–**
Loans and borrowings	**(81,172)**	**–**	**–**	**(271,298)**	**–**	**–**
Net statement of financial position exposure	**783,627**	**(25)**	**155,123**	**(270,977)**	**(1,685)**	**498**
CCSs and FCSs	**(787,822)**	**–**	**(102,665)**	**271,298**	**–**	**(9,388)**
Net exposure	**(4,195)**	**(25)**	**52,458**	**321**	**(1,685)**	**(8,890)**
2018						
Cash and cash equivalents	11,420	–	7,443	84	–	20
Trade and other receivables	–	–	–	597	44	–
Trade and other payables	(1,374)	(451)	(152)	(547)	(1,687)	–
Intercompany balances	879,144	–	–	–	–	–
Loans and borrowings	(170,503)	–	–	(268,650)	–	–
Net statement of financial position exposure	718,687	(451)	7,291	(268,516)	(1,643)	20
CCSs and FCSs	(745,958)	–	–	268,650	–	(9,669)
Net exposure	(27,271)	(451)	7,291	134	(1,643)	(9,649)

32 Financial risk management (cont'd)

Market risk (cont'd)

Foreign currency risk (cont'd)

	EUR $'000	RMB $'000	US Dollar $'000	AUD $'000
Company				
2019				
Cash and cash equivalents	**16,383**	**509**	**3,426**	**498**
Trade and other receivables	**4**	**–**	**714**	**–**
Trade and other payables	**(1,034)**	**(277)**	**(730)**	**–**
Intercompany balances	**849,429**	**123,268**	**(3,129)**	**–**
Loans and borrowings	**(81,172)**	**–**	**(271,298)**	**–**
Net statement of financial position exposure	**783,610**	**123,500**	**(271,017)**	**498**
CCSs and FCSs	**(787,822)**	**(102,665)**	**271,298**	**(9,388)**
Net exposure	**(4,212)**	**20,835**	**281**	**(8,890)**
2018				
Cash and cash equivalents	10,003	7,314	27	20
Trade and other receivables	4	–	594	–
Trade and other payables	(1,374)	–	(547)	–
Intercompany balances	879,144	(35,104)	(66)	–
Loans and borrowings	(170,503)	–	(268,650)	–
Net statement of financial position exposure	717,274	(27,790)	(268,642)	20
CCSs and FCSs	(745,958)	–	268,650	(9,669)
Net exposure	(28,684)	(27,790)	8	(9,649)

Sensitivity analysis

A 10% (2018: 10%) strengthening of the following major currencies against the functional currency of each of the Group's entities at the reporting date would impact the profit before tax of the Group and the Company by the amounts shown below. A 10% weakening of the above major currencies against the functional currency of each of the Group's entities at the reporting date would have an equal but opposite effect. There is no impact on other components of equity. This analysis assumes that all other variables, in particular interest rates, remain constant.

32 Financial risk management (cont'd)

Market risk (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis (cont'd)

	Group Increase/(decrease) in profit before tax		Company Increase/(decrease) in profit before tax	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
EUR	**(420)**	(2,727)	**(421)**	(2,868)
Singapore Dollar	**(3)**	(45)	**–**	–
RMB	**5,246**	729	**2,084**	(2,779)
US Dollar	**32**	13	**28**	1
Malaysian Ringgit	**(169)**	(164)	**–**	–
AUD	**(889)**	(965)	**(889)**	(965)

Accounting classifications and fair values

Fair values versus carrying amounts

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

32 Financial risk management (cont'd)

Market risk (cont'd)

Accounting classifications and fair values (cont'd)

Fair values versus carrying amounts (cont'd)

		Carrying amount				Fair value		
	Note	Amortised cost	Other financial liabilities	Designated at fair value through profit or loss	Total	Level 1	Level 2	Level 3
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
2019								
Financial assets not measured at fair value								
Trade and other receivables, excluding prepayments	11	1,134,579	–	–	1,134,579	–	1,134,162	–
Cash and cash equivalents	14	313,389	–	–	313,389			
		1,447,968	–	–	1,447,968			
Financial assets measured at fair value								
Derivative assets	8	–	–	41,323	41,323	–	41,323	–
Other investments:								
- Equity securities	9	–	–	35,094	35,094	816	–	34,278
- Debt securities	9	–	–	39,500	39,500	–	–	39,500
		–	–	115,917	115,917			
Financial liabilities not measured at fair value								
Loans and borrowings	18	–	(621,163)	–	(621,163)			
Trade and other payables	19	–	(356,516)	–	(356,516)			
Lease liabilities	20	–	(71,747)	–	(71,747)			
		–	(1,049,426)	–	(1,049,426)			
Financial liabilities measured at fair value								
Derivative liabilities	8	–	–	(2,717)	(2,717)	–	(2,717)	–

32 Financial risk management (cont'd)

Market risk (cont'd)

Accounting classifications and fair values (cont'd)

Fair values versus carrying amounts (cont'd)

		Carrying amount				Fair value		
	Note	Amortised cost	Other financial liabilities	Designated at fair value through profit or loss	Total	Level 1	Level 2	Level 3
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
2018								
Financial assets not measured at fair value								
Trade and other receivables, excluding prepayments	11	1,153,799	–	–	1,153,799	–	1,141,586	–
Cash and cash equivalents	14	125,711	–	–	125,711			
		1,279,510	–	–	1,279,510			
Financial assets measured at fair value								
Derivative assets	8	–	–	19,385	19,385	–	19,385	–
Other investments:								
- Equity securities	9	–	–	38,631	38,631	3,326	–	35,305
- Debt securities*	9	–	–	39,500	39,500			
- Structured deposits	9	–	–	39,262	39,262	–	39,262	–
		–	–	136,778	136,778			
Financial liabilities not measured at fair value								
Loans and borrowings	18	–	(686,728)	–	(686,728)			
Trade and other payables	19	–	(150,908)	–	(150,908)			
		–	(837,636)	–	(837,636)			
Financial liabilities measured at fair value								
Derivative liabilities	8	–	–	(5,564)	(5,564)	–	(5,564)	–

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

32 Financial risk management (cont'd)

Market risk (cont'd)

Accounting classifications and fair values (cont'd)

Fair values versus carrying amounts (cont'd)

		Carrying amount				Fair value
	Note	Amortised cost	Other financial liabilities	Designated at fair value through profit or loss	Total	Level 2
		$'000	$'000	$'000	$'000	$'000
Company						
2019						
Financial assets not measured at fair value						
Investment in redeemable preference shares	6	**628,693**	**–**	**–**	**628,693**	
Trade and other receivables, excluding prepayments	11	**1,343,953**	**–**	**–**	**1,343,953**	
Cash and cash equivalents	14	**22,629**	**–**	**–**	**22,629**	
		1,995,275	**–**	**–**	**1,995,275**	
Financial assets measured at fair value						
Derivative assets	8	**–**	**–**	**41,323**	**41,323**	**41,323**
Financial liabilities not measured at fair value						
Loans and borrowings	18	**–**	**(621,163)**	**–**	**(621,163)**	
Lease liabilities	20	**–**	**(622)**	**–**	**(622)**	
Trade and other payables	19	**–**	**(238,858)**	**–**	**(238,858)**	
		–	**(860,643)**	**–**	**(860,643)**	
Financial liabilities measured at fair value						
Derivative liabilities	8	**–**	**–**	**(2,717)**	**(2,717)**	**(2,717)**
2018						
Financial assets not measured at fair value						
Investment in redeemable preference shares	6	575,112	–	–	575,112	
Trade and other receivables, excluding prepayments	11	1,169,049	–	–	1,169,049	
Cash and cash equivalents	14	18,139	–	–	18,139	
		1,762,300	–	–	1,762,300	
Financial assets measured at fair value						
Derivative assets	8	–	–	19,385	19,385	19,385
Financial liabilities not measured at fair value						
Loans and borrowings	18	–	(650,070)	–	(650,070)	
Trade and other payables	19	–	(170,466)	–	(170,466)	
		–	(820,536)	–	(820,536)	
Financial liabilities measured at fair value						
Derivative liabilities	8	–	–	(5,564)	(5,564)	(5,564)

32 Financial risk management (cont'd)

Market risk (cont'd)

Measurement of fair value

Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Group			
Equity securities - at fair value through profit or loss	Net asset value of the investee entity adjusted for the fair value of the underlying properties held by the investee	Income capitalisation: Discount rate of 6.0% to 7.0% (2018: 6.0% to 6.5%) Direct market comparison approach: Not applicable Cost method: Not applicable	An increase in the discount rate would result in a lower fair value measurement.
Financial assets - Structured deposits	Market comparison technique - bank's price quotation	Not applicable	Not applicable
Group and Company			
Derivative financial instruments	Market comparison technique - bank's price quotation	Not applicable	Not applicable

Financial instruments not measured at fair value

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

32 Financial risk management (cont'd)

Level 3 fair values

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

		Group Equity instrument - at fair value through profit or loss	
	Note	**2019**	**2018**
		$'000	**$'000**
At 1 January [1]		**78,131**	23,380
Acquisition		**357**	42,896
Disposals		**(3,315)**	–
Change in fair value included in profit or loss	26	**528**	12,850
Effect of movements in exchange rates		**(1,107)**	(995)
At 31 December		**74,594**	78,131

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

Sensitivity analysis

For the Group's equity investment at fair value through profit or loss, a 10% increase in the discount rate applied, where applicable, would have decreased the Group's profit before tax by $7,459,000 (2018: $7,813,000). A decrease in the discount rate applied at the reporting date would have an equal but opposite effect.

33 Leases

Leases as lessee (IFRS 16)

The Group leases land, properties and motor vehicles. The leases typically run for a period of 2 to 29 years, with an option to renew the lease after that date. Lease payments are renegotiated before the maturity of the lease to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The office and hotel leases were entered into many years ago as combined leases of land. Previously, these leases were classified as operating leases under IAS 17.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases that are short-term (i.e. equal to or less than twelve months) and/or leases of low-value items.

Information about leases for which the Group is a lessee is presented below.

33 Leases (cont'd)

Right-of-use assets

Group

	Note	Leasehold land $'000	Leased properties $'000	Motor vehicles $'000	Total $'000
Balance at 1 January 2019		18,070	–	–	18,070
Recognition of right-of-use assets on initial recognition application of IFRS 16		–	78,098	196	78,294
Adjusted balance at 1 January 2019		18,070	78,098	196	96,364
Additions to right-of-use assets		–	2,768	118	2,886
Depreciation charge for the year		(543)	(3,421)	(74)	(4,038)
Deconsolidation of a subsidiary	30	–	(6,282)	–	(6,282)
Translation differences on consolidation		(515)	(2,896)	(8)	(3,419)
Balance at 31 December 2019	4	17,012	68,267	232	85,511

Company

	Note	Leased properties $'000
Balance at 1 January 2019		–
Recognition of right-of-use assets on initial recognition application of IFRS 16		303
Adjusted balance at 1 January 2019		303
Additions to right-of-use assets		517
Depreciation charge for the year		(202)
Balance at 31 December 2019	4	618

Amounts recognised in profit or loss

	$'000
2019 – Leases under IFRS 16	
Expenses relating to short-term leases	113
Interest expense on lease liabilities	3,338
2018 – Operating leases under IAS 17	
Lease expense	4,550

Amounts recognised in statement of cash flows

	2019 $'000
Total cash outflow for leases	(5,422)

33 Leases (cont'd)

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Leases as lessor

The Group leases out its investment property consisting of its owned commercial properties (see Note 5). All leases are classified as operating leases from a lessor perspective.

Operating lease

The Group leases out its investment properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 5 sets out information about the operating leases of investment properties.

Rental income from investment properties recognised by the Group during 2019 amounted to $9,450,000 (2018: $13,732,000).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received by the Group after the reporting date.

	$'000
2019 – Operating leases under IFRS 16	
Within one year	**10,886**
After one year but within five years	**37,000**
After five years	**89,422**
Total	**137,308**
2018 – Operating leases under IAS 17	
Within one year	19,473
After one but within five years	79,925
After five years	135,382
Total	234,780

34 Commitments

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

Capital commitments

	Group	
	2019	**2018**
	$'000	**$'000**
Contracted but not provided for in the financial statements:		
- Expenditure in respect of property, plant and equipment, investment properties and development properties	**141,832**	72,220
- Commitment in respect of an investment in an associate (refer to note (ii) below)	**23,387**	–

(i) As at 31 December 2018, the Group entered into an irrevocable binding agreement to acquire a hotel for a purchase consideration of approximately $14.4 million (EUR9.3 million).

(ii) In November 2019, the Group led a consortium of investors in partnering with Australia's ICD Property to redevelop the iconic 125-year old City Tattersalls Club ("Club") in Sydney, marking the Group's first Australian property development project. Besides holding an equity stake of 39.9% in ICD SB Pitt Street Trust ("Development Trust"), the project development trust which will undertake the renovation of the Club's premises and develop the airspace above into a hotel and residential apartments in return for a development fee calculated based on the gross proceeds from the sale of the residential apartments and any other income or gain arising from the residential apartments less certain agreed deductions, the Group will also provide a AUD370 million construction loan financing facility to fund the project.

The project has received the approval for its Stage 1 concept development application and construction of the project is expected to start in 2022, assuming a successful Stage 2 development application process during the year.

On 15 January 2020, the Group completed its initial subscription of new units in the Development Trust and new ordinary shares in ICD SB Pitt Street Pty Ltd ("Trustee"), and paid a total subscription price of approximately $16.7 million (AUD17.9 million) for the units and shares subscribed by the Group. As a result of the subscription, the Group indirectly holds 39.9% of the units in the Development Trust and 39.9% of the shares in the Trustee. The name of the Development Trust and Trustee was subsequently changed to v5 Pitt Street Trust and v5 Pitt Street Pty Ltd in February 2020.

35 Related parties

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

	Group 2019 $'000	Group 2018 $'000
Associates and joint ventures		
Interest income received and receivable	**38,920**	50,080
Consultancy fees received and receivable	**578**	292
Service income received and receivable	**1,578**	36
Interest expense on lease liabilities	**3,140**	–
Lease expenses paid and payable	**–**	4,067
Affiliated corporations		
Service income received and receivable	**31**	19
Information technology fees paid and payable	**–**	3
Licence fees, hotel management fees and reservation system fees paid and payable	**–**	68

During the financial year ended 31 December 2019, the Group entered into sale option agreements to sell four SOHO units in the Millennium Waterfront project to a director of certain subsidiaries (who is also the sole shareholder of a non-controlling shareholder in the Company) for an aggregate purchase price of approximately $580,000.

An affiliated corporation is defined as a corporation:

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

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

Transactions with key management personnel

The key management personnel compensation comprises:

	Group 2019 $'000	Group 2018 $'000
Directors' fees	**339**	298
Short-term employee benefits	**8,819**	6,860
Defined contribution plans	**81**	71
	9,239	7,229

36 Employee share option scheme

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

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

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

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

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

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

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

During the years ended 31 December 2019 and 2018, no options have been granted under the Share Option Scheme.

37 Subsequent events

Other than as disclosed elsewhere in the financial statements, the following significant events occurred subsequent to the financial year end.

Since late January 2020, the Holiday Inn Express Chengdu Wenjiang Hotspring Hotel and the adjoining hotspring have suspended their operations as a precautionary measure to curb the spread of Covid-19. For the PRC property development projects, the Group is mindful that concerns over Covid-19 may dampen demand for housing in the current year. As at the date of this report, it remains premature to ascertain the full financial impact of the Covid-19 outbreak to the Group as the situation continues to evolve. Nonetheless, the Group anticipates some impact on parts of its operations and is keeping a watchful eye on the situation as it further evolves. The Group has a strong balance sheet and sufficient financial debt headroom to withstand any potential negative financial impact that may arise thereon.

On 20 February 2020, the Group issued $100.0 million in principal amount of 3.29% fixed rate notes due 2025 under its $1 billion multicurrency medium term note programme. The notes were listed on SGX-ST on 21 February 2020.

38 New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

- *Amendments to References to Conceptual Framework in IFRS Standards.*
- *Definition of a Business (Amendments to IFRS 3).*
- *Definition of Material (Amendments to IAS 1 and IAS 8).*
- IFRS 17 *Insurance Contracts.*

STATISTICS OF ORDINARY SHAREHOLDING

As at 9 March 2020

Number of Issued Shares [1] (excluding treasury shares)	:	801,120,032 ordinary shares of US$0.10 each
Voting Rights	:	1 vote per share
Number of Treasury Shares	:	Nil

Note:

(1) This includes 307,682 shares held by a wholly-owned subsidiary of the Company.

Size of Shareholdings			No. of Shareholders	%	No. of Shares	%
1	–	99	43	2.12	643	0.00
100	–	1,000	743	36.56	376,944	0.05
1,001	–	10,000	951	46.80	3,149,318	0.39
10,001	–	1,000,000	272	13.39	17,903,094	2.23
1,000,001	and	above	23	1.13	779,690,033	97.33
Total			**2,032**	**100.00**	**801,120,032**	**100.00**

TWENTY LARGEST SHAREHOLDERS REGISTERED WITH THE CENTRAL DEPOSITORY (PTE) LIMITED

No.	Name	No. of Shares	% of Issued Shares [2]
1	FIRST SPONSOR CAPITAL LIMITED	286,764,270	35.80
2	REPUBLIC HOTELS & RESORTS LIMITED	253,614,321	31.66
3	CITIBANK NOMINEES SINGAPORE PTE LTD	62,928,693	7.86
4	RHB SECURITIES SINGAPORE PTE LTD	32,699,192	4.08
5	M&C HOSPITALITY INTERNATIONAL LIMITED	31,852,326	3.98
6	DBS NOMINEES PTE LTD	29,436,205	3.67
7	TAI TAK ASIA PROPERTIES LTD	15,173,697	1.89
8	BPSS NOMINEES SINGAPORE (PTE.) LTD.	11,280,662	1.41
9	DBS VICKERS SECURITIES (S) PTE LTD	9,683,052	1.21
10	ARARAT HOLDINGS LIMITED	8,430,070	1.05
11	MAGNIFICENT OPPORTUNITY LIMITED	7,846,850	0.98
12	NEO TECK PHENG	6,293,613	0.79
13	HOCKSONS PTE LTD	5,079,000	0.63
14	HO HAN LEONG CALVIN	4,280,042	0.53
15	JCL CAPITAL PTE LTD	3,223,000	0.40
16	HO HAN KHOON	2,280,000	0.28
17	OCBC SECURITIES PRIVATE LTD	1,478,217	0.18
18	ONG KIAN GIAP DANIEL	1,434,000	0.18
19	KGI SECURITIES (SINGAPORE) PTE. LTD	1,402,040	0.18
20	LEE SAU HUN	1,315,000	0.16
	Total	**776,494,250**	**96.93**

Note:

(2) The percentage of Issued Shares is calculated based on the number of issued shares of the Company as at 9 March 2020.

STATISTICS OF ORDINARY SHAREHOLDING

As at 9 March 2020

SHAREHOLDING IN THE HANDS OF THE PUBLIC AS AT 9 MARCH 2020

The percentage of shareholding in the hands of the public was approximately 13.37% of the total number of issued and fully paid-up ordinary shares of the Company. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities has been complied with.

SUBSTANTIAL SHAREHOLDERS

	Shares			
	Direct Interest		Deemed Interest	
	Number of Shares	% of Issued Shares	Number of Shares	% of Issued Shares
Mr. Ho Han Leong Calvin (1)	4,280,042	0.53	361,284,437	45.10
Mr. Ho Han Khoon (2)	2,280,000	0.28	286,764,270	35.80
Mr. Neo Teck Pheng (3)	6,293,613	0.79	303,041,190	37.83
First Sponsor Capital Limited	286,764,270	35.80	–	–
Tai Tak Asia Properties Limited (4)	65,173,697	8.14	296,110,740	36.96
Tai Tak Industries Pte. Ltd. (5)	–	–	361,284,437	45.10
Tai Tak Estates Sendirian Berhad (6)	–	–	361,284,437	45.10
SG Investments Pte. Ltd. (7)	–	–	361,284,437	45.10
First Sponsor Management Limited (8)	–	–	286,764,270	35.80
TT Properties (Asia) Ltd. (9)	–	–	286,764,270	35.80
Republic Hotels & Resorts Limited	253,614,321	31.66	–	–
M&C Hotel Investments Pte. Ltd. (10)	–	–	253,614,321	31.66
M&C Hospitality International Limited (11)	31,852,326	3.98	253,614,321	31.66
M&C Singapore Holdings (UK) Limited (12)	–	–	285,466,647	35.63
Millennium & Copthorne Hotels Limited (13)	–	–	285,466,647	35.63
Singapura Developments (Private) Limited (14)	–	–	285,466,647	35.63
City Developments Limited (15)	–	–	285,466,647	35.63
Hong Leong Investment Holdings Pte. Ltd. (16)	–	–	285,466,647	35.63

Notes:

(1) Mr Ho Han Leong Calvin, the Company's Non-Executive Chairman, is treated as having an interest under Section 4 of the SFA in (a) the Shares held directly by First Sponsor Capital Limited ("FSCL"), (b) the Shares held directly by Tai Tak Asia Properties Limited ("TTAPL") and in which TTAPL is treated as having an interest under Section 4 of the SFA and (c) the Shares in which Chengdu Tianfu Properties Ltd. ("CTF") is treated as having an interest under Section 4 of the SFA, which are 286,764,270 Shares, 361,284,437 Shares and 9,346,470 Shares respectively. These three entities are entities in which he is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares thereof. Please refer to note 4 below for the details on the Shares in which TTAPL and CTF are treated as having an interest under Section 4 of the SFA. He is also treated as having an interest in the Shares held indirectly by Tai Tak Industries Pte. Ltd ("TTI"), Tai Tak Estates Sendirian Berhad ("TTESB"), SG Investments Pte. Ltd ("SGI"), First Sponsor Management Limited ("FSML") and TT Properties (Asia) Ltd. ("TTPA"), in which he is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares thereof.

(2) Mr Ho Han Khoon, an alternate director to the Company's Non-Executive Chairman, is treated as having an interest under Section 4 of the SFA in the Shares held directly by FSCL and indirectly by FSML and TTPA, in which he is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares thereof, which is 286,764,270 Shares.

(3) Mr Neo Teck Pheng, the Group Chief Executive Officer and Executive Director, is treated as having an interest under Section 4 of the SFA in the Shares held directly by FSCL, Ararat Holdings Limited and Magnificent Opportunity Limited, which are 286,764,270 Shares, 8,430,070 Shares and 7,846,850 Shares, respectively. These three entities are entities in which he is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares thereof. He is also treated as having an interest under Section 4 of the SFA in the Shares held indirectly by FSML, in which he is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares thereof.

(4) TTAPL is treated as having an interest under Section 4 of the SFA in (a) the Shares held by FSCL directly and (b) the Shares in which CTF is treated as having an interest under Section 4 of the SFA, which are 286,764,270 Shares and 9,346,470 Shares, respectively. TTAPL is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares of FSCL and CTF. CTF is treated as having an interest under Section 4 of the SFA in the Shares it holds via DBS Vickers Securities (S) Pte Ltd, which is 9,346,470 Shares.

(5) TTI is treated as having an interest under Section 4 of the SFA in the Shares held directly and indirectly by TTAPL, in which it is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares thereof, which is 361,284,437 Shares.

(6) TTESB is treated as having an interest under Section 4 of the SFA in the Shares held indirectly by TTI, in which it is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares thereof, which is 361,284,437 Shares.

(7) SGI is treated as having an interest under Section 4 of the SFA in the Shares held indirectly by TTESB, in which it is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares thereof, which is 361,284,437 Shares.

(8) FSML is treated as having an interest under Section 4 of the SFA in the Shares held directly by FSCL, in which it is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares thereof, which is 286,764,270 Shares.

(9) TTPA is treated as having an interest under Section 4 of the SFA in the Shares held indirectly by FSML, in which it is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares thereof, which is 286,764,270 Shares.

(10) M&C Hotel Investments Pte. Ltd. (“MHIPL”) is treated as having an interest under Section 4 of the SFA in the Shares held directly by Republic Hotels & Resorts Limited, in which it is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares thereof, which is 253,614,321 Shares.

(11) M&C Hospitality International Limited (“MHIL”) is treated as having an interest under Section 4 of the SFA in the Shares held indirectly by MHIPL, in which it is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares thereof, which is 253,614,321 Shares.

(12) M&C Singapore Holdings (UK) Limited (“MSH”) is treated as having an interest under Section 4 of the SFA in the Shares held directly and indirectly by MHIL, in which it is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares thereof, which is 285,466,647 Shares.

(13) Millennium & Copthorne Hotels Limited (“M&C”) is treated as having an interest under Section 4 of the SFA in the Shares held indirectly by MSH, in which it is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares thereof, which is 285,466,647 Shares.

(14) Singapura Developments (Private) Limited (“SDP”) is treated as having an interest under Section 4 of the SFA in the Shares held indirectly by M&C, in which it is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares thereof, which is 285,466,647 Shares.

(15) City Developments Limited (“CDL”) is treated as having an interest under Section 4 of the SFA in the Shares held indirectly by SDP, in which it is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares thereof, which is 285,466,647 Shares.

(16) Hong Leong Investment Holdings Pte. Ltd. is treated as having an interest under Section 4 of the SFA in the Shares held indirectly by CDL, in which it is entitled to exercise or control the exercise of not less than 20 per cent. of the votes attached to the voting shares thereof, which is 285,466,647 Shares.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The information required under Rule 720(6) and Appendix 7.4.1 of the SGX-ST Listing Manual in respect of Directors seeking re-election at the Annual General Meeting is set out below:

	Mr Ho Han Leong Calvin	**Mr Neo Teck Pheng**	**Mr Wee Guan Oei Desmond**
Date of Appointment	1 October 2007	1 October 2007	6 February 2017
Date of last re-appointment (if applicable)	26 April 2017	26 April 2017	26 April 2017
Age	68	49	49
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Mr Ho Han Leong Calvin has continued to discharge his duties as Non-Executive Chairman and Director well and to contribute positively to the Company. The process of succession planning for the Board, appointment of Directors and the re-nomination and re-election of Directors are set out on pages 76 to 80 of the Annual Report.	Mr Neo Teck Pheng has continued to discharge his duties as Group Chief Executive Officer ("**Group CEO**") and Executive Director well and to contribute positively to the Company. The process of succession planning for the Board, appointment of Directors and the re-nomination and re-election of Directors are set out on pages 76 to 80 of the Annual Report.	Mr Wee Guan Oei Desmond has continued to discharge his duties as Independent Director well and to contribute positively to the Company. The process of succession planning for the Board, appointment of Directors and the re-nomination and re-election of Directors are set out on pages 76 to 80 of the Annual Report.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive As the Group CEO, Mr Neo Teck Pheng is responsible for implementing the Group's strategies and policies, and for management, operations and growth of the Group's businesses.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive Chairman A member of the Audit and Risk Committee and the Remuneration Committee	Group CEO and Executive Director A member of the Nominating Committee	Independent Director Chairman of the Remuneration Committee

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Ho Han Leong Calvin	**Mr Neo Teck Pheng**	**Mr Wee Guan Oei Desmond**
Professional qualifications	Higher National Diploma in Business Studies, Polytechnic of The South Bank, United Kingdom	Bachelor of Accountancy Degree (First Class Honours), Nanyang Technological University, Singapore	Bachelor of Laws (Honours), University of Nottingham, United Kingdom
Working experience and occupation(s) during the past 10 years	<u>January 1984 to present</u> Chief Executive Officer and Director of Tai Tak Estates Sendirian Berhad	<u>October 2007 to present</u> Group CEO and Executive Director of First Sponsor Group Limited	<u>January 2003 to present</u> Partner and Head, Corporate Commercial Practice Group of Rajah & Tann Singapore LLP Please refer to the section relating to “Other Principal Commitments” for further information.
Shareholding interest in the listed issuer and its subsidiaries	Please refer to the section titled “Directors’ Interests” in the Directors’ Statement on pages 97 to 98 of the Annual Report.	Please refer to the section titled “Directors’ Interests” in the Directors’ Statement on pages 97 to 98 of the Annual Report.	Please refer to the section titled “Directors’ Interests” in the Directors’ Statement on pages 97 to 98 of the Annual Report.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Ho Han Leong Calvin and his alternate Director, Mr Ho Han Khoon are cousins. Mr Ho Han Leong Calvin and Mr Han Han Khoon are controlling shareholders of the Company.	Mr Neo Teck Pheng is a controlling shareholder of the Company.	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes

	Mr Ho Han Leong Calvin	Mr Neo Teck Pheng	Mr Wee Guan Oei Desmond
Other Principal Commitments* Including Directors# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9) ● *Past (for the last 5 years)*	Nil	Nil	Nil
● *Present*	● Chief Executive Officer and Director of Tai Tak Estates Sendirian Berhad	Nil	● Partner and Head, Corporate Commercial Practice Group of Rajah & Tann Singapore LLP ● Non-Executive Chairman, Independent Director and Audit Committee member of Popular Holdings Limited ● Non-Executive Director of Spartans Rugby Singapore Limited
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

	Mr Ho Han Leong Calvin	**Mr Neo Teck Pheng**	**Mr Wee Guan Oei Desmond**
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgement against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

	Mr Ho Han Leong Calvin	Mr Neo Teck Pheng	Mr Wee Guan Oei Desmond
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Ho Han Leong Calvin	Mr Neo Teck Pheng	Mr Wee Guan Oei Desmond
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No

	Mr Ho Han Leong Calvin	Mr Neo Teck Pheng	Mr Wee Guan Oei Desmond
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Ho Han Leong Calvin	Mr Neo Teck Pheng	Mr Wee Guan Oei Desmond
Disclosure applicable to the appointment of Director only.			
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not Applicable	Not Applicable	Not Applicable

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FIRST SPONSOR GROUP LIMITED
Company Registration No.: AT-195714
Incorporated in the Cayman Islands on 24 September 2007
63 Market Street #06-03
Bank of Singapore Centre
Singapore 048942