Annual Reports and Related Documents::

Issuer & Securities

Issuer/ Manager	CITY DEVELOPMENTS LIMITED
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Announcement Details

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Additional Details

Period Ended	31/12/2017

Attachments	City_Developments_Limited_Annual_Report_2017.pdf CDL Letter to Shareholders dated 27 March 2018.pdf Total size =6151K

BUILDING NEW PERSPECTIVES

CITY DEVELOPMENTS LIMITED
ANNUAL REPORT 2017

CORPORATE PROFILE

City Developments Limited (CDL) is a leading global real estate operating company with a network spanning 100 locations in 28 countries. Listed on the Singapore Exchange, the Group is one of the largest companies by market capitalisation. Its income-stable and geographically-diverse portfolio comprises residences, offices, hotels, serviced apartments, integrated developments and shopping malls.

With a proven track record of over 50 years in real estate development, investment and management, CDL has developed over 40,000 homes and owns over 18 million square feet of lettable floor area globally. Its diversified land bank offers a solid development pipeline in Singapore as well as its key overseas markets of China, UK, Japan and Australia.

The Group's London-listed subsidiary, Millennium & Copthorne Hotels plc (M&C), is one of the world's largest hotel chains, with over 135 hotels worldwide, many in key gateway cities.

Leveraging its deep expertise in developing and managing a diversified asset base, the Group is focused on enhancing the performance of its portfolio and strengthening its recurring income streams to deliver long-term sustainable value to shareholders. The Group is also developing a fund management business and targets to achieve US$5 billion in Assets Under Management (AUM) by 2023.

Cover:
NEW FUTURA
Singapore

RENEWAL AND TRANSFORMATION

For more than five decades, we have shaped cityscapes with countless architectural landmarks.

With enterprising spirit and innovative agility, we have evolved into the global real estate conglomerate we are today.

Innovation, fresh perspectives, new collaborations and strategic investments will be our focus as we embark on our next chapter of renewal and transformation.

Our unending pursuit of excellence drives us to challenge established paradigms and redefine possibilities, as we continue to deliver on our promise to create value in all that we do.

NEW FUTURA - PENTHOUSE
Singapore

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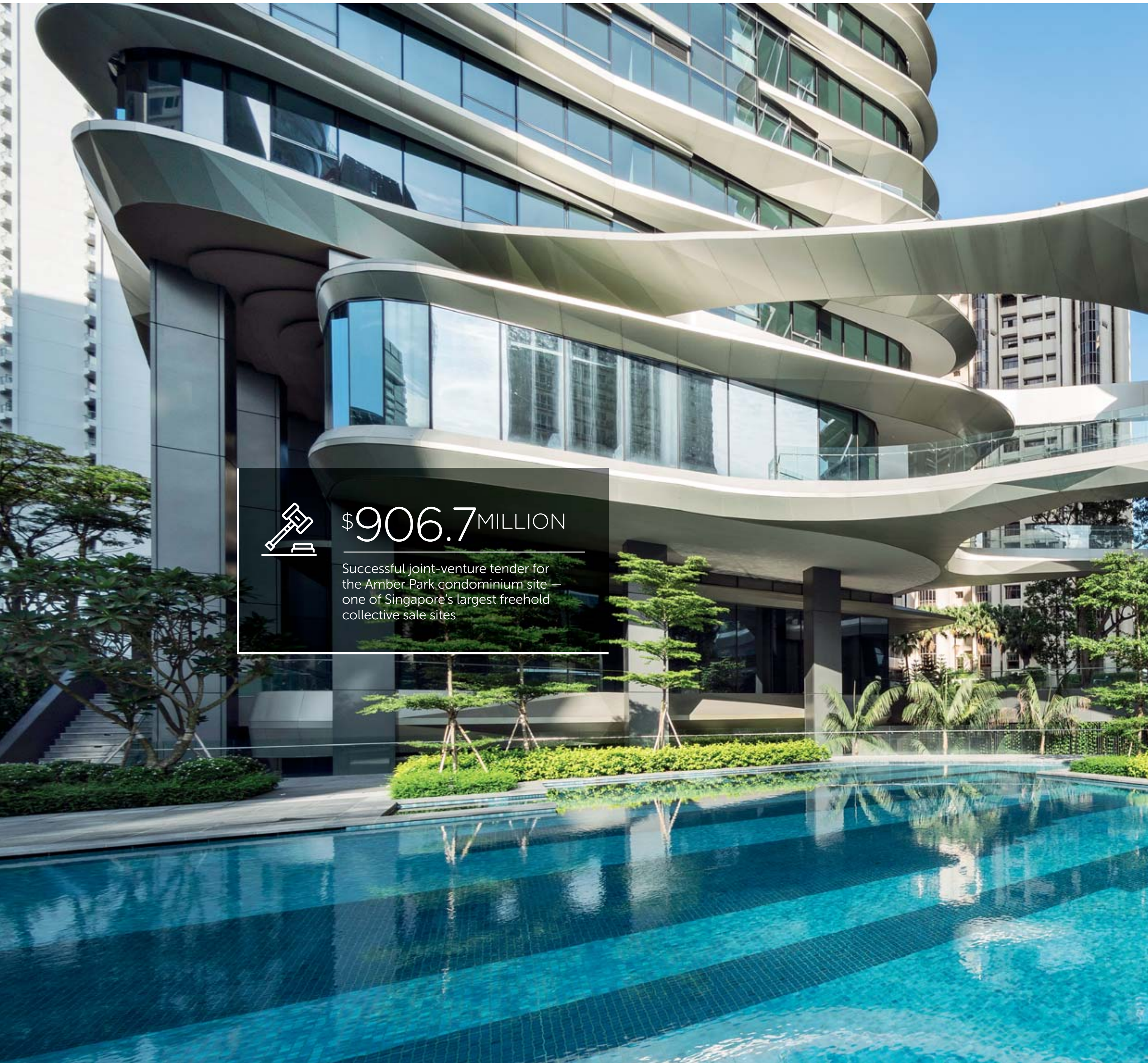
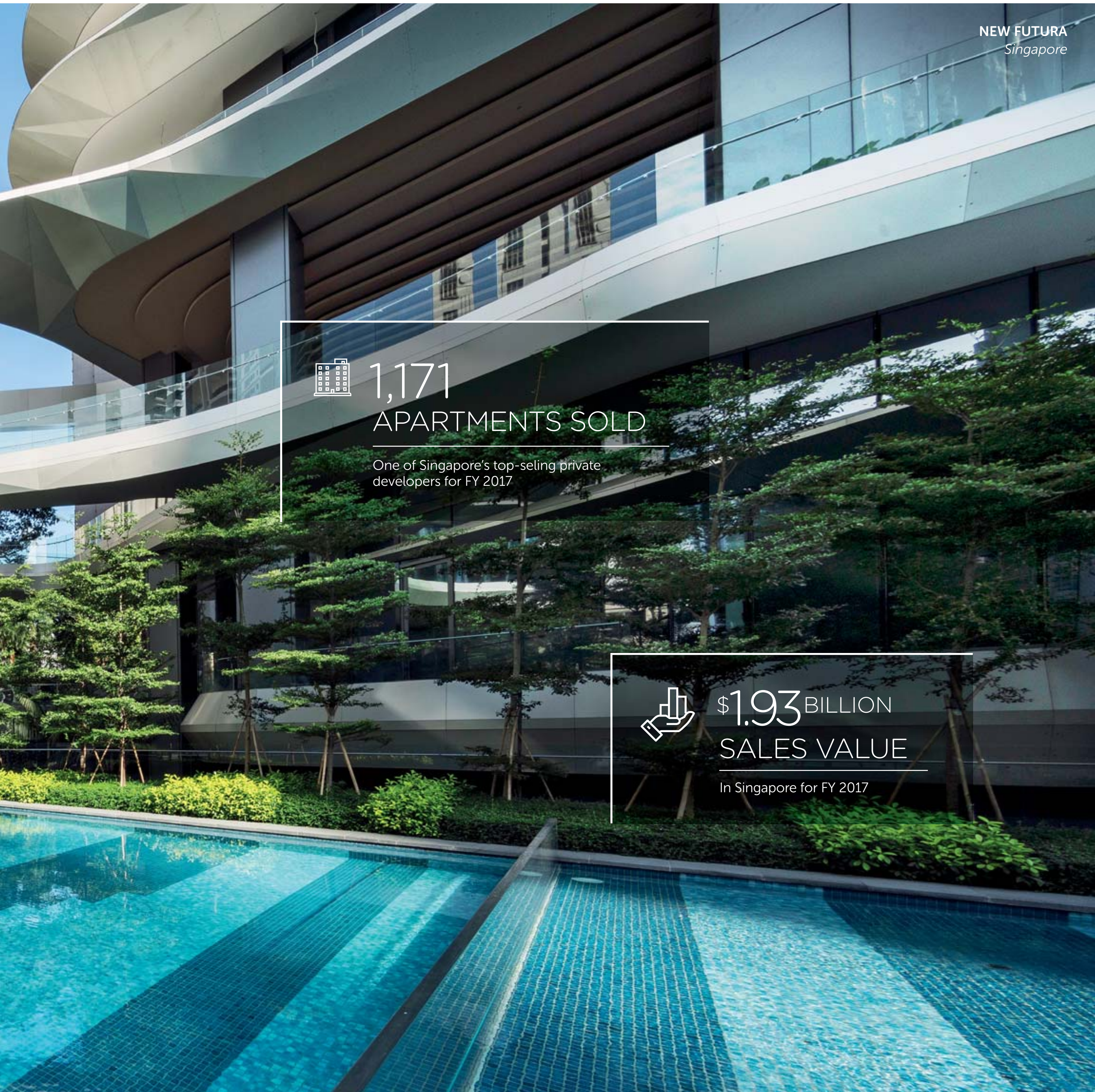


$906.7 MILLION

Successful joint-venture tender for the Amber Park condominium site — one of Singapore's largest freehold collective sale sites

CREATING NEW LANDMARKS



As a built industry pioneer, CDL has a strong reputation for developing residential projects that meet evolving needs.

With our fingers on the pulse of the recovering Singapore residential market, and with a pipeline of around 2,750 new residential units for launch, we will continue to raise the bar in creating desirable homes through new living concepts and game-changing solutions.

RENEWING SPACES

$70 MILLION

Flagship Republic Plaza Asset Enhancement Initiative

$30 MILLION

Asset Enhancement Initiative for Le Grove Serviced Apartments, increasing to 173 apartments

We are renewing our spaces to cater to the evolving business landscape, increase space efficiency and inject fresh vibrancy.

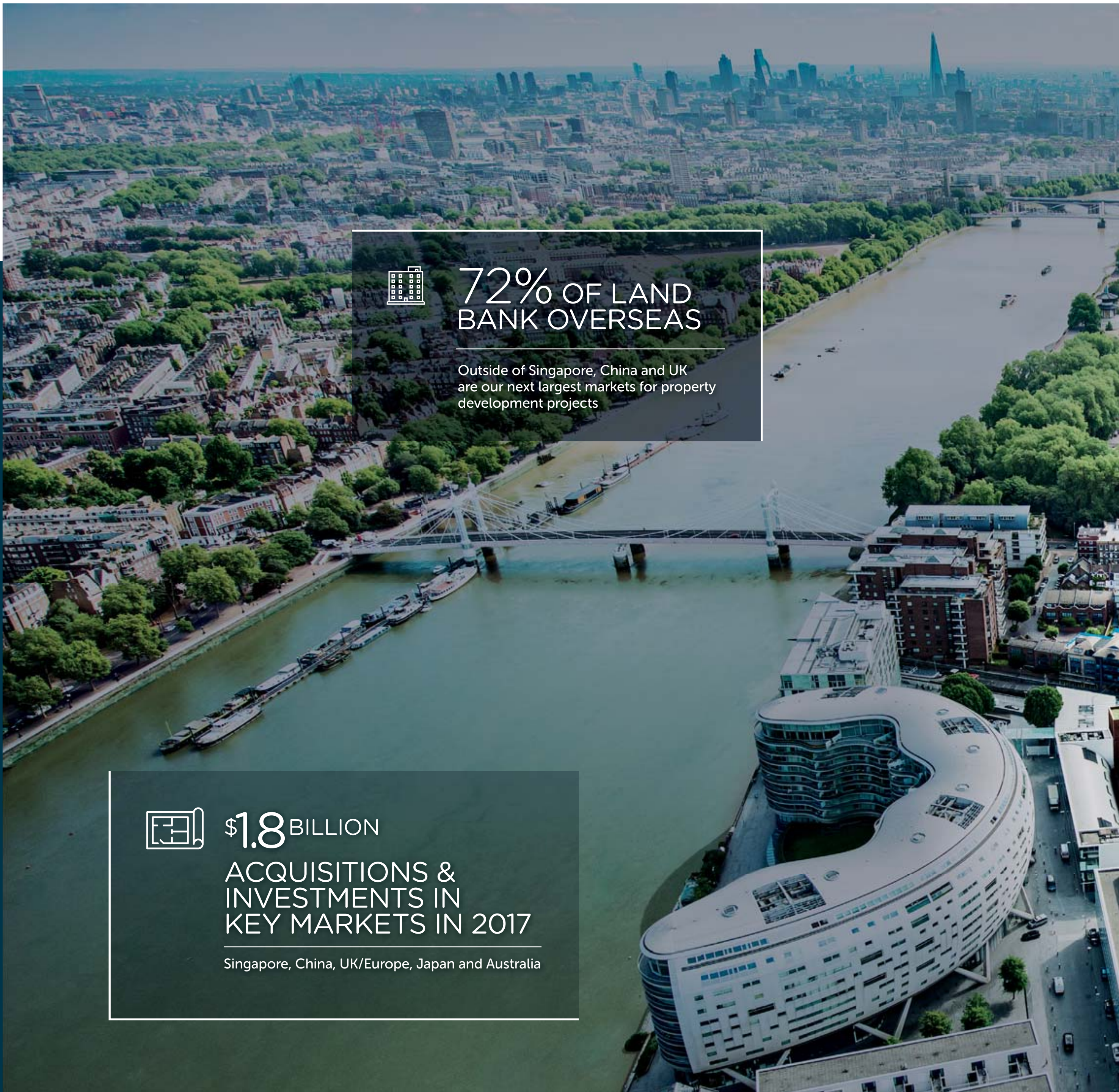
Enhancing our asset management capabilities and unlocking value in our existing asset portfolio will enable us to maximise the potential of these spaces and strengthen our recurring income streams.

Even as we enter a phase of renewal, our core strengths and values that made us who we are today will always remain. An extension of our strong track record, we clinched several awards and accolades in the areas of business and building excellence.

REPLUBIC PLAZA
Singapore

MOST-AWARDED PRIVATE-SECTOR PROPERTY DEVELOPER

At the Building and Construction Authority (BCA) Awards 2017



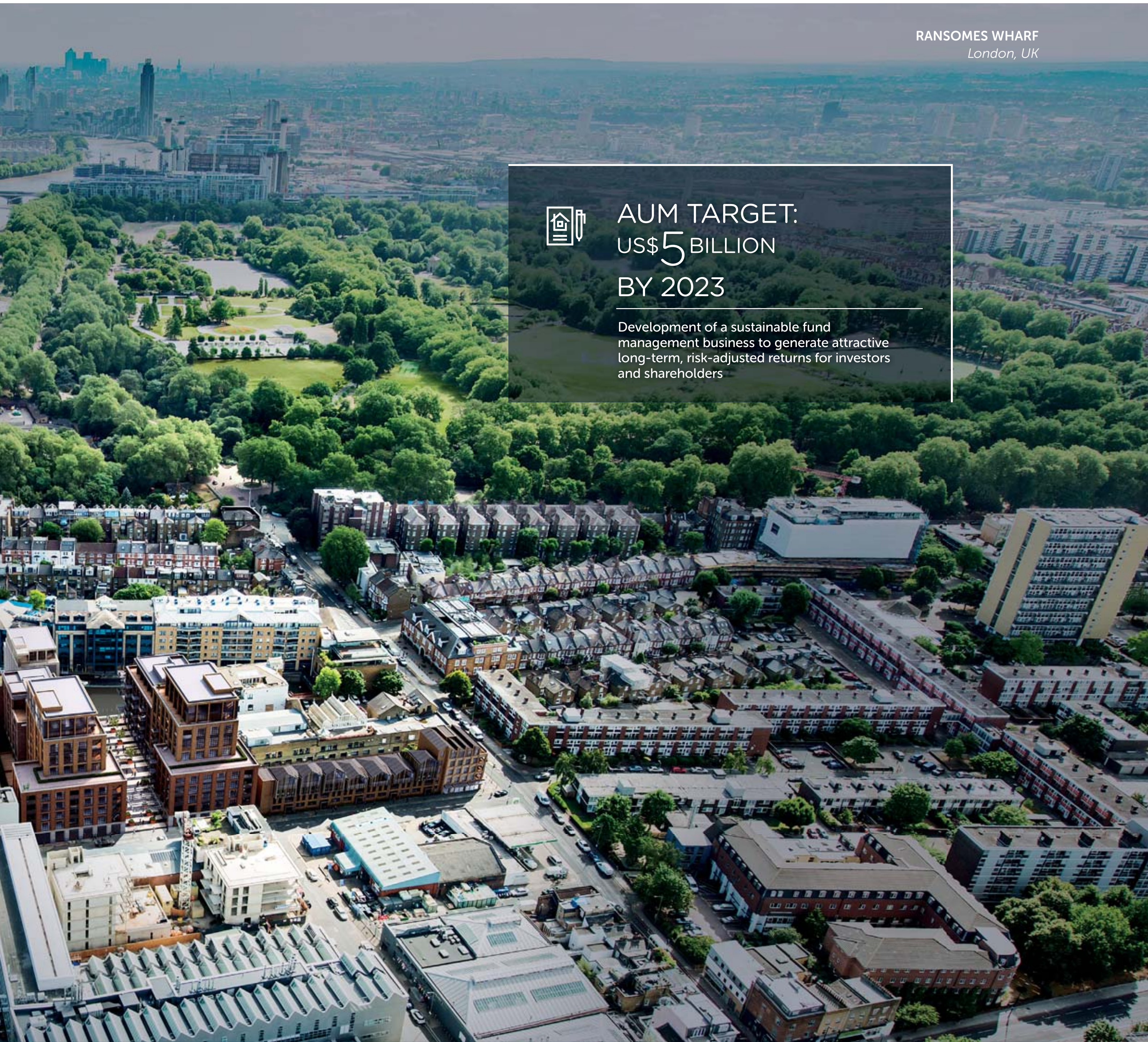
72% OF LAND BANK OVERSEAS

Outside of Singapore, China and UK are our next largest markets for property development projects

$1.8 BILLION ACQUISITIONS & INVESTMENTS IN KEY MARKETS IN 2017

Singapore, China, UK/Europe, Japan and Australia

CHARTING NEW GROWTH AVENUES



RANSOMES WHARF
London, UK

AUM TARGET: US$5 BILLION BY 2023

Development of a sustainable fund management business to generate attractive long-term, risk-adjusted returns for investors and shareholders

As part of our diversification strategy, since 2010, we have been expanding into China, UK, Japan and Australia on the property development front.

In addition to these overseas growth platforms, we will continue to embrace innovation and invest in new economy and technology ventures that will transform our key product offerings and services.

Our goal is to be a leading fund manager in Asia and targets to attain Assets Under Management (AUM) of US$5 billion by 2023.

DELIVERING NEW HOSPITALITY EXPERIENCES

ENTRY INTO NEW MARKETS

Foray into Germany with acquisitions of Pullman Hotel Munich and Le Méridien Frankfurt

INTERNATIONAL NETWORK

OVER 135 HOTELS

OVER 40,000 ROOMS

The spotlight on our hospitality segment in 2017 is centred on a series of acquisitions through our associates such as CDL Hospitality Trusts and First Sponsor Group Limited. The Lowry Hotel in Manchester, UK, as well as the Pullman Hotel Munich and Le Méridien Frankfurt in Germany, were added to the Group's portfolio.

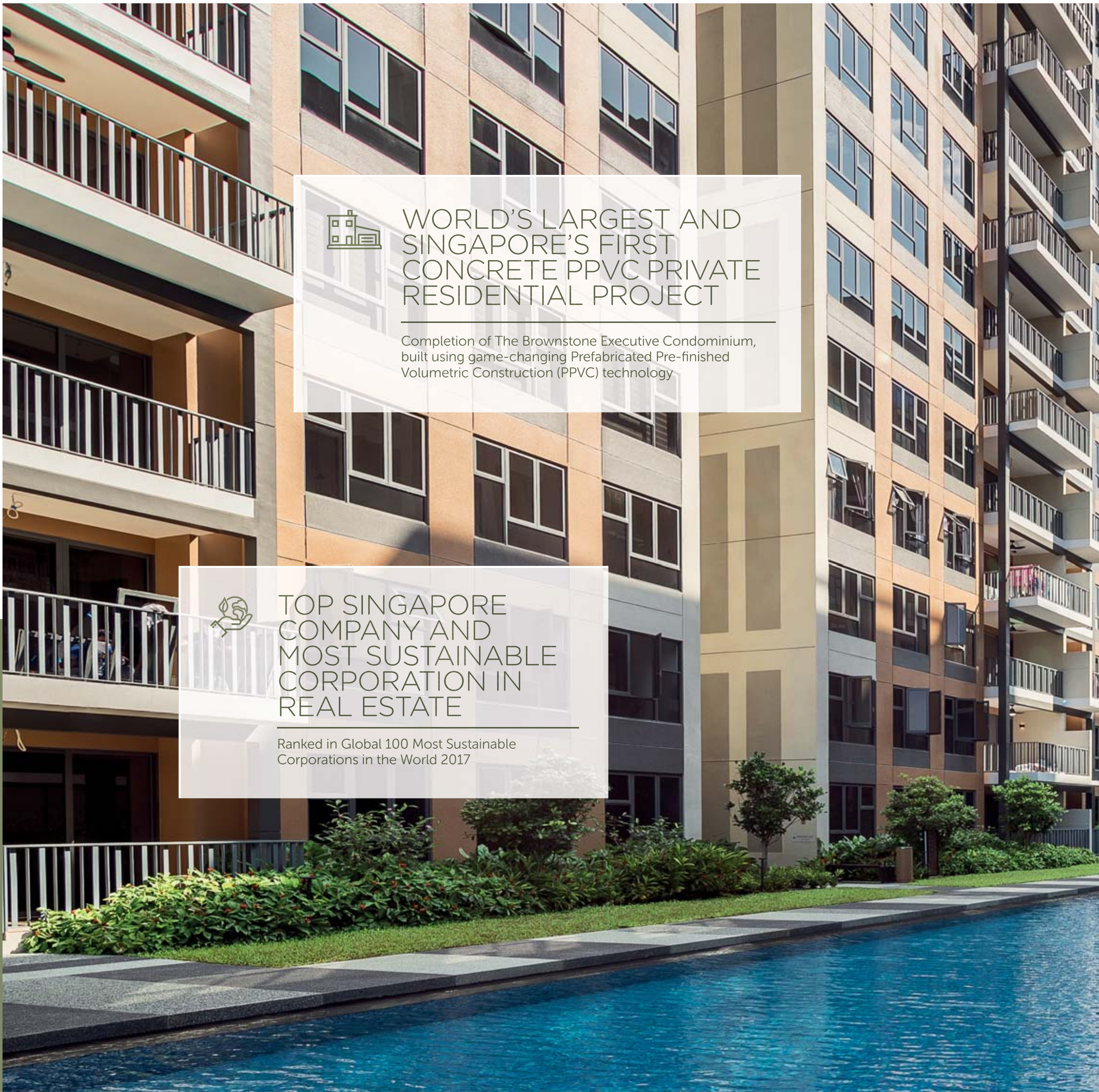
Millennium & Copthorne Hotels plc (M&C) continued to expand its geographical footprint with new hotel openings.

M SOCIAL AUCKLAND
New Zealand

OPEN

EXPANSION OF M SOCIAL BRAND

Opening of M Social Auckland, a 190-room contemporary lifestyle hotel



SETTING NEW BENCHMARKS — CREATING SUSTAINABLE VALUE

For over two decades, we have strategically integrated sustainability into our business and operations to deliver lasting value to our stakeholders.

In 2017, to future-proof our business, we established a CDL Future Value 2030 blueprint with renewed long-term Environmental, Social and Governance (ESG) targets.

Moving forward, value creation through ESG integration will be a key priority to deliver operational and resource efficiency, as well as achieve new milestones in sustainability excellence.

By embracing global and national sustainability agendas, we are well-positioned to capitalise on economic opportunities in sustainable development to unlock greater value for our stakeholders.

2017 BUSINESS HIGHLIGHTS

REVENUE $3.8 BILLION	EBITDA $1.06 BILLION
PATMI $538 MILLION	TOTAL ASSETS $19.5 BILLION
NET ASSET VALUE PER SHARE $10.54	NET GEARING RATIO 9%
INTEREST COVER 13.6X	ORDINARY DIVIDENDS PER SHARE 18 CENTS
BASIC EARNINGS PER SHARE 57.8 CENTS	TOTAL SHAREHOLDER RETURN 53.0%

5-YEAR FINANCIAL HIGHLIGHTS

Year	2013[1]	2014	2015	2016	**2017**
For the financial year ($'million)					
Revenue	3,213	3,764	3,304	3,905	**3,829**
Profit before tax	948	1,004	985	914	**780**
Profit for the year attributable to owners of the Company (PATMI)	686	770	773	653	**538**
At 31 December ($'million)					
Property, plant and equipment	4,399	4,918	5,175	5,136	**5,014**
Investment properties	3,161	3,109	2,584	2,346	**2,449**
Development properties	4,327	4,793	5,515	5,209	**4,561**
Cash and bank balances (including restricted deposits in other non-current assets)	2,720	3,898	3,565	3,887	**3,989**
Other assets	2,947	2,983	3,480	3,219	**3,490**
Total assets	17,554	19,701	20,319	19,797	**19,503**
Equity attributable to owners of the Company	7,731	8,410	8,996	9,294	**9,584**
Non-controlling interests	2,485	2,366	2,217	2,115	**2,258**
Borrowings	5,294	6,699	6,483	5,738	**5,022**
Other liabilities	2,044	2,226	2,623	2,650	**2,639**
Total equity and liabilities	17,554	19,701	20,319	19,797	**19,503**
Per share					
Basic earnings (cents)	74.0	83.2	83.6	70.4	**57.8**
Net asset value ($)	8.50	9.25	9.89	10.22	**10.54**
Dividends (cents)					
a) Ordinary dividend (gross)					
- final	8.0	8.0	8.0	8.0	**8.0** [2]
- special interim	8.0	4.0	4.0	4.0	**4.0**
- special final	-	4.0	4.0	4.0	**6.0** [2]
b) Preference dividend (net)	3.9	3.9	3.9	3.9	**3.9**
Financial ratios					
Return on equity (%)	8.9	9.2	8.6	7.0	**5.6**
Net gearing ratio (%) [3]	25	26	26	16	**9**
Net gearing ratio if fair value gains on investment properties are taken into consideration (%)	18	19	19	12	**7**
Interest cover ratios (times)	13.7	12.1	13.0	12.5	**13.6**

Notes:

[1] The 2013 comparative figures were restated to take into account the retrospective adjustments arising from the adoption of FRS 110 - *Consolidated Financial Statements*.

[2] Final and special final tax-exempt (one-tier) ordinary dividends proposed for financial year ended 31 December 2017 will be subject to the approval of the ordinary shareholders at the forthcoming Annual General Meeting.

[3] Excludes fair value gains on investment properties as the Group's accounting policy is to state its investment properties at cost less accumulated depreciation and impairment losses.

CHAIRMAN'S STATEMENT

GROUP PERFORMANCE

Revenue

For the full year ended 31 December 2017 (FY 2017), the Group continued to achieve resilient performance despite a challenging operating environment. Revenue for FY 2017 remained relatively stable at $3.8 billion (FY 2016: $3.9 billion).

Revenue for FY 2017 was driven by the strong take up for Gramercy Park, sales from existing property development projects such as The Venue Residences, Coco Palms and Hong Leong City Center in Suzhou. Revenue was also boosted from The Brownstone Executive Condominium (EC) which obtained its Temporary Occupation Permit (TOP) in October 2017 and according to prevailing accounting standards, the revenue and profit for an EC project is recognised in entirety upon completion. In addition to contributions from investment properties, revenue growth from the hotel operations segment was enhanced primarily by the full-year contributions from certain hotels within the Group's listed subsidiary, Millennium & Copthorne Hotels plc (M&C), notably Millennium Hilton New York One UN Plaza (re-opened in September 2016 after refurbishment) and Grand Millennium Auckland (included in September 2016).

Pre-tax Profit by Segments

Pre-tax profit was largely distorted by one-off items. The property development segment continued to be the highest contributor, making up 57% for FY 2017. This segment benefited from the partial divestment of the Group's interest in two China projects in Chongqing to China Vanke Co., Ltd (Vanke) for $55.5 million. Comparatively, in 2016, the Group had a substantial gain following the sale of Exchange Tower in Bangkok. The rental properties segment performed better than the hotel operations segment. Notably, in 2017, the rental properties segment included a gain following the sale of an office building in Osaka while the hotel operations segment included a write back of impairment losses on loans to a joint venture (JV) of $22 million.

PATMI

Overall, the Group achieved attributable profit after tax and non-controlling interests (PATMI) of $538.2 million for FY 2017 (FY 2016: $653.2 million). In FY 2016, the Group's performance was boosted by a variety of factors, including a sizable contribution from Hong Leong City Center in Suzhou, higher profit margin projects like Coco Palms, D'Nest and Lush Acres EC, divestment of its 52.52% interest in City e-Solutions Limited, sale of Exchange Tower and recapitalisation of Summervale Properties Pte. Ltd. (which holds Nouvel 18) via the Group's third Profit Participation Securities (PPS).

Basic earnings per share stood at 57.8 cents for FY 2017 (FY 2016: 70.4 cents).

As at 31 December 2017, the Group's net gearing ratio, excluding any revaluation surplus from investment properties, was at 9% (FY 2016: 16.0%), the lowest for the Group on record. With strong cash reserves of approximately $4.0 billion and interest cover of 13.6 times (FY 2016: 12.5 times), the Group has the financial resources to react swiftly to any attractive opportunities, both locally or abroad. Some of its cash reserves were deployed for recent land acquisitions in Singapore.

REVENUE FOR FY 2017

$3.8 BILLION

In addition to the final ordinary dividend of 8.0 cents per share, the Board is also recommending a special final ordinary dividend of 6.0 cents per share. Considering the special interim dividend of 4 cents paid in September 2017, the total dividends for 2017 amount to 18.0 cents per share (FY 2016: 16.0 cents).

PROPERTY

Singapore

Despite the absence of a new residential launch in the year under review, the Group continued to achieve strong sales for its existing inventory. The Group, together with its joint venture (JV) associates, sold 1,171 units including ECs, with a total sales value of $1.93 billion, again emerging as one of the top-selling private sector developers in Singapore. (FY 2016: 1,017 units with total sales value of $1.25 billion).

The Group's launched projects continued to perform well. The 174-unit Gramercy Park, a luxury freehold development on Grange Road, is now about 97% sold with only six units remaining.

Sales for other JV projects have also progressed well. The 519-unit Forest Woods condominium, located near Serangoon MRT station, is now 93% sold while the 944-unit Coco Palms near Pasir Ris MRT station is about 99% sold with only 13 units remaining. Similarly, two JV EC projects, the 638-unit The Brownstone next to the upcoming Canberra MRT station has only two units remaining while the 505-unit The Criterion in Yishun is now 98% sold. No profit was realised for The Criterion EC yet as it only obtained TOP in February 2018.

ONE OF THE TOP-SELLING PRIVATE SECTOR DEVELOPERS IN SINGAPORE FOR 2017

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to report that City Developments Limited Group achieved profit of $538.2 million — a resilient performance, in view of global operating challenges.

Going forward, the Group will focus on driving growth in our property development and recurring income segments, enhancement of asset portfolio performance and enterprise transformation. We will continue to remain disciplined in capital management, remaining highly selective and strategic in deploying our robust balance sheet.

Kwek Leng Beng
Executive Chairman

On 4 October 2017, the Group and its 20% JV partner successfully acquired the Amber Park site for $906.7 million, or $1,515 per square foot per plot ratio (psf ppr). This is one of the largest collective sale sites in the Amber Road enclave in the East Coast with an area of 213,675 sq ft, plot ratio of 2.8 and allowable Gross Floor Area (GFA) of about 598,290 sq ft.

The Group has obtained its Provisional Permission (PP) in February 2018. The plan is to redevelop the site into a luxury condominium comprising three 21-storey towers with over 600 units. The transaction is expected to be completed by Q2 2018 and to be ready for launch by 1H 2019.

The Group's office portfolio, comprising 16 properties with a net lettable area (NLA) of about 2.3 million sq ft, continued to enjoy a healthy occupancy rate of 94.8% as at 31 December 2017, compared to the island-wide occupancy rate of 87.4%. It is a key component in the recurring income stream of the Group.

HEALTHY OFFICE PORTFOLIO OCCUPANCY

94.8%

South Beach

The 190-unit South Beach Residences is on track for soft-launch by Q2/Q3 2018.

The 634-room JW Marriott Hotel Singapore South Beach, which soft-opened in mid-December 2016 is ramping up well with healthy occupancy. It is performing within the Group's expectations and is exceeding industry standards for a newly opened hotel in its first year of operation. In Q2 2018, the former NCO Club is scheduled to re-open with unique F&B offerings.

OVERSEAS PLATFORMS

UK

In late October 2017, the Group's 240-unit Teddington Riverside development in the Borough of Richmond, was soft-launched with the opening of an on-site sales centre. Phase 1 (Block A), comprising 57 units, is expected to be completed by Q4 2018. The level of enquiries remains very encouraging as it is a beautiful site overlooking the River Thames. The entire development is on track for completion by Q4 2019. As profit recognition for UK properties are only booked in upon completion, the Group is not in a rush to sell the apartments. Given UK's current subdued property market, the Group intends to defer the official launch to command a higher premium when the market improves and when the project is in a more advanced stage of development. It is mindful that securing prime land in the UK and obtaining planning approval are difficult processes and for now, the Group is content to keep the project in development stage and launch only when market conditions are conducive.

The Group's small-scale projects at Chesham Street in Belgravia (six units) and Hans Road in Knightsbridge (three units) are expected to be fully-fitted by Q2 2018. 90-100 Sydney Street Chelsea, with the refurbishment of nine units, is on track to be ready in Q1 2019. As these units are in prime central locations, the Group may launch when the market improves or retain them for lease.

28 Pavilion Road in Knightsbridge has received planning consent for a 34-unit luxury assisted living development with an in-house spa, library, specialist nursing care and private doctor's surgery. Revised planning application to improve the plan into a revised residential scheme, with the possibility of combining retail and club facilities, has been submitted and decisions are subject to local London elections expected in 2018. This property continues to operate as a carpark. Demolition works are anticipated to commence in 2019 and will be synchronised with the refurbishment works at Millennium Hotel London Knightsbridge. This is to minimise inconvenience during construction works as the two properties share the same access roads.

Following extensive consultations with all local stakeholders, the Group submitted its new planning application for its 22-acre site at the former Stag Brewery at Mortlake in February 2018 and the determination is targeted for Q4 2018. As the master developer for this mega mixed-use township, the £1.25 billion scheme will include a traditional commercial high street comprising shops, bars, restaurants, gym, hotel, cinema and rowing club; nine acres of green space and a new green link connecting the existing Mortlake Green with the River Thames; a new secondary school for 1,200 pupils together with a full-sized football pitch (also available for community use), as well as indoor multi-use gym, play and sports space; 3,000 sqm of offices for existing and new local small businesses. Additionally, 667 homes to be built across the site will comprise one, two, three and four bedroom private and affordable units with underground parking. The scheme also proposes a care village, containing up to 150 assisted living units and an additional care home with dementia care. This master developer concept is currently being advocated in Singapore for larger plots of land.

MASTER DEVELOPER CONCEPT

£1.25 BILLION SCHEME PROPOSED FOR STAG BREWERY SITE, MORTLAKE

The 28,000 sq ft Development House located at 56-64 Leonard Street, Shoreditch remains fully leased, with vacant possession now expected from Q3 2018. The planning application for the redevelopment was submitted in December 2017 and the determination is expected in 2018.

At the Ransomes Wharf site in Battersea, the Group is moving quickly to implement the existing consent and make certain planning improvements to the scheme. Demolition works are still targeted to commence in Q1 2018.

China

In September 2017, the Group's wholly-owned subsidiary CDL China Limited entered into a strategic partnership with Vanke, one of the top three residential developers in China. 70% of Chongqing Huang Huayuan and 50% of Chongqing Eling Residences, both located in Yuzhong District, were divested for an aggregate consideration of approximately RMB 986 million. The transaction was completed in December 2017 and the Group recognised a pre-tax gain of $55.5 million. CDL China continues to retain a 30% and 50% equity stake in Chongqing Huang Huayuan and Eling Residences respectively and expects to benefit positively from its retained interest in these projects. This strategic partnership will enable the Group to tap on Vanke's expertise in residential developments in China and pave the way for future collaborations and business expansion opportunities in both China and Singapore. The JV entity is now reviewing the design concept for Chongqing Huang Huayuan, a mixed-use development, as well as the sales and marketing efforts for Eling Residences, a completed 126-unit luxury residential development nestled on the peak of Eling Hill.

STRATEGIC PARTNERSHIP WITH VANKE

PAVES THE WAY FOR EXPANSION IN CHINA & SINGAPORE

The Group also continued to make strategic investments into disruptors that have the potential to transform the future real estate landscape. As an existing shareholder of Distrii, one of China's leading operators of co-working spaces, it participated in Distrii's latest Series A funding round in September 2017. To date, the Group has invested RMB 102 million and is the second largest shareholder of Distrii after its founder. The capital raised will allow Distrii to accelerate its expansion in China while simultaneously launching its international expansion, starting with one of the largest co-working facilities in Singapore at the Group's flagship Republic Plaza in 1H 2018, occupying over 60,000 sq ft of space. Distrii currently has co-working spaces across 26 locations in Shanghai, Beijing and Hangzhou, with 29 more locations in the pipeline.

mamahome, one of China's fastest growing online apartment rental platforms, has about 230,000 apartment listings spanning across 30 cities in China. Being its existing shareholder, CDL China did a follow on for the Series A funding round in December 2017 and to date, has invested RMB 110 million. The property rental market has been boosted by the Chinese government's strong initiatives to enable young professionals to have a suitable living space across the country. Given the increasing trend for the rental market and its strong presence, mamahome has successfully set up strategic partnerships with various sizable market players and set to grow significantly in scale.

Hong Leong Plaza Hongqiao (formerly known as Meidao Business Plaza), which was acquired in February 2017, has obtained its construction completion certificate in Q4 2017. The project comprises five office towers with approval for strata-titled units and two levels of basement carparks. Located in Shanghai's Hongqiao Central Business District (CBD), one of the fastest growing business areas of strategic importance, Hong Leong Plaza Hongqiao is situated next to the mega Shanghai Hongqiao International Medical Center surrounded by many international schools, upcoming R&D centres and business parks. The property is well positioned to benefit from the growth prospects of the up-and-coming area and is expected to contribute to recurring income streams in early 2019.

Comprising 85 luxury villas, Hongqiao Royal Lake is located in the high-end residential enclave of Qingpu District in Shanghai and had sold 38 villas with sales value of RMB 810 million, which sufficiently covers the Group's invested capital in the project. Since villa development is no longer permitted in China, CDL China is planning to review its sales strategies for the remaining villas given its scarcity and demand within Shanghai and may choose to retain some villa units for long term investment.

Hong Leong City Center (HLCC), a mixed-use waterfront development located in the Suzhou Industrial Park, has registered strong revenue for the Group. To date, 1,185 units (86%) of the Phase 1 launch have been sold with sales value of RMB 2.6 billion. Phase 2, comprising a residential tower with 430 units, lifestyle hotel, a 56,000 sqm shopping mall and 30,000 sqm premium Grade A office tower, is expected to be completed in 2018. 375 units (87%) of the Phase 2 residential tower have been sold with a sales value of RMB 928 million. Total sales generated by HLCC to date is RMB 3.53 billion. The family-friendly shopping mall is expected to be in operation by Q3 2018 with at least 80% occupancy while the hotel is slated to open by end-2019.

HONG LEONG CITY CENTER, SUZHOU
TOTAL SALES GENERATED TO DATE

RMB 3.53 BILLION

Japan

The Group's 20% JV residential project, the prime freehold 160-unit Park Court Aoyama The Tower in central Tokyo, is now over 80% sold. The project is expected to be completed in March 2018 and will be handed over to purchasers progressively.

The Group has received enquiries to acquire its prime, sizeable freehold site in the prestigious Shirokane residential enclave within central Tokyo. However, as it is difficult to secure sizable prime land sites in Japan, this site will remain as part of the Group's land bank and should appreciate significantly in value over time. In the meantime, the Group is exploring various design options to maximise the potential of the site.

Australia

In 2017, the Group entered into collaborations with Waterbrook Lifestyle Resorts to develop two luxury five-star retirement villages in New South Wales. Both projects are currently in planning stages.

The Group's JV residential project, the 476-unit Ivy and Eve in Brisbane is almost fully sold with 13 remaining units. Completion is expected in 1H 2018.

FUND MANAGEMENT

The Group aspires to be a leading global real estate manager. The Group will create a sustainable fund management business to generate attractive long-term, risk-adjusted returns for its investors and shareholders. The fund management business will also help the Group to diversify its earnings, enhance its recurring income streams and widen its investor base. This strategy will enable the Group to tap on the growing appetite of institutional investors for unlisted real estate funds and concurrently deliver a higher return on equity to its shareholders.

The Group's goal is to be a leading fund manager in Asia by 2023 and to achieve this milestone, it will target to attain Assets Under Management (AUM) of US$5 billion by then. As such, the Group aims to launch its first series of close-ended, co-mingled funds focusing on core, core plus and opportunistic real estate investments in Asia Pacific by 2019.

US$5 BILLION
ASSETS UNDER MANAGEMENT TARGET
BY 2023

The Group will use its core competency in real estate to create real estate vehicles with different risk return profiles to cater to the needs of various institutional and high net worth individuals. The focus is not only on growing AUM but to achieve credible performance and establish a strong track record.

The existing three PPS initiatives will be gradually wound down as each of them has a short-term fund life. Depending on the time frame and market conditions, the Group may stand to benefit from the waterfall distribution structures following the orderly disposal of the fund's assets.

HOTEL

M&C, in which the Group holds a 65.2% interest, achieved an increase in PATMI of 59.0% to £124 million for FY 2017 (FY 2016: £78 million). However, M&C's underlying hotel performance in 2017 was flat, with the increase partly driven by lower impairment losses compared to the previous year and the reversal of a £12 million loan impairment following the sale of its 50% interest in its JV (Fena Estate Co. Ltd.), the owner of Pullman Bangkok Grande Sukhumvit (formerly Grand Millennium Sukhumvit Bangkok).

FY 2017 performance was impacted by industry-wide factors, including political instability in Korea, the unabated growth in popularity amongst customers of online travel agents, alternative lodging options and rising costs, especially in London where the uncertainty of Brexit has given rise to lower productivity in the hospitality and catering labour market already affected by minimum wage policy. In New York, its business will require some time to restore profitability due in part to the strong union operating environment, union driven wage increases and the continuing growth in room supply.

Hotel revenue increased by 8.1% to £880 million in FY 2017 (FY 2016: £814 million) due mainly to foreign exchange gains of £39 million and full-year contributions from Millennium Hilton New York One UN Plaza, which re-opened in September 2016 after refurbishment, and Grand Millennium Auckland, which joined M&C's portfolio in September 2016.

M&C's total revenue for FY 2017 grew by 8.9% to £1,008 million (FY 2016: £926 million), including foreign exchange gains of £46 million. The growth was led mostly by hotel revenue, which contributed £66 million. REIT revenue for FY 2017 increased by £10 million to £66 million (FY 2016: £56 million) mainly due to contributions from newly acquired hotels. In addition, increased land bank sales in New Zealand added £5 million to total revenue.

Global revenue per available room (RevPAR) grew 7.9% to £82.78 for FY 2017 (FY 2016: £76.71) in reported currency, driven by increases in occupancy and average room rates. In constant currency, global RevPAR increased by 3.2%.

M&C has received building permit approval for its Yangdong development project in Seoul. It intends to commence construction after fine-tuning the design for optimal efficiency. For its 35,717 sqm mixed-use freehold landsite at Sunnyvale, California, M&C plans to start construction in 2018 and expects to take about 18 months to complete the project.

For asset enhancement works, phased refurbishment work on Millennium Hotel London Mayfair commenced in Q4 2017 and is scheduled to complete in Q2 2019, while refurbishment of Millennium Hotel London Knightsbridge is planned to commence in 2019. The refurbishment of 260 deluxe guest rooms in the Orchard Wing of Orchard Hotel Singapore is re-scheduled to commence in 2H 2018 to accommodate customer demand. In addition, enhancement works are planned for the lobby area and F&B outlets at the ground level. The hotel's Hua Ting Restaurant re-opened on 7 December 2017. In Kuala Lumpur, the final phase of the refurbishment of Grand Millennium Kuala Lumpur, involving the guest rooms at levels 7 and 8, is under review.

In October 2017, the 190-room M Social Auckland (previously known as Copthorne Hotel Auckland Harbourcity) opened its doors and has enjoyed keen demand due to its innovative design, social spaces and service ethos. The restaurant, Beast and Butterflies, has recently won several awards.

On the acquisition front, M&C's REIT associate, CDL Hospitality Trusts (CDLHT), completed the acquisition of the 165-room The Lowry Hotel in Manchester in May 2017 for a purchase consideration of £53 million. In July 2017, it completed the acquisition of an effective interest of 94.5% in the 337-room Pullman Hotel Munich. Including the office and retail components and the fixtures, furniture and equipment used by the hotel, the purchase consideration was €101 million (£89 million). On 11 January 2018, CDLHT completed the divestment of two hotels in Australia, the Mercure Brisbane and Ibis Brisbane for A$77 million (£45 million) to an independent third party.

M&C's JV partners and associate, Singapore-listed First Sponsor Group Limited (FSGL) has also expanded its global network through two strategic acquisitions in Europe. On 11 January 2018, FSGL, in partnership with the Group and another one of FSGL's substantial shareholders, acquired the 300-room Le Méridien Frankfurt hotel for €79 million (£70 million), excluding certain transaction related expenses. The property is currently operated by a tenant. This was followed by the acquisition of the 254-room Hilton Rotterdam Hotel in the Netherlands on 1 February 2018. Together with four other co-investors, FSGL acquired all the issued shares of Hotelmaatschappij Rotterdam B.V – the owner of the property – for €51 million (£45 million). FSGL is helmed by a management executive that was transferred from the Group's parent, Hong Leong Group, and together with partner Tai Tak Estates, they have in-depth understanding of the European market. The Group is pleased to partner with them in seeking new opportunities.

On 1 February, M&C announced its acquisition of the 42-room The Waterfront Hotel in New Plymouth, New Zealand, for a purchase consideration of NZ$11 million (£6 million). The hotel will be rebranded a Millennium hotel in Q2 2018.

PROPERTY

Singapore

For 2017, Singapore's economy expanded by 3.6% year-on-year, boosted by the manufacturing sector. This was higher than the 2.4% growth in 2016 and exceeded initial forecasts. The construction sector contracted by 8.4%, a reversal of the 1.9% growth in 2016, due to fewer private sector projects and is likely to remain lacklustre in 2018. Against the external backdrop of downside risks in the global and domestic environment, the pace of growth in 2018 is expected to be moderated but remain firm at between 1.5% and 3.5%, likely above the middle of this forecast range.

In the recent Singapore Budget 2018, the Government increased the Buyers' Stamp Duty (BSD) by 1% (from 3% to 4%) for homes valued above S$1 million. The Government has clarified that this marginal increase is part of its progressive tax system for generating revenue; it is not a new property cooling measure. On the whole, the Group is of the view that the higher BSD is unlikely to significantly affect the mass market residential segment. For luxury projects, the Group believes that discerning buyers will see the strong potential of property investment in Singapore compared to other global cities like Hong Kong where prices have increased significantly.

Sounding caution over the exuberant en bloc market and with significant supply ahead, the MAS also indicated the Government will monitor and take appropriate measures. The Group fully acknowledges MAS's concerns and believes it is more important than ever for developers to carefully select the right sites with strong attributes such as location, size, accessibility and tenure. While the upcoming supply may be quite substantial and rising mortgage rates can influence buying decisions, it really depends on the annual take-up rates for residential units and how the general economy does which will affect the property market.

Land is the most crucial raw material for developers and in land scarce Singapore, land prices continue to move upwards as seen in the high land bids and intense competition for Government Land Sales (GLS) and collective sales, where new price benchmarks are continuously set. Land banking in Singapore is somewhat prohibitive given stiff penalties imposed on developers. All developers are subject to the additional buyer's stamp duty (ABSD) where all units in GLS or en bloc sites must be completed and fully sold within five years or face ABSD penalties. Additionally, the Qualifying Certificate (QC) rules (which apply to non GLS sites) are also imposed on listed developers (because of foreign ownership regardless of the percentage of shareholdings) where their developments are required to obtain TOP within 5 years and all units sold within two years from the date of TOP failing which escalating penalties are payable.

The Group is of the view that the QC policy places listed developers, which includes locally-controlled companies, in a disadvantaged position. The double penalties of ABSD and QC prevents land banking options for listed property companies. Moreover, developers are now obliged to push out their projects quickly which may lead to an oversupply situation if the economy does not grow in tandem with the property market.

To balance supply and demand, the Group hopes that the Government will review the QC policy as it is an impediment which has resulted in the rush to bid up land prices, as land must be acquired and then developed within a limited period, rather than being held on balance sheet over the longer-term, which would moderate escalating land prices. Ultimately, all stakeholders need to work towards a sustainable property market, and the Group believes that the Government will remain nimble and make the necessary tweaks to the policies when the need arises.

Urban Redevelopment Authority (URA) data indicated that private residential property prices increased by 1.1% compared with the 3.1% decline in 2016. Notably, after 15 consecutive quarters of decline from Q3 2013 to Q2 2017, prices started to inch up in the last two quarters of 2017, signalling that prices may have bottomed.

With property prices rebounding after a four-year bear market coupled with increased sales volume, the boost in market sentiment points to a likely recovery of the residential market. The improved market sentiment has resulted in a positive spill over to the EC market and a revival of the collective sales market. Residential collective sales hit a record high of $7.64 billion as at December 2017.

For the whole of 2017, developers sold 10,566 private residential units (excluding ECs), compared with 7,972 units in 2016, a 32.5% increase. This far surpasses the annual average of 7,576 units sold in the past three years from 2014 to 2016. With the increased take-up rate, the Group's inventory of launched residential projects as of end 31 December 2017 remains low with a total of 232 unsold units (including JV share) and 178 units (the Group's share of unsold inventory) (FY 2016: Total 1,299 unsold units / 737 unsold units – the Group's share).

In view of the improving market conditions, the Group soft-launched Phase 1 of New Futura in January 2018 comprising 64 units in the South Tower. The response was overwhelming. To date, 48 units (or 75% of the South Tower) have been sold at an average selling price of over $3,200 psf. A third of the buyers are Singaporeans while two thirds are Singapore Permanent Residents and foreigners. This 124-unit freehold condominium perched on Leonie Hill Road is just a 10-minute walk to Orchard Road. Designed by famous architectural firm Skidmore, Owings & Merrill LLP (SOM), the two 36-storey iconic towers are cladded in dynamic curved balconies with six sky terraces offering panoramic views of the city. This is the Group's most luxurious project to date.

In March 2018, the Group is planning to launch The Tapestry, a new 861-unit condominium located along Tampines Avenue 10, just minutes to the established Tampines Regional Centre and newly completed Our Tampines Hub. Residents are well-connected islandwide via two MRT lines – at Tampines MRT station via East-West Line and new Downtown Line, and the Tampines Bus interchange. The development offers over 50 facilities spread across 10 exciting zones, including a childcare centre and exclusive residential services to assist with everyday needs. All units are fitted with smart home technologies and a wide selection of one- to five-bedrooms units with efficient layouts are available.

STRATEGIC SITE ACQUISITIONS TO REPLENISH SINGAPORE LAND BANK

FOUR RECENT ACQUISITIONS: TAMPINES AVENUE 10, AMBER PARK, HANDY ROAD & WEST COAST VALE

The Group has always been careful and prudent in its land banking approach and will continue to do so with cautious optimism. It will remain highly disciplined, selective and strategic when participating in GLS sites and en bloc tenders. To replenish its land bank, the Group has remained active in bidding for strategic prime sites. In February 2018, it successfully won two Government Land Sales (GLS) sites.

The first site is at Handy Road / Mount Sophia which was tendered for $212.2 million or $1,722 psf ppr. Located in prime District 9, the 51,626 sq ft site is in a mature and highly sought-after enclave. The site is 50 metres from Dhoby Ghaut MRT station, a triple line interchange which connects the North-East, North-South and Circle Lines. It is also within a short five-minute drive to the CBD, Marina Bay Financial District and Orchard Road Shopping Belt, and close to shopping amenities and prominent schools. The Group intends to develop three 8 to 10-storey residential towers with around 200 apartments. It is exploring affordably-sized units to target professionals. The beautiful conserved building at the hilltop will be converted into clubhouse for the condominium.

The other site is West Coast Vale, tendered at $472.4 million or $800 psf ppr, only 0.7% above the next highest bidder. Spanning across a large land area of 210,883 sq ft, the expansive site allows for generous landscaping and offers views of the Sungei Ulu Pandan river and low-rise landed houses. Situated within the established West Coast residential neighbourhood, the site enjoys close proximity to One-North and the upcoming Jurong Lake District, identified as the second CBD of Singapore by the government. Furthermore, it is also close to the upcoming High Speed Railway which will connect Singapore to Kuala Lumpur in just 90 minutes. Providing convenient accessibility, the site is served by several feeder buses to Clementi Bus Interchange and Clementi MRT station, and reputable schools nearby. The Group is planning to develop two 36-storey residential towers with about 730 apartment units.

Overall, the Group has secured four site acquisitions since 2017, namely Tampines Ave 10 (May 2017), Amber Park site (October 2017), Handy Road / Mount Sophia site and West Coast Vale (both in February 2018). Since its successful acquisitions, aggressive land bids have continued to drive up the premium for land. Collectively, these four newly acquired sites, together with the Group's existing sites, will offer a pipeline of around 2,750 new residential units. As Singapore's residential market begins to gradually recover, the Group will continue to seek suitable opportunities to increase its local land bank.

AROUND 2,750 UNITS

IN THE PIPELINE
WELL-POSITIONED FOR UPCYCLE

On 27 February 2018, the Group and its JV partner made the highest bid of $509.37 million (or $583 psf ppr) for a 99-year leasehold EC site at Sumang Walk in Punggol Town. There were 17 bids and the Group's JV bid topped the hotly contested tender by a 4.8% margin versus the second highest bid. The expansive 291,235 square feet (sq ft) site with a plot ratio of 3.0 has excellent locational attributes. Residents will enjoy waterfront living with the site situated right next to My Waterway@Punggol, which is part of the North Eastern Riverine Cycling Park Connector green corridor. Providing ease of transport, the site is within 100 metres to Sumang LRT station and 550 metres to Punggol MRT/LRT station and bus interchange. Nearby amenities such as Waterway Point, Punggol Plaza and Seletar Mall provide comprehensive shopping, dining and entertainment options.

In addition, more than 10 primary schools are located within a 2-kilometre radius of the site, including the popular Mee Toh School and Horizon Primary School. Punggol Town will also be home to the Singapore Institute of Technology's new campus. Moreover, the URA has recently announced that Punggol will be Singapore's first Digital District, integrating business and education, and driven by technology, social and urban innovation. This district will include sectors of the digital economy such as cyber security, artificial intelligence and Internet of Things (IoT) which will drive Singapore's Smart Nation initiative.

If awarded the site, the JV will explore an EC project comprising 13 blocks of 10 to 17 storeys with about 820 units. The Group is familiar with the area, having developed H_2O Residences in the nearby Fernvale area. The Sumang Walk site will be the Group's ninth EC project, after The Florida, Nuovo, The Esparis, Blossom Residences, The Rainforest, Lush Acres, The Brownstone and The Criterion.

For the office sector, after nine consecutive quarters of decline, Central Area office rents appear to have hit the trough, with Q3 2017 data showing upward movement registering a 2.4% increase. This momentum continued into Q4 2017, with rents recording a 2.6% quarter-on-quarter increase. While a return to strong demand may take some time, the overall outlook for the office sector has improved, with an increase in office development activity as well as strong participation and competitive bids for a vacant large commercial site under the GLS programme. The general consensus is that there will be an upswing in rents in 2018. For the whole of 2017, prices of office space decreased by 2.4% while rentals of office space increased by 0.4%. The main contributors to this trend were from the co-working and technology sectors which were most active in terms of expansion.

It is notable that the overall recovery in CBD rents extended into the third consecutive quarter in Q4 2017. Active demand has resulted in several of the new buildings being well taken up. Office supply has peaked in 2017 and limited supply in 2018, together with a more positive economic outlook, is expected to provide the impetus for rents to continue the trend upwards. Many tenants are expediting their decisions on premises planning in order to lock in renewals well ahead of their leases' expiry. As private office space in the pipeline decreases progressively from 2018 to 2019, the Group, as a major landlord, remains optimistic of rental growth potential in the foreseeable future.

OVERSEAS MARKETS

The Group is cognisant of the importance of diversification into overseas markets. Since 2010, the Group had expanded into China, UK, Japan and Australia on the property development front and continues to seek opportunities in these markets.

China – Although China's property market is currently facing some headwinds due to the PRC government's cooling measures, and tighter financing for both developers and buyers, the Group's outlook on China is still very positive for the medium to longer term and the Group's financial prowess will be an advantage.

UK – The uncertainties of Brexit, the prospect of increased interest rates to curb inflation and the high Stamp Duty Land Tax (SDLT) has kept the general housing market subdued. The Group continues to remain confident in the UK's future and the property market in the medium to long-term.

Japan – The property market in Japan has performed well due to the Bank of Japan's favourable monetary policy which generated a positive financing environment and helped to maintain investors' strong appetite for real estate. It was also lifted by the considerable number of ongoing, large-scale projects in major cities and a high level of spending by foreign tourists.

Australia – The Australian government continued to keep a close eye on the housing market with a focus on rising indebtedness and maintained measures to tighten credit. Increased stamp duties on foreign buyers have also helped to stabilise the overall housing market.

Against this backdrop, the Group remains cautiously optimistic and opportunistic, and will continue to explore new property acquisitions, strategic investments and partnerships to grow its presence in these markets. The Group is highly nimble and well-funded and can swiftly seize available opportunities.

HOTEL

On a constant currency basis, global RevPAR was up by 3.6% for January 2018. On a like-for-like basis, overall global RevPAR increased by 4.0%, with London up 0.9%, Rest of Europe up 0.2% and Australasia up by 9.9%.

To keep pace with guest expectations, M&C expects to make significant capital investment for a much-needed transformation to reposition its hotel portfolio. Increased expenditure on both maintenance and product improvement will therefore be necessary for M&C to stay relevant and competitive.

LAPSED OFFER FOR M&C

On 9 October 2017, The Group made a Rule 2.4 announcement on the London Stock Exchange on the financial terms of a possible recommended offer for shares in M&C which it does not currently own. A further Rule 2.4 announcement was issued on 19 October 2017 providing further details of the possible recommended cash offer.

On 8 December 2017, CDL announced its increased recommended final cash offer of 620 pence a share (comprising 600 pence a share, in addition to a special dividend of 20 pence per share).

The final offer lapsed on 26 January 2018 at 1300 GMT after it did not meet the requisite acceptance condition from M&C's minority investors.

One of the key contentions by some of the minority investors was that they believed M&C should be valued based on NAV and not by EBITDA, which is traditionally used for hotel earnings. This argument is at odds with the current practice for evaluating hotel asset portfolios where hotels are typically valued on EBITDA and cash flow. Moreover, the NAV valuation has never been the basis on which the market has valued M&C.

The Group respects the decision by M&C's minority shareholders in the lapsed offer and remains committed to maintaining its controlling shareholding in M&C, supporting M&C's strategy as a hotel owner and operator. The Group is fully prepared for M&C to address the operating challenges and with all M&C shareholders, share the burden of the significant capital expenditure required to improve the hotels' performance, in line with its competitors.

MANAGEMENT APPOINTMENTS

On 1 January 2018, Mr Sherman Kwek assumed the role of Chief Executive Officer (CEO) and was re-designated as Group CEO on 1 February 2018. During his tenure with the Group, Mr Kwek has held the roles of CEO of CDL China Limited, Chief Investment Officer, Deputy CEO and finally CEO-Designate before transitioning to his current role.

On 1 February 2018, the Group announced the appointment of investment veteran Mr Frank Khoo as its Group Chief Investment Officer. Mr Khoo has over 20 years of international experience in fund management, private equity, acquisition of real estate assets and the repositioning and restructuring of real estate businesses. In his previous organisation, he built the Asian business from scratch and eventually achieved a total AUM of $10 billion. Leveraging on Mr Khoo's expertise and the Group's reputation for good execution in real estate development and investment, the Group intends to accelerate the momentum of its investments and to build up its fund management business to enhance its recurring income streams.

GROUP PROSPECTS

Going forward, the Group CEO's key themes for the Group will be on growth, enhancement and transformation.

2018 STRATEGIC FOCUS:

GROWTH, ENHANCEMENT & TRANSFORMATION

To drive growth, the Group will look to its property development business, particularly in Singapore where the upturn in the property cycle is only just beginning. Singapore is a market that the Group knows intimately well, having operated here for over 50 years, and it is well poised with around 2,750 residential units in the pipeline across mass, mid- and high-end segments. It will continue to seek strategic bids to bolster the Group's local land bank but will remain highly selective and disciplined. There will also be a strong focus on boosting the Group's recurring income so as to have a strong base to rely on. This will likely come in the form of offices and hotels. For its key overseas markets, the Group will similarly look towards accelerating its presence in the residential and commercial asset classes.

To enhance the performance of its existing portfolio, the Group will analyse and implement new asset enhancement initiatives, redevelopments, repositionings and better leasing strategies. For the development side of the business, there will also be much greater emphasis on execution to achieve higher operational efficiency and deliver a better product to its home buyers. As the hotel operations segment is a key contributor to the Group's recurring income stream, the Group will continue to impress upon M&C the critical need to improve its performance and to expedite the AEI initiatives for the hotels to remain competitive.

In order to transform the Group, constant innovation will be key to staying relevant and avoiding disruption. Aside from internal innovation efforts, this will also include investments in new economy or technology ventures that will transform the Group's key product offerings and services. The Group will also accelerate the fund management initiatives described earlier and remain in an acquisitive mode to seize good opportunities that are accretive to its portfolio.

In this era of digital economy, technology and database are very important tools. Every organisation must continually renew and transform itself with fresh perspectives, achieve greater product differentiation in the marketplace, raise the bar with innovative offerings and embrace technology to reinvent itself.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to express my heartfelt appreciation to our stakeholders, including our shareholders, customers, business associates and partners, for their continued support of the Group.

My thanks to my fellow Directors as well, for their invaluable contributions, advice and guidance, and to the Management and staff for their dedication and commitment in the past year.

28 February 2018

CORPORATE NETWORK

AS AT 28 FEBRUARY 2018

RESIDENTIAL

Developed over

40,000

Luxurious residences
globally

INVESTMENT PROPERTIES

Owns over

18 MILLION SQ FT

of floor area
of office, industrial, retail, residential and hotel space globally

HOTELS

Global footprint of over

135

Hotels, over

40,000

rooms

FUND MANAGEMENT

Targets

US$5 BILLION

in Assets Under Management (AUM)
by 2023

7 **companies listed on stock exchanges** in Singapore, London, New Zealand and the Philippines

GLOBAL NETWORK

Over

500 **Subsidiaries & Associated Companies**

100 LOCATIONS IN 28 COUNTRIES

ASIA

CHINA
- Beijing
- Chengdu
- Chongqing
- Dongguan
- Fuqing
- Hangzhou
- Hong Kong
- Qingdao
- Shanghai
- Suzhou
- Wenjiang
- Wuxi
- Xiamen

INDONESIA
- Jakarta

JAPAN
- Tokyo

MALAYSIA
- Cameron Highlands
- Johor Bahru
- Kuala Lumpur
- Malacca
- Penang

MALDIVES
- Meradhoo Island
- Velavaru Island

SINGAPORE
- Singapore

SOUTH KOREA
- Seoul

TAIWAN
- Taichung
- Taipei

THAILAND
- Bangkok
- Phuket

THE PHILIPPINES
- Manila

AUSTRALASIA

AUSTRALIA
- Brisbane
- Perth

NEW ZEALAND
- Auckland
- Bay of Islands
- Dunedin
- Greymouth
- Hokianga
- Masterton
- New Plymouth
- Paihia
- Palmerston North
- Queenstown
- Rotorua
- Taupo
- Te Anau
- Wanganui
- Wellington

MIDDLE EAST

IRAQ
- Sulaymaniyah

JORDAN
- Amman

KUWAIT
- Al Jahra
- Al Salmiya

OMAN
- Muscat
- Mussanah

PALESTINE
- Ramallah

QATAR
- Doha

SAUDI ARABIA
- Hail
- Madinah
- Makkah
- Riyadh

UNITED ARAB EMIRATES
- Abu Dhabi
- Dubai
- Fujairah
- Sharjah

EUROPE

FRANCE
- Paris

GEORGIA
- Tbilisi

GERMANY
- Munich

ITALY
- Rome

RUSSIA
- Moscow

THE NETHERLANDS
- Amsterdam
- Utrecht

UNITED KINGDOM
- Aberdeen
- Birmingham
- Cambridge
- Cardiff
- Dudley
- Gatwick
- Glasgow
- Liverpool
- London
- Manchester
- Newcastle
- Plymouth
- Reading
- Sheffield
- Slough-Windsor

NORTH AMERICA

UNITED STATES
- Anchorage
- Avon
- Boston
- Boulder
- Buffalo
- Chagrin Falls
- Chicago
- Cincinnati
- Durham
- Kissimmee
- Los Angeles
- Minneapolis
- Nashville
- New York
- Scottsdale
- Sunnyvale

CORPORATE STRUCTURE
AS AT 28 FEBRUARY 2018

HONG LEONG GROUP SINGAPORE

CITY DEVELOPMENTS LIMITED*

221 Subsidiary Companies / 42 Associated Companies[@] / 3 Trusts

65%
Millennium & Copthorne Hotels plc*

ASIA

56 Subsidiary Companies
12 Associated Companies

Grand Plaza Hotel Corporation* (66%)
1 Associated Company

CDL Hospitality Trusts* (37%)
36 Subsidiary Companies
5 Trusts

First Sponsor Group Limited* (36%)
33 Subsidiary Companies
55 Associated Companies
1 Trust
1 Limited Partnership
1 Joint Venture Partnership

NEW ZEALAND/ AUSTRALIA

3 Subsidiary Companies

Millennium & Copthorne Hotels New Zealand Limited* (76%)
20 Subsidiary Companies

CDL Investments New Zealand Limited* (67%)
1 Subsidiary Company

EUROPE

40 Subsidiary Companies
1 General Partnership

NORTH AMERICA

34 Subsidiary Companies
18 Limited Liability Corporations
12 Limited Partnerships
1 General Partnership

* Listed Companies/Trust.
@ Includes Limited Liability Corporations.

HIGHLIGHTS OF THE YEAR

1ST QUARTER (JANUARY – MARCH)

- CDL was ranked Top Singapore Company and Most Sustainable Corporation in Real Estate Management & Development in the **2017 Global 100 Most Sustainable Corporations in the World** ranking. Announced at the World Economic Forum in Davos, Switzerland, in January.

- CDL invested RMB 72 million for a 24% stake in **Distrii**, China's leading co-working space operator. Distrii will lease over 60,000 square feet (sq ft) of space at CDL's flagship commercial property Republic Plaza, for its first international outpost, expected to open in 1H 2018. In September, CDL participated in Distrii's Series A funding round. To date*, CDL has invested a total of RMB 102 million and is Distrii's second largest shareholder after its founder.

- In February, CDL, through its wholly-owned subsidiary Trentworth Properties Limited, exchanged contracts to acquire the freehold **Ransomes Wharf** site in Battersea, London for £58 million. The site will be redeveloped into a luxury residential project with an estimated gross development value of £222 million.

- CDL's wholly-owned subsidiary, CDL China Limited (CDL China), entered into an equity transfer agreement to acquire **Hong Leong Plaza Hongqiao** (formerly called Meidao Business Plaza), a prime commercial project in Shanghai's Hongqiao Central Business District, for RMB 900 million. The acquisition was made through the purchase of a 100% equity stake in Shanghai Meidao Investment Co., which owns the commercial development with gross floor area of 32,300 square metres (sqm). The development received its construction completion certificate in Q4.

- In March, **JW Marriott Hotel Singapore South Beach** held its Grand Opening. The 634-room luxury hotel first soft opened in December 2016, and is part of the South Beach mega mixed-use project, jointly developed by CDL and IOI Properties Group Berhad.

- **Gramercy Park**, CDL's 174-unit luxury freehold residential development along Grange Road held its Phase 2 soft-launch, which comprised the 87-unit South Tower. Phase 1, comprising the 87-unit North Tower, was soft launched in May 2016. To date*, 97% of the project has been sold.

2ND QUARTER (APRIL – JUNE)

- In April, CDL, through its wholly-owned subsidiary CDL Properties Ltd, issued the **first Green Bond** by a Singapore Company. The two-year senior secured green bond raised $100 million at 1.98% fixed rate due 2019, and investors comprised mainly financial institutions and fund managers.

- **The Venue Residences and Shoppes**, a mixed development project with 266 apartments and 28 retail and F&B units, obtained its Temporary Occupation Permit (TOP) in April. Located near Potong Pasir MRT station, the project was jointly developed by CDL and Hong Leong Holdings Limited (HLHL).

- CDL, through its wholly-owned subsidiary Bellevue Properties Pte. Ltd., was awarded the tender for a 99-year leasehold residential site at **Tampines Avenue 10** in May for $370.1 million. The 21,717.7 sqm site will be developed into an 861-unit condominium called The Tapestry.

- In May, CDL Hospitality Trusts (CDLHT), M&C's REIT associate, acquired **The Lowry Hotel**, a luxury five-star hotel with 165 rooms in Manchester, United Kingdom, for £52.5 million.

- CDL and the Sustainable Energy Association of Singapore (SEAS) officially opened the **Singapore Sustainability Academy** in June. The 4,300 sq ft zero energy building, located at the Sky Park of City Square Mall – Singapore's First Eco-mall – is a training and networking facility on sustainability for the industry and community.

3RD QUARTER (JULY – SEPTEMBER)

- In July, CDLHT completed its acquisition of **Pullman Hotel Munich**, a 337-room, four-star hotel with office and retail components, for €100.6 million, comprising the property price of €98.9 million for its 94.5% interest in the property and payment of approximately €1.7 million based on the estimated net working capital and cash. This acquisition marked CDLHT's maiden entry into Germany.

- CDL announced the appointment of Mr Sherman Kwek as **CEO-Designate** in August 2017. Mr Kwek, who then held the position of Deputy CEO, has assumed full responsibilities as Group CEO from 1 January 2018.

- **New Futura**, CDL's 124-unit freehold luxury condominium located on Leonie Hill Road, received TOP in August. Designed by renowned architects Skidmore, Owings & Merrill LLP, it comprises two 36-storey residential towers featuring stunning architectural fins and dynamic curved balconies.

- In August, CDL Executive Chairman Mr Kwek Leng Beng was accorded the **Lifetime Achievement Award** at the Asia Pacific Entrepreneurship Awards 2017, in recognition

* As at 28 February 2018

of his outstanding achievements, visionary leadership and steadfast dedication that has led to the successful growth of CDL and its parent company, Hong Leong Group Singapore for over five decades.

- CDL marked its entry into the luxury retirement sector with a collaboration with Waterbrook Lifestyle Resorts for two luxury five-star retirement village projects in Australia. In August, it announced its participation in **Waterbrook Bayview**, a luxury five-star retirement village in Bayview, Sydney through debt financing of A$35 million. The development will be built on a 20,000 sqm freehold site on the Northern Beaches of Sydney, and is slated for completion in 2020. This was followed by a second collaboration in September, for the development of **Waterbrook Bowral** in Bowral, New South Wales, via debt financing of A$22 million. The 175,000 sqm site is located approximately 118 km to the southwest of Sydney and the project is expected to be completed in 2021. Both developments will provide resort-style facilities and a vast array of services catered to retirees including 24/7 concierge service, a variety of wellness and recreational spaces, chauffeured courtesy vehicles as well as in-house nurses.

- M&C Middle East and Africa officially opened the **Millennium Ramallah Palestine** in August. The 171-room hotel marks M&C's debut in Palestine.

- In September, CDL China entered into a strategic partnership with **China Vanke Co., Ltd (Vanke)**, one of China's largest residential developers, through the partial divestment of two of its properties in Chongqing – 70% of Huang Huayuan, and 50% of Eling Residences – for approximately RMB 986 million. CDL China continues to retain a 30% and 50% equity stake in Huang Huayuan and Eling Residences respectively for future upside. Both parties will jointly develop and manage the two projects.

4TH QUARTER (OCTOBER – DECEMBER)

- CDL and its joint venture (JV) partner Hong Realty (Private) Limited (Hong Realty) successfully tendered for the collective sale of the **Amber Park** condominium site for $906.7 million. Situated in the exclusive Amber Road enclave in the East Coast area, the prime freehold site will be redeveloped into a luxury condominium with over 600 units.

- M&C opened **M Social Auckland** in October. Formerly the Copthorne Hotel Auckland Harbourcity, the property has been refurbished into a 190-room contemporary lifestyle hotel.

- Phase 2 of the 912-unit **D'Nest** condominium received its TOP in October, following the TOP for Phase 1 in July. Located at Pasir Ris Grove, the fully-sold project is jointly developed by CDL, Hong Realty and HLHL.

Amber Park is located within walking distance of Tanjong Katong MRT station on the future Thomson-East Coast Line. (Photo credit: EdgeProp Singapore)

- In October, CDL announced a possible recommended offer for shares in **M&C** which it does not currently own. This was later followed by an increased recommended final cash offer of 620 pence a share (comprising 600 pence a share, in addition to a special dividend of 20 pence per share). The final offer lapsed on 26 January 2018, 1300 GMT after it did not meet the requisite acceptance condition from M&C's minority investors.

- **The Brownstone** Executive Condominium (EC), the Group's 638-unit JV EC project located next to the upcoming Canberra MRT station, obtained its TOP in October.

- **Teddington Riverside**, CDL's 240-unit luxury residential development in the Borough of Richmond, was soft-launched in October, with the opening of an on-site sales centre. Phase 1, comprising 57 units in Block A, is expected to be completed in Q4 2018.

- The 845-unit **Commonwealth Towers** condominium, jointly developed by HLHL, CDL and Hong Realty, obtained TOP in November. Located on Commonwealth Avenue near Queenstown MRT station, the project is fully sold.

- In December, CDL partnered M&C's listed associate, First Sponsor Group Limited, and Tai Tak Estates Sendirian Berhad, to acquire the 300-room **Le Méridien Frankfurt Hotel** in Germany for €85.0 million. Apart from an equity contribution of €2.5 million, CDL extended junior and senior loans amounting to €31.25 million.

AWARDS & ACCOLADES

BUSINESS & PERFORMANCE EXCELLENCE*

- **Euromoney Real Estate Survey 2017**
  – Best Residential Estate Developer in Singapore
- **FinanceAsia Asia's Best Managed Companies Poll 2017**
  – #3 Best Managed Company in Singapore
  – #3 Best in Corporate Social Responsibility in Singapore
- **Governance and Transparency Index (GTI) 2017**
  – Ranked 8th out of 606 Singapore Exchange (SGX)-listed companies evaluated
- **Institutional Investor Asia's Most Honoured Companies Awards 2017**
  – Asia's Most Honoured Company (Mid-cap)
- **IR Magazine Awards – South East Asia 2017**
  – Best ESG Communications (Joint Winner)
- **Securities Investors Association (Singapore) Investors' Choice Awards 2017**
  – Shareholder Communications Excellence Award (Winner, Big Cap)
  – Singapore Corporate Governance Award (Runner-up, Real Estate)
  – Sustainability Award (Winner)
- **Singapore Corporate Awards 2017**
  – Best Investor Relations (Gold)

SUSTAINABILITY^

- **Asian Correspondent CSR 50 Index**
- **CDP Climate Change Report 2017**
  – Leadership Level; Highest Scoring Singapore Real Estate Company
- **Dow Jones Sustainability Indices 2017 (World & Asia Pacific)**
- **DuPont Safety and Sustainability Awards 2017**
  – Regional Sustainability Award
- **FTSE4Good Index Series**
- **Global 100 Most Sustainable Corporations in the World 2017**
  – Top Singapore Company and Most Sustainable Corporation in Real Estate Management & Development
- **Global Real Estate Sustainability Benchmark (GRESB) 2017**
  – Regional Sector Leader, Office Sector
- **MSCI ESG Leaders Indexes 2017**
  – Highest 'AAA' rating
- **Patron of the Arts Award 2017**
- **RobecoSAM The Sustainability Yearbook 2017**
- **Singapore Green Building Council - Building and Construction Authority Sustainability Leadership Awards 2017**
  – Green Building Organisations: Business Leadership in Sustainability, Winner
  – Green Building Projects: Leadership in Design & Performance (Residential), Winner — Blossom Residences
  – Green Building Individuals: Green Advocate of the Year — Ms Esther An, CDL Chief Sustainability Officer
- **Singapore Sustainability Reporting Awards 2017**
  – Best Sustainability Report for Established Reporters (Mainboard and Catalist)
- **STOXX® Global ESG Leaders Indices 2017**
- **Sustainable Business Awards 2017**
  – Overall Winner
  – Best Strategy and Sustainability Management
  – Special Recognition Award for Energy Management and Workforce
- **Workplace Safety and Health Awards 2017**
  – Developer Award

PRODUCT EXCELLENCE

- **Building and Construction Authority Awards 2017***
  – Quality Star Champion Award
  – Quality Excellence Award – Quality Champion (Platinum)
  – Construction Productivity Award – Advocates (Developer) Category – Platinum
  – HAUS@SERANGOON GARDEN (Construction Productivity Award, Projects – Residential Landed Buildings, Platinum)
  – Fuji Xerox Towers (Green Mark Pearl Prestige Award)
  – City Square Mall (Green Mark Pearl Award)
  – King's Centre (Green Mark Pearl Award)
  – Chongqing Eling Residences (Green Mark Platinum)
  – Singapore Sustainability Academy (Green Mark Platinum)
  – The Brownstone (Green Mark Gold^PLUS^)
  – The Criterion (Green Mark Gold^PLUS^)
  – Echelon (Universal Design Mark Award – Gold^PLUS^)
  – Jewel @ Buangkok (Universal Design Mark Award – Gold^PLUS^)
  – Lush Acres (Universal Design Mark Award – Gold^PLUS^)
  – UP@Robertson Quay and M Social Singapore (Universal Design Mark Award – Gold)
  – Blossom Residences (Construction Excellence Award)
  – H_2O Residences (Construction Excellence Award)
  – Bartley Residences (Construction Excellence Award – Merit)
  – The Rainforest (Construction Excellence Award – Merit)
- **EdgeProp Excellence Awards 2017**
  – Top Developer Award
  – Gramercy Park (Property Development Excellence)
  – Forest Woods (Marketing Excellence)
  – Bartley Residences (Value Creation)
- **FIABCI Singapore Property Awards 2017**
  – Gramercy Park (Winner, Residential – Mid Rise)
  – South Beach (Winner, Sustainable Development)
- **FIABCI World Prix d'Excellence Awards 2017**
  – H_2O Residences (World Gold Winner, Sustainable Development)
- **Singapore International Chamber of Commerce (SICC) Awards 2017**
  – The Brownstone (Most Scalable Collaboration)

* Not exhaustive. For a full listing of CDL corporate and project awards, please refer to **www.cdl.com.sg.**
^ Not exhaustive. For a full listing of CDL sustainability awards, please refer to **www.cdlsustainability.com.**

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Executive Director
Kwek Leng Beng, Executive Chairman

Lead Independent Director
Chan Soon Hee Eric

Non-Executive Directors
Kwek Leng Peck
Philip Yeo Liat Kok, Independent
Tan Poay Seng, Independent
Tan Yee Peng, Independent
Koh Thiam Hock, Independent

BOARD COMMITTEE
Kwek Leng Beng
Kwek Leng Peck
Chan Soon Hee Eric
Tan Yee Peng
Koh Thiam Hock

AUDIT & RISK COMMITTEE
Chan Soon Hee Eric, Chairman
Tan Yee Peng
Koh Thiam Hock

NOMINATING COMMITTEE
Philip Yeo Liat Kok, Chairman
Kwek Leng Beng
Chan Soon Hee Eric
Tan Yee Peng

REMUNERATION COMMITTEE
Chan Soon Hee Eric, Chairman
Philip Yeo Liat Kok
Koh Thiam Hock

BOARD SUSTAINABILITY COMMITTEE
Chan Soon Hee Eric, Chairman
Philip Yeo Liat Kok
Tan Poay Seng

COMPANY SECRETARIES
Shufen Loh @ Catherine Shufen Loh
Enid Ling Peek Fong

SHARE REGISTRAR & SHARE TRANSFER OFFICE
M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902
Tel: +65 6227 6660
Fax: +65 6225 1452
Email: mcsv@mncsingapore.com

REGISTERED OFFICE[1]
36 Robinson Road
#04-01 City House
Singapore 068877
Tel: +65 6877 8228
Fax: +65 6225 4959
Email: enquiries@cdl.com.sg

INVESTOR RELATIONS
Belinda Lee
Head, Investor Relations &
Corporate Communications
Email: belindalee@cdl.com.sg

AUDITORS
KPMG LLP
Public Accountants and
Chartered Accountants, Singapore
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
(Partner-in-charge: Tay Puay Cheng, appointment commenced from the audit of the financial statements for the year ended 31 December 2015)

PRINCIPAL BANKERS
Agricultural Bank of China
Bank of America Merrill Lynch
Bank of China Limited
Bank of Communications Co., Ltd
CIMB Bank Berhad
Crédit Agricole Corporate & Investment Bank
Crédit Industriel et Commercial
CTBC Bank Co., Ltd
DBS Bank Ltd.
Industrial and Commercial Bank of China Limited
KASIKORNBANK Public Company Limited
Malayan Banking Berhad
Mizuho Bank, Ltd.
Oversea-Chinese Banking Corporation Limited
Sumitomo Mitsui Banking Corporation
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Hongkong and Shanghai Banking Corporation Limited
The Royal Bank of Scotland plc
United Overseas Bank Limited

[1] Effective from 1 April 2018, the Registered Office of City Developments Limited will be at 9 Raffles Place, #12-01 Republic Plaza, Singapore 048619.

BOARD OF DIRECTORS

KWEK LENG BENG

KWEK LENG BENG / 77

CHAIRMAN
EXECUTIVE DIRECTOR

Appointed a Director and Executive Chairman of City Developments Limited (CDL) on 1 October 1969 and 1 January 1995 respectively, Mr Kwek was last reappointed as a Director on 20 April 2016. He also sits on the Board Committee (BC) and the Nominating Committee (NC) of CDL. Mr Kwek will be seeking re-election as a Director at the 2018 Annual General Meeting of CDL (2018 AGM).

He is the non-executive Chairman of Millennium & Copthorne Hotels plc (M&C), the Chairman and Managing Director of Hong Leong Finance Limited (HLF) and the Executive Chairman of Hong Leong Investment Holdings Pte. Ltd. (HLIH), the immediate and ultimate holding company of CDL. HLF and M&C are subsidiaries of HLIH and thus, are related companies under the Hong Leong Group of companies. In the preceding three-year period, Mr Kwek was the Chairman and Managing Director of City e-Solutions Limited (CES) until he stepped down in September 2016 after CES ceased to be a subsidiary of CDL. He was also non-executive Chairman and Director of Hong Leong Asia Ltd. (HLA) until his retirement from the board in April 2017.

Mr Kwek holds a law degree, LL.B. (London) and is also a fellow of The Institute of Chartered Secretaries and Administrators. He has extensive experience in the finance business, having grown from day one with the original Hong Leong Finance Limited which has since merged its finance business with Singapore Finance Limited (now known as HLF). He also has vast experience in the real estate business, the hotel industry, as well as the trading and manufacturing business.

Mr Kwek's other appointments include being a member of the East Asia Council of INSEAD since its inception in 2003, a board member of the Singapore Hotel Association and a Fellow of the Singapore Institute of Directors. He was also conferred an Honorary Doctorate of Business Administration in Hospitality from Johnson & Wales University (Rhode Island, US) and an Honorary Doctorate from Oxford Brookes University (UK).

Mr Kwek was presented the inaugural Global Blue Ocean Shift Award at the Global Entrepreneurship Community Summit held in Kuala Lumpur in December 2017. The award was presented to Mr Kwek in recognition of his efforts in opening up new frontiers of opportunity and growth and creating a new pipeline for economic expansion. He was also presented the Lifetime Achievement Award at the Asia Pacific Entrepreneurship Awards 2017 organised by Enterprise Asia, a regional non-governmental organisation for entrepreneurship. The accolade was in recognition of his outstanding achievements, visionary leadership and steadfast dedication that has led to the successful growth of Hong Leong Group Singapore for over five decades.

Mr Kwek also received several awards in 2015, namely the Singapore Chinese Chamber of Commerce and Industry (SCCCI) SG50 Outstanding Chinese Business Pioneers Award, which honours the Republic's outstanding Chinese business pioneers and their exemplary contributions to nation-building; the "Best Singaporean Investor to Italy" Award which was presented by the Italian Chamber of Commerce in Singapore to business people who have made impactful investments in Italy and helped to boost bilateral ties between Italy and Singapore; and the Lifetime Achievement Award from Hotel Investment Conference Asia Pacific (HICAP), which honours exceptional individuals who have distinguished themselves through their accomplishments and contributions to expanding, enhancing and advancing the hotel industry in the Asia Pacific region and the world.

Other prestigious awards received in the past include the inaugural Real Estate Developers' Association of Singapore (REDAS) Lifetime Achievement Award in 2014 which was introduced to honour a pioneering group of real estate industry leaders in Singapore, and the "Partners in the Office of the CEO" award in the Brendan Wood International – Securities Investors Association Singapore (SIAS) TopGun CEO Designation Award in 2012 which was jointly accorded to the late Mr Kwek Leng Joo (former Deputy Chairman of CDL). The latter award was accorded to CEOs who are best in class rated by shareholders.

BOARD OF DIRECTORS

KWEK LENG PECK

PHILIP YEO LIAT KOK

TAN POAY SENG

KWEK LENG PECK / 61

NON-EXECUTIVE AND NON-INDEPENDENT DIRECTOR

Appointed a Director of CDL on 1 August 1987, Mr Kwek was last re-elected as a Director on 20 April 2016. He is a member of the BC of CDL. He will be seeking re-election as a Director at the 2018 AGM.

Mr Kwek is the Executive Chairman of HLA. He is also an Executive Director of HLIH, the non-executive Chairman of Tasek Corporation Berhad (TCB) and a non-executive Director of HLF, M&C and China Yuchai International Limited (CYI). HLA, HLF, M&C, TCB and CYI are subsidiaries of HLIH and thus, are related companies under the Hong Leong Group of companies.

Mr Kwek has many years of experience in trading, manufacturing, property investment and development, hotel operations, corporate finance and management.

PHILIP YEO LIAT KOK / 71

NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Appointed a Director of CDL on 11 May 2009, Mr Yeo was last re-elected as a Director on 25 April 2017. He is also the Chairman of the NC and a member of the Remuneration Committee (RC) and the Board Sustainability Committee (BSC) of CDL.

Mr Yeo is Chairman of SPRING Singapore, a government development agency. He is also the Chairman of Economic Development Innovations Singapore Pte Ltd (EDIS) which provides strategic advice and undertakes the development and management of integrated industrial and urban areas with an emphasis on job creation and industrial cluster development.

Mr Yeo is an independent Director of Hitachi Ltd, Baiterek National Managing Holding and Kerry Logistics Network Limited and the Chairman of Accuron Technologies Limited, Hexagon Development Advisors Pte. Ltd. and MTIC Holdings Pte. Ltd.

Mr Yeo holds a Bachelor of Applied Science (Industrial Engineering), an honorary Doctorate in Engineering from the University of Toronto, Canada, an honorary Doctorate in Medicine from the Karolinska Institutet, Sweden, a Master of Science (Systems Engineering) from the University of Singapore, a Master of Business Administration from Harvard University, USA, a Doctor of Science from Imperial College, London, an honorary Doctor of Letters from National University of Singapore and an honorary Doctor of Law from Monash University of Australia. He also received the Order of the Rising Sun, Gold and Silver Star from the Government of Japan (2007) and the Distinguished Service (Star) award from the Singapore Labour Movement, National Trade Union Congress (2008).

TAN POAY SENG / 51

NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Appointed a Director of CDL on 2 February 2012, Mr Tan was last re-elected as a Director on 25 April 2017. He also sits on the BSC of CDL.

Mr Tan is the Managing Director of Magni-Tech Industries Berhad and Coronation Springs (M) Sdn. Bhd., which is involved in niche property developement. He has been named as one of the best CEOs of companies listed in nine sectors on Bursa Malaysia in 2016.

Mr Tan holds a diploma in Hotel Management, Switzerland and has more than 20 years of experience in various business sectors which include manufacturing, housing development, marketing, retailing and healthcare services.

CHAN SOON HEE ERIC / 64

NON-EXECUTIVE AND LEAD INDEPENDENT DIRECTOR

Appointed a Director of CDL on 26 July 2012, Mr Chan was last re-elected as a Director on 20 April 2016. He is the Lead Independent Director and is also the Chairman of the Audit & Risk Committee (ARC), the RC and the BSC, and a member of the BC and the NC. Mr Chan will be seeking re-election as a Director at the 2018 AGM.

Mr Chan is a founder and the Chief Executive Officer of Thoughts Advisory Pte. Ltd. which provides consultancy services to entrepreneurs to further develop their strategic and business plans.

Mr Chan has more than 35 years of experience working in a public accounting firm environment, serving as audit partner with KPMG LLP (KPMG) from 1989 to 2001, and subsequently as partner in charge of Transaction Services at KPMG until his retirement in September 2011. He was the audit engagement partner for CDL for a number of years until 1999.

CHAN SOON HEE ERIC

TAN YEE PENG

KOH THIAM HOCK

Mr Chan is a member of the Institute of Singapore Chartered Accountants and a Fellow of the Association of Chartered Certified Accountants.

TAN YEE PENG / 44

NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Appointed a Director of CDL on 7 May 2014, Ms Tan was last re-elected on 25 April 2017. She also sits on the BC, the ARC and the NC of CDL.

Ms Tan is an Adjunct Associate Professor of the Nanyang Business School, Nanyang Technology University (NTU), and a Fellow of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors.

Ms Tan graduated with First Class Honours degree in Accountancy from NTU and has more than 18 years of accounting and auditing experience, and previously served as an audit partner with KPMG from 2003 to 2010. As an audit and advisory partner, she was closely involved in providing accounting and advisory services to clients in both the private and public sectors. Ms Tan also acted as the Reporting Accountant and auditor for several companies listed on the Singapore Exchange, but was not involved in any KPMG audit engagement with the CDL Group.

Since her retirement as a practising accountant, Ms Tan, at the request of KPMG, served as principal advisor from 2010 to 2011 on matters related to the healthcare industry, and assisted the firm in establishing the AsPAC Healthcare network. She has also been contributing actively to the non-profit sector and is a member of the Medifund Committee of Vanguard Healthcare. Ms Tan was formerly a member of the Audit Committee (non-board position) of Jurong Health Services Pte. Ltd.

KOH THIAM HOCK / 67

NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Appointed a Director of CDL on 5 September 2016, Mr Koh was elected on 25 April 2017. He also sits on the BC, the ARC and the RC of CDL.

Mr Koh held the role of Vice Chairman and General Manager of Bank of America NT & SA Singapore Branch (BOA) from 2012 until his retirement in April 2016. In his last newly created role with BOA, he was responsible for grooming new senior local talent and assisted with the transition resulting from the merger of Bank of America (Singapore Branch) and Merrill Lynch Singapore. He was the principal officer liaising with the Regulators to ensure that all material weaknesses in the system were addressed and chaired the local branch management committee which comprised the heads of the various business lines and enterprise control and operational functions to discuss and resolve strategic issues.

Mr Koh's experience included a broadened function involving oversight responsibilities for compliance (regulatory, anti-money laundering, fraud detection/escalation and remediation protocols including code of ethics and conduct), finance (audit, tax and financial reporting and disclosure processes), human resource and enterprise risk matters.

During his 40 years in banking, which included his stints as Country Executive for Bank of America (prior to merger) from 2004 to 2008 and Country Executive of the merged BOA operations in Singapore from 2009 to 2011, he had dealt with different industries covering local/regional hardware, automotive and trading/commodity/shipping and the manufacturing sectors. His responsibilities had also been expanded to cover the construction and real estate industries, and in this particular area, he helped the bank to set up broad guidelines on Real Estate and Construction Lending and was later seconded to Hong Kong for a period to manage the real estate and construction lending activities and protocols for Asia.

Mr Koh holds a Bachelor of Business Administration from the University of Hawaii.

KEY MANAGEMENT PERSONNEL

Right to left:
SHERMAN KWEK
FRANK KHOO
CHIA NGIANG HONG
YIONG YIM MING
KWEK EIK SHENG

Location: Tower Club Singapore

SHERMAN KWEK
GROUP CHIEF EXECUTIVE OFFICER

Mr Sherman Kwek assumed his current role as CDL's Group Chief Executive Officer (Group CEO) in January 2018, following his appointment as CEO-Designate on 11 August 2017. Since April 2016, he has also held the position of Executive Chairman of CDL China Limited.

Mr Kwek was previously Deputy CEO of CDL, during which he assisted in the management of the domestic operations in Singapore while also continuing to lead the investment team to source for new opportunities to grow the Group's domestic and international portfolio, a role he has held ever since he was concurrently the Chief Investment Officer of CDL and CEO of CDL China Limited. He established a presence for the Group in China, Japan and Australia, obtaining prime sites in many key cities and investing in various platforms for innovation.

Before joining CDL, Mr Kwek has taken on various executive roles in companies both within the Hong Leong Group and in multinational corporations. He has experience in the areas of investments, mergers and acquisitions, real estate, hospitality and technology, and has worked in New York, Hong Kong, Shanghai and Singapore.

He graduated from Boston University with a Bachelor of Science in Business Administration, majoring in Finance and Marketing with a minor in Psychology. He has been serving as a Council Member of the Singapore Chinese Chamber of Commerce and Industry (SCCCI) since March 2013, where he is currently the Chairman of the Youth Business Affairs Committee and tasked with growing the youth chapter.

Mr Kwek is also a member of the Diversity Action Committee initiated by the Singapore Exchange Limited to promote greater gender diversity on the boards of listed companies.

CHIA NGIANG HONG
GROUP GENERAL MANAGER

Mr Chia Ngiang Hong joined CDL in 1981 and has over 35 years of experience in the real estate industry in Singapore and the region. A much-respected industry veteran, Mr Chia is a member of the Advisory Panel in the Building and Construction Authority Academy and Fellow of the Singapore Institute of Surveyors and Valuers. He is also Second Vice President of the Real Estate Developers' Association of Singapore (REDAS), Board Member of the Institute of Real Estate Studies, and Immediate Past President of the Singapore Green Building Council. He presently chairs the Advisory Committee to the National University of Singapore's School of Design and Environment and is a member of the Department Consultative Committee.

Mr Chia holds a Bachelor of Science in Estate Management (Honours) from the University of Singapore and a Master in Business Administration (Distinction) from the University of Hull, UK. Beyond his contributions to the building and construction industry, Mr Chia is also active in community and grassroots activities and serves as a Justice of the Peace.

KWEK EIK SHENG

GROUP CHIEF STRATEGY OFFICER

Mr Kwek Eik Sheng joined CDL in 2009, covering Business Development for overseas projects before being appointed as Head of Corporate Development. He assumed his role as Chief Strategy Officer in 2014 and was additionally appointed Head, Asset Management in April 2016. He was re-designated to Group Chief Strategy Officer on 1 February 2018. Prior to joining CDL, he was with the Hong Leong Group of companies in Singapore specialising in corporate finance roles since 2006. He was appointed to the Board of Millennium & Copthorne Hotels plc in 2011 and holds the position of Non-Executive Director.

He holds a Bachelor of Engineering in Electrical and Electronics Engineering from Imperial College of Science, Technology and Medicine and a Master of Philosophy in Finance from Judge Business School, Cambridge University.

FRANK KHOO

GROUP CHIEF INVESTMENT OFFICER

Mr Frank Khoo joined CDL as Group Chief Investment Officer in February 2018. He will assist the Group CEO in the sourcing and execution of new investment opportunities, and also establish a dedicated fund management platform.

With over 20 years of international experience in fund management, private equity, acquisition of real estate assets and the repositioning and restructuring of real estate businesses, Mr Khoo has an extensive network of investors, ranging from insurance companies, pension funds, sovereign wealth funds and high net worth individuals across Asia and Europe.

Previously, Mr Khoo was the Global Head of Asia of AXA Investment Manager - Real Assets (AXA IM Real Assets) where he oversaw all real estate activities for AXA IM Real Assets in Asia, including investment, transaction, fund management, asset management, capital raising and finance. He has also held various executive positions in Pacific Star Fund Management Pte Ltd, Guthrie GTS Ltd, Phileoland Bhd and Kestral Capital Partners.

He holds a Master of Business Administration from Nanyang Technological University of Singapore, as well as Bachelor of Engineering (Honours) and Bachelor of Science degrees from University of Queensland, Australia. He is also a Certified Public Accountant in Singapore.

YIONG YIM MING

GROUP CHIEF FINANCIAL OFFICER

Ms Yiong Yim Ming was appointed CDL's Chief Financial Officer in April 2016 and was re-designated to Group Chief Financial Officer on 1 February 2018. An executive of the Company since 2007, she has extensive knowledge on CDL Group's financial and operation matters, both domestically and overseas, covering the Group's operations in property development, investment properties and hotels.

Ms Yiong has strong technical competencies, specialising in the real estate sector, harnessed through 12 years of audit experience. Prior to joining CDL, she served a 10-year stint in KPMG Singapore and a two-year engagement with Ernst & Young Singapore.

Ms Yiong holds a Bachelor of Accountancy degree from Nanyang Technological University and is a member of the Institute of Singapore Chartered Accountants.

SENIOR MANAGEMENT

As at 28 February 2018

MARK YIP
Chief Revenue Officer

ESTHER AN
Chief Sustainability Officer

IVAN NG
Chief Technology Officer

STEVEN TAN
Chief Human Resource Officer

DANIEL T'NG
Executive Vice President, Property & Facilities Management (PFM)

ANANDA ARAWWAWELA
Executive Vice President, Hotel Asset Management

HEADS OF DEPARTMENT

MARK FONG
Branding & Strategic Marketing

GERALD YONG
Business Development & Investments

CINDY TAN
Corporate Administration & Procurement

CATHERINE LOH
Corporate Secretariat

FOO CHUI MUI
Customer Service

ONG SIEW TOH
Group Reporting

STEPHEN CHING
Internal Audit

BELINDA LEE
Investor Relations & Corporate Communications

SHARIFAH SHAKILA SHAH
Legal

TAY CHEOW CHUAN
PFM (Development Property)

ANTHONY GOH
PFM (Investment Property)

GINNA LEE
PFM (Investment Property)

KELLY TAN
Projects

LEE MEI LING
Sales & Marketing

LIM WHEE KONG
Treasury

CORPORATE GOVERNANCE

City Developments Limited ("CDL" or the "Company") is committed to upholding a high standard of corporate governance and business integrity in all its business activities, which is essential for the long-term sustainability of the Group's businesses and the enhancement of shareholders' value.

To demonstrate its commitment towards excellence in corporate governance, CDL had joined the Securities Investors Association Singapore ("SIAS") and its partners since 2010 in making the following public Statement of Support, which was reiterated at the 8th Singapore Corporate Governance Week 2017 (organised by SIAS) in September 2017:

"As an Organisation, we are committed to upholding high standards of corporate governance to enhance shareholder value. We believe practising good corporate governance is central to the health and stability of our financial markets and economy."

Corporate Governance Accolades

- At the SIAS Investors' Choice Awards 2017, CDL was:
  - declared a runner-up winner in the Real Estate category under the Singapore Corporate Governance Awards (SCGA), which recognised listed companies that have excellent corporate governance practices and shareholder interests;
  - also a winner in the Big Cap Category for the inaugural Shareholder Communications Excellence Award, which recognised listed companies that practice good investor relations; and
  - given the inaugural Sustainability Award together with seven other winners, an award which recognised companies with substantial Sustainability Reporting report and practices.
- As CDL continues its journey to uphold the highest standards of corporate governance, we have further improved our ranking on the Singapore Governance and Transparency Index (SGTI) from the 10th position in 2016 to the 8th position in 2017. The SGTI is aimed at assessing companies on their corporate governance disclosure and practices, as well as the timeliness, accessibility and transparency of their financial results announcements.
- CDL also joined over 100 companies from ten sectors headquartered in 24 countries and regions in the inaugural sector-neutral 2018 Bloomberg Gender-Equality Index (GEI), which reference index measures gender equality across internal company statistics, employee policies, external community support and engagement, and gender-conscious product offerings. CDL was the only real estate management and development company named in the GEI.

The Company has complied with Listing Rule 710 by describing in this report CDL's corporate governance practices with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 ("2012 Code"). Where the Company's practices differ from the principles and guidelines under the 2012 Code, the Company's position and reasons in respect of the same are explained in this report.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The Primary Functions of the Board

The Board oversees the Company's business and its performance under its collective responsibility for the long-term success of the Company, working with the Senior Management to achieve the strategic objectives of the Company. The Board's primary functions are to provide leadership, set broad policies, provide guidance on and approve strategic objectives, ensure that necessary financial, operational and human resources are in place for the Company to meet its objectives, review the performance of the Company and its subsidiaries (the "Group") and Management's performance, and satisfy itself as to the adequacy and effectiveness of the framework and processes for internal controls (including financial, operational, compliance and information technology ("IT") controls) and risk management for the safeguarding of shareholders' interests and the Group's assets. The Board assumes responsibility for good corporate governance and sets the Company's corporate values and ethical standards through the Company's policies with a view to ensuring that its obligations to shareholders and stakeholders are clearly understood and met.

Sustainability

The Board is committed to the Company's strategic approach to integrating sustainability in all aspects of its business and operations, and to advance the Company's sustainability efforts and achievements.

In this regard, the Board has delegated to the Board Sustainability Committee ("BSC") the general oversight of the Board's attention to sustainability issues and sustainability reporting. The BSC comprises three Directors, all of whom are independent non-executive Directors. The BSC's terms of reference sets out, *inter alia*, the objectives, roles and responsibilities of the BSC and include its purview over matters relating to the environmental, social and governance (ESG) framework, ESG targets, the sustainability reporting framework and also the Company's policies, practices and performance on its material ESG factors which are significant and contribute to the Company's performance, business activities, and/or reputation as a global corporate citizen. Further information on the Board Statement and the Company's sustainability practices are set out in the

Sustainability Board Statement on pages 62 to 73 of this Annual Report 2017 ("AR").

The Company also publishes an annual full Sustainability Report that provides more details on CDL's ESG activities and performance. The dedicated report on CDL's sustainability efforts addresses the social and environmental impacts that are pertinent to the Company's business, as well as identifies the Company's key stakeholders and shares the Company's engagement with these stakeholders. CDL's Sustainability Reports are prepared in accordance with the Global Reporting Initiative (GRI) Guidelines. The last Integrated Sustainability Report 2016 was aligned with GRI's latest G4 Guidelines at the Comprehensive level and for the first time, CDL adopted the International Integrated Reporting Council's (IIRC) Integrated Reporting approach. The Company will be issuing its Integrated Sustainability Report 2018 by the second quarter of 2018. These Sustainability Reports are available on CDL's corporate website.

Directors' Objective Discharge of Duties & Declaration of Interests
All Directors are required to objectively discharge their duties and responsibilities in the interests of the Company. This ability to exercise objectivity is one of the assessment criteria in the Nominating Committee's annual evaluation of the Directors.

Directors, who are in any way, directly or indirectly, interested in a transaction or proposed transaction, declare the nature of their interests in accordance with the provisions of the Companies Act, Chapter 50, and voluntarily abstain from participating in the deliberation on such transactions, with abstention duly recorded within the minutes and/or the resolutions of the Board and/or the Committees.

Delegation by the Board
The primary functions of the Board are either carried out directly by the Board or through committees established by the Board, namely, the Board Committee ("BC"), the Audit & Risk Committee ("ARC"), the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Board Sustainability Committee ("BSC"), all collectively referred to hereafter as the "Committees".

Specific written terms of reference for each of the Committees set out the authority and responsibilities of the Committees. All terms of reference for the Committees are approved by the Board and reviewed periodically to ensure their continued relevance, taking into account the changes in the governance and legal environment.

The delegation of authority by the Board to the Committees enables the Board to achieve operational efficiency by empowering these Committees to decide, review and make recommendations on matters within their respective written terms of reference and/or limits of delegated authority, without abdicating the Board's overall responsibility.

Composition of Board and Committees

Board of Directors
Kwek Leng Beng (Chairman)
Kwek Leng Peck
Philip Yeo Liat Kok
Tan Poay Seng
Chan Soon Hee Eric
Tan Yee Peng
Koh Thiam Hock

Board Committee
Kwek Leng Beng
Kwek Leng Peck
Chan Soon Hee Eric
Tan Yee Peng
Koh Thiam Hock

Audit & Risk Committee
Chan Soon Hee Eric*
Tan Yee Peng
Koh Thiam Hock

Nominating Committee
Philip Yeo Liat Kok*
Kwek Leng Beng
Chan Soon Hee Eric
Tan Yee Peng

Remuneration Committee
Chan Soon Hee Eric*
Philip Yeo Liat Kok
Koh Thiam Hock

Board Sustainability Committee
Chan Soon Hee Eric*
Philip Yeo Liat Kok
Tan Poay Seng

* chairman of Committee

Please refer to the sections on Principles 4, 5, 7 and 12 in this report for further information on the activities of the NC, RC and ARC. Information on the activities of the BC can be found under the "Board Approval" paragraph in this section on Principle 1, whilst information on the activities of the BSC can be found under the "Sustainability" paragraph within this section on Principle 1 in the earlier part of this report.

Board Processes
Meetings of the Board and Committees are held regularly, with the Board meeting no less than four times a year. Six Board meetings were held in 2017. At the regular quarterly Board meetings, the Board agenda includes presentations by the Senior Management and other key executives on the Group's strategic initiatives and implementation thereof, updates on the Group's investments and developments in Singapore and overseas, and the Group's financial performance.

A meeting of the non-executive Directors ("NEDs"), chaired by the Lead Independent Director ("Lead ID"), was held in 2017. Meetings of the NEDs and Independent Directors ("IDS") are convened as often as may be warranted by circumstances. As the IDs meet regularly under the various Committees and the Lead ID is a member in these Committees, no separate meeting of the IDs was required to be convened in 2017.

The proposed meetings for the Board and all Committees for each new calendar year are set out in a schedule of meetings and notified to all Board members before the start of that calendar year. Additional meetings are convened as and when circumstances warrant. Records of all such meetings including discussions on key deliberations and decisions taken are maintained by the Company Secretary. The Company's Constitution allows for the meetings of its Board and the Committees to be held via teleconferencing and video-conferencing. The Board and the Committees may also make decisions by way of circulating written resolutions.

The attendance of the Directors at the Annual General Meeting of the Company ("AGM") and meetings of the Board and the Committees, as well as the frequency of such meetings in 2017, is disclosed below. Notwithstanding such disclosure, the Board is of the view that the contribution of each Director should not be focused solely on his/her attendance at meetings of the Board and/or the Committees. A Director's contribution also extends beyond the confines of the formal environment of such meetings, through the sharing of views, advice, experience and strategic networking relationships which would further the interests of the Company. The Directors also, whether individually or collectively, engage with the Senior Management, heads of the Group's business units and departments and the Group's external consultants in order to better understand the challenges faced by the Group and the input of the Directors, through such engagement, provide valuable perspective to the Management.

Directors' Attendance at the AGM, and Meetings of the Board, the Committees and the NEDs in 2017

	Board	ARC	NC	RC	BSC	NEDs	AGM
Number of meetings held in 2017	6	6	3	2	2	1	1
Name of Directors	**Number of meetings attended in 2017**						
Kwek Leng Beng[(5)]	6/6	N.A.	2/3 [(4)]	N.A.	N.A.	N.A.	1
Kwek Leng Peck	6/6	N.A.	N.A.	N.A.	N.A.	1	1
Tang See Chim[(1)]	1/1	2/2	N.A.	1/1	N.A.	1	1
Philip Yeo Liat Kok[(5)]	5/6	N.A.	3/3	2/2	2/2	1	1
Tan Poay Seng	5/6	N.A.	N.A.	N.A.	1/2	1	1
Chan Soon Hee Eric[(5)]	6/6	6/6	3/3	2/2	2/2	1	1
Tan Yee Peng[(3)]	6/6	6/6	N.A. [(3)]	N.A.	N.A.	1	1
Koh Thiam Hock[(2)]	6/6	6/6	N.A.	1/1	N.A.	1	1

Notes:
(1) Mr Tang See Chim retired as a Director and member of the Audit & Risk and Remuneration Committees at the conclusion of the AGM held on 25 April 2017.
(2) Mr Koh Thiam Hock was appointed a member of the RC on 25 April 2017.
(3) Ms Tan Yee Peng was appointed a member of the NC on 1 December 2017 but no meeting of the NC was held in December 2017.
(4) Mr Kwek Leng Beng had abstained from attendance at an NC meeting which was held to consider the appointment of his son, Mr Sherman Kwek Eik Tse, as CEO-Designate.
(5) All Directors, including Mr Kwek Leng Beng (the Chairman of the Board), Mr Philip Yeo Liat Kok (the chairman of the NC) and Mr Chan Soon Hee Eric (the chairman of the ARC, RC and BSC), were in attendance at the AGM in 2017, together with the Senior Management and the Company's external auditors.

Board Approval

The Board has in place an internal guide wherein certain key matters are specifically reserved for approval by the Board and these include the setting of strategic direction or policies or financial objectives which have or may have material impact on the profitability or performance of the Group; decisions to commence, discontinue or modify significantly any business activity or to enter into or withdraw from a particular market sector; corporate or financial restructuring; decisions over new borrowings or significant amendments to the terms and conditions of existing borrowings other than in the ordinary course of business; material acquisition and disposal of assets; adoption of key corporate policies and any other matters which require Board approval as prescribed under the relevant legislations and regulations as well as the provisions of the Company's Constitution.

Aligned with the Company's strategy to develop growth platforms in key international markets, the Board has put in place an investment matrix with established authority limits for the Group's overseas acquisitions in some of these key markets in which the Group is actively developing its presence.

The BC comprises five Directors with the majority of its members being non-executive. The BC's principal responsibility as set out in its terms of reference, approved by the Board, is to assist the Board in the discharge of its duties which include, in particular, assisting the Board in approving banking-related matters such as the opening, closing and maintenance of banking accounts of the Company and the acceptance of up to certain limits of banking facilities extended to the Company, operational matters relating to property development activities and other matters determined by the Board from time to time.

Management is fully apprised of such matters which require the approval of the Board or the Committees. The Company also has a structured authority matrix which sets out the delegated authority to various levels of Management.

Board Orientation and Training

Every newly appointed Director receives a formal letter, setting out his general duties and obligations as a Director pursuant to the relevant legislations and regulations. The new Director will also receive an induction pack containing information and documents relating to the roles, duties and responsibilities of a director (and where applicable, as a member of the Committees), the Group's principal businesses, the Company's Board processes and corporate governance practices, relevant Company policies and procedures as well as a board meeting calendar for the year with a brief of the routine agenda for each meeting of the Board and where applicable, the Committees.

The Company also conducts a comprehensive induction programme for newly appointed Directors and for existing Directors pursuant to their appointments to any of the Committees, which seeks to familiarise Directors with the Group's principal businesses, the Company's board processes, internal controls and governance practices, and in the case of appointments to any of the Committees, the role and areas of responsibilities of such Committees. The induction programme includes meetings with various key executives of the Management to allow the new Directors to be acquainted with the Management team and to facilitate their independent access to the Management team in future. The programme also includes briefings by the Management team on key areas of the Company's operations.

In December 2017, Ms Tan Yee Peng was appointed a member of the NC. This appointment was part of the NC's adoption of initiatives to promote diversity, especially gender diversity, on the Board. Ms Tan was briefed on the terms of reference setting out the authority and responsibilities of the NC.

For a first time Director who has no prior experience as a director of a listed company, in addition to the induction as detailed above, he or she will be encouraged to also attend the Listed Company Director ("LCD") Programme conducted by the Singapore Institute of Directors ("SID") in order to acquire relevant knowledge of what is expected of a listed company director. Completion of the LCD Programme, which focuses on comprehensive training of company directors on compliance, regulatory and corporate governance matters, should provide the first time Director with a broad understanding of the roles and responsibilities of a director of a listed company under the requirements of the Companies Act, Chapter 50, the Listing Manual of SGX-ST ("Listing Manual") and the 2012 Code.

The Directors are also provided with updates and/or briefings from time to time by professional advisers, auditors, Management and the Company Secretary in areas such as directors' duties and responsibilities, corporate governance practices, relevant legislations and regulations, risk management and financial reporting standards. The Directors are also regularly kept informed by the Company Secretary of the availability of appropriate courses, conferences and seminars such as those conducted by the SID, and the Directors are encouraged to attend such training at the Company's expense. The NC and the Board are kept informed of the trainings attended by the Directors during the year. As part of the NC's annual assessment of the skills set of the Board and the Committees, the NC would also recommend further training for the Directors in specific areas, if so required, to supplement the regular updates/ briefings provided to the Directors from time to time.

Three in-house seminars were conducted by invited external speakers in 2017, on the following topics:

1	Creating an "Innovative" Mindset for the Board
2	Cyber Risks facing the Real Estate Sector
3	Insights into the Emerging Risks, Trends and Outlook for the Real Estate Sector
4	The Future of Customer Experiences in Malls
5	Grappling with Data Protection and Cybersecurity in the context of an Organisation's Embracement of Innovation, the Internet of Things, Disruptive Technology and Cloud of Things
6	Sustainability Integration to unlock Business Opportunities from Impact Investing and the United Nations Sustainable Development Goals (SDGs)
7	The Opportunities of Green Bonds and Green Financing in Asia
8	Leveraging the Power of Collaboration and Innovations for Financing of Sustainable Development
9	A Manufacturer's Business Case for Integrating SDGs to Create Value
10	Gender Diversity at the Board and Senior Management of Listed Companies

The AC members were also provided with a briefing from the Company's external auditors on Accounting Standards Update during the year.

100% of the Board attended various training seminars and workshops in 2017	=	Accounted for more than 110 training hours in aggregate

In addition to the training courses/programmes and briefing updates, Directors are also at liberty to approach Management should they require any further information or clarification concerning the Company's operations.

Principle 2: Board Composition and Guidance

Board Independence

The Board currently comprises seven members. All members of the Board, except for the Board Chairman, are NEDs. Of the six NEDs, the NC has recommended and the Board has determined five of them, being more than half of the Board, to be independent ("5 IDs"), thus providing for a strong and independent element on the Board capable of exercising objective judgement on the corporate affairs of the Company. No individual or small group of individuals dominates the Board's decision making. No alternate Directors have been appointed in respect of any of the Directors.

When reviewing the independence of the 5 IDs, the NC has considered the guidelines for independence set out in Guideline 2.3 of the 2012 Code. As part of the consideration, the NC also took into account their other directorships, annual declarations regarding their independence, disclosures of interest in transactions in which they have a direct/ indirect interest, their ability to avoid any apparent conflicts of interests especially by abstaining from deliberation on such transactions and their ability to maintain objectivity in their conduct as Directors of the Company. The 5 IDs are Mr Philip Yeo Liat Kok, Mr Tan Poay Seng, Mr Chan Soon Hee Eric, Ms Tan Yee Peng and Mr Koh Thiam Hock. For purposes of determination of independence, the 5 IDs have also provided confirmation that they are not related to the Directors and 10% shareholders of the Company. The NC is satisfied that there is no other relationship which could affect their independence. The Board concurred with the NC's determination of the independence of the 5 IDs.

Mr Tang See Chim, who had served on the Board for more than nine years, retired from the Board upon the conclusion of the AGM held in April 2017. The Board extends its appreciation to Mr Tang for his long and dedicated service. The NC and the Board concurred that Mr Tang had maintained his independence throughout his service on the Board, having observed many instances of Mr Tang's active discussion in debating and evaluating actions taken by or proposals from Management and his seeking of clarification, as and when necessary, in order to make informed decisions, whilst remaining open to other viewpoints. The Company has also benefited from his years of experience in his field of expertise.

As at the date of this report, there is no ID on the Board who has served more than 9 years since his or her last date of appointment to the Board.

The 5 IDs had also avoided apparent conflicts of interests especially by abstaining from deliberation on transactions in which they had a direct/indirect interest, and were able to maintain objectivity in their conduct as Directors of the Company. They have objectively raised issues and sought clarification as and when necessary from the Board, Management and the Group's external advisers on matters pertaining to their area of responsibilities whether on the Board or on the Committees. During 2017, no conflicts of interests from IDs had arisen.

Board Composition and Size

Board Diversity Pledge

The Board welcomes the push for greater diversity in the boardroom which can provide a more diverse approach to business decision making and the Company had, on 28 August 2015, supported the Board Diversity Pledge initiated by SID and SGX-ST where the Company pledged its commitment to promote "diversity as a key attribute of a well-functioning and effective Board" and shared the view "that a diverse Board will enhance decision making by harnessing the variety of skills, industry and business experiences, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service, and other distinguishing qualities of the members of the Board."

The NC reviews the size and composition mix of the Board and the Committees annually. In 2017, at the recommendation of the NC, the Board approved the adoption of a formal Board Diversity Policy, setting out its policy and framework for promoting diversity on the Board. The Board Diversity Policy is available on the Company's corporate website. The Board 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, ethnicity and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the Directors.

When reviewing and assessing the composition of the Board and making recommendations to the Board for the appointment of Directors, the NC will consider all aspects of diversity in order to arrive at an optimum balanced composition of the Board.

The Board has adopted the NC's recommended target to achieve a level of at least 20% female representation on its Board by 2020. In this regard, the NC will try to ensure that:

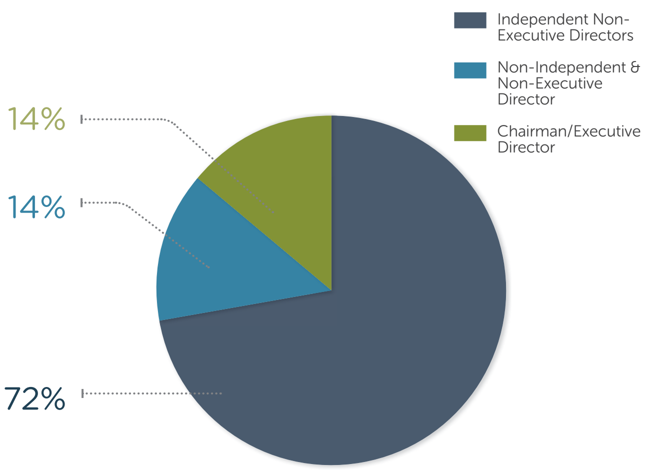
(a) if external search consultants are used to search for candidates for Board appointments, the brief will include a requirement to also present female candidates;
(b) when seeking to identify a new Director for appointment to the Board, the NC will request for female candidates to be fielded for consideration;
(c) female representation on the Board be continually improved over time based on the set objectives of the Board; and
(d) at least one female Director be appointed to the NC.

The final decision on selection of Directors will be based on merit against an objective criterion 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.

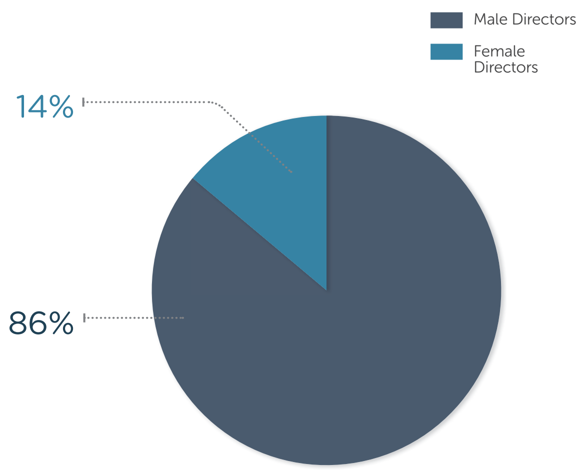
The Board currently comprises business leaders and professionals with real estate, hospitality, financial (including audit and accounting), legal, risk management and business management qualifications and backgrounds. The Board has one female member, and Directors with ages ranging from mid-40s to more than 70 years old, who have served on the Board for different tenures. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction. Further information on the individual Directors' background, experience and skills can be found in the 'Board of Directors' section in the AR.

BOARD COMPOSITION, DIVERSITY AND BALANCE

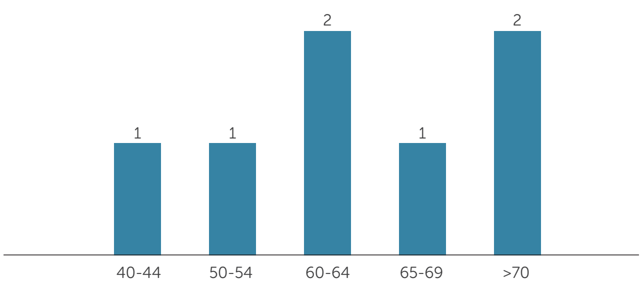
Independence



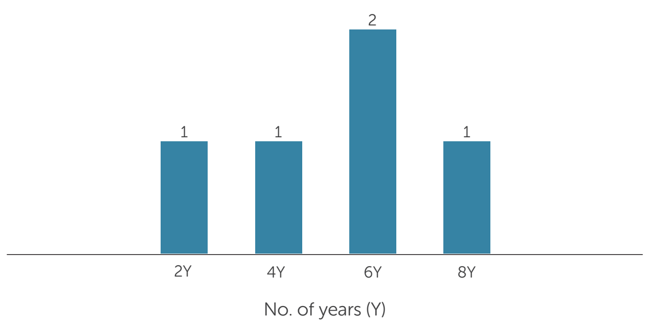
Gender diversity



Age group of our Directors



Independent Directors' length of service



Having considered the scope and nature of the operations of the Group, the Board is satisfied that the current composition mix and size of the Board provide for diversity and allow for informed and constructive discussion and effective decision making at meetings of the Board and Committees. The Board will however continue to review opportunities to refresh the Board with a view to expanding the skills, experience and diversity of the Board as a whole.

NEDs' Participation
NEDs are encouraged to participate actively at Board meetings in the development of the Company's strategic plans and direction, and in the review and monitoring of Management's performance against targets. To facilitate this, they are kept informed of the Company's businesses and performance through monthly and quarterly reports from the Management, and have unrestricted access to the Management. They also sit on various Committees established by the Board to provide unbiased and independent views, constructive input and the independent review and monitoring of performance of the Company and Management. A meeting of the NEDs chaired by the Lead ID was held in 2017 without the presence of Management. The NEDs would also confer among themselves without the presence of Management as and when the need arose.

Principle 3: Chairman and Chief Executive Officer

Role of the Executive Chairman and the Group Chief Executive Officer
The Chairman of the Board, Mr Kwek Leng Beng, is also the Executive Chairman. Mr Kwek Leng Beng plays an instrumental role in providing the Company with strong leadership and vision, assisting the Board to develop policies and strategies, and ensuring that these are implemented effectively. As the Board Chairman with written terms of reference approved by the Board, Mr Kwek also promotes and leads the Group in its commitment to achieve and maintain high standards of corporate governance. He bears primary responsibility for the workings of the Board, by ensuring effectiveness in all aspects of its role including setting agenda for Board meetings with input from Management, ensuring sufficient allocation of time for thorough discussion of each agenda item at Board meetings, promoting an open environment within the Boardroom for constructive debate, encouraging the NEDs to speak freely and contribute effectively, and exercising control over the quality, quantity and timeliness of information flow between the Board and Management. At AGMs and other shareholders' meetings, he plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management.

As Executive Chairman, he is the most senior executive in the Company and bears overall executive responsibility for the Group's business. Mr Kwek Leng Beng is assisted by the Group CEO, Mr Sherman Kwek, and other members of the Senior Management team. Mr Sherman Kwek, who took over the role and responsibilities of the Group CEO with effect from 1 January 2018, has executive responsibilities for the business direction, overall development and management of the Group's businesses, as well as the implementation of the business strategies and decisions of the Board in the operations of the Group. He is related to the Executive Chairman, being his eldest son.

The Board considered Mr Kwek Leng Beng's role as an executive Board Chairman, the written terms of reference for the Board Chairman approved by the Board, and the strengths he brings to such a role by virtue of his stature and experience. Through the establishment of various Committees with power and authority to perform key functions without the undue influence from the Board Chairman, and the putting in place of internal controls for proper accountability and to allow for effective oversight by the Board of the Company's business, the Board ensures there is appropriate balance of power which allows the Board to exercise objective decision making in the interests of the Company. The Board is of the view that Mr Kwek Leng Beng's role as an executive Board Chairman would continue to facilitate the Group's decision making and implementation process.

Lead Independent Director
Taking cognisance that the Board Chairman is an Executive Director and thus not independent, the Board has appointed Mr Chan Soon Hee Eric as Lead ID to serve as a sounding board for the Board Chairman and also as an intermediary between the NEDs and the Board Chairman. The role of the Lead ID is set out under the written terms of reference for the Lead ID, which has been approved by the Board. The Lead ID is available to shareholders should they have concerns which cannot be resolved or are inappropriate to raise through the normal communication channels of the Board Chairman or the Senior Management. No query or request on any matter which requires the Lead ID's attention was received from shareholders in 2017. Under the chairmanship of the Lead ID, a meeting of the NEDs was convened in February 2017 without the presence of Management or the Board Chairman, and the views expressed by the NEDs was provided by the Lead ID to the Board Chairman and the Management, as appropriate.

Principle 4: Board Membership

NC Composition and Role
Three out of the four members of the NC, including the NC chairman, are independent. The Lead ID is one of the independent members of the NC.

The NC's responsibilities as set out in its written terms of reference approved by the Board, are to examine Board size, review all Board and Committees composition and membership, board succession plans for the Directors, determine each Director's independence annually and as and when circumstances require, evaluate performance of the Board as a whole, its Committees and the individual Directors, review appointments and the reasons for resignations and terminations of the Executive Chairman and the Senior Management which includes the Group CEO, the Group General Manager ("GGM"), the Group Chief Strategy Officer ("Group CSO"), the Group Chief Investment Officer ("Group CIO"), the Group Chief Financial Officer ("Group CFO") and other relevant Senior Management staff, review and confirm the induction programmes for newly appointed Directors and for existing Directors in respect of their appointments to any of the Committees and review the training and continuous professional development programme for the Directors. Three NC meetings were held in 2017. The Company Secretary maintains records of all NC meetings including records of discussions on key deliberations and decisions taken.

For the financial year under review, the NC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("NC Self-Assessment Checklist"). The NC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the NC under its terms of reference and considered also the contributions of NC members to the deliberation and decision-making process at NC meetings.

Based on the self-assessment, the NC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

Re-nomination of Directors

The NC reviews annually the nomination of the relevant Directors for election and re-election as well as the independence of Directors. When considering the nomination of Directors for election and re-election, the NC takes into account their contribution to the effectiveness of the Board (which includes their participation and candour at Board and Committee meetings) as well as their time commitment especially for Directors who have multiple board representations and/or other principal commitments, and also reviews their independence. The recommendation of the NC on the annual nomination of the Directors for election and re-election is submitted to the Board for decision and thereafter tabled at the annual general meeting of the Company for consideration and approval by shareholders.

The Constitution of the Company provides that not less than one-third of the Directors for the time being, shall retire as Directors at each annual general meeting of the Company ("AGM"). All new Directors appointed by the Board shall hold office until the next AGM, and are eligible for election at the said AGM.

In accordance with the Constitution of the Company, Mr Kwek Leng Beng, Mr Kwek Leng Peck and Mr Chan Soon Hee Eric are due to retire by rotation at the forthcoming AGM ("2018 AGM") and have offered themselves for re-election at the 2018 AGM. The NC have considered their contribution and performance and recommended to the Board to nominate their re-election at the 2018 AGM.

Criteria and Process for Nomination and Selection of New Directors

The NC interviews shortlisted candidates before formally considering and recommending them for appointment to the Board and where applicable, to the Committees. Searches for potential candidates generally take into account recommendations from the Directors and various other sources, including candidates suggested by SID and other relevant organisations. Should it be necessary, the NC may consider the use of external search firms to find appropriate candidates. Shortlisted candidates would be required to furnish their curriculum vitae containing information on their academic/professional qualification, work experience, employment history and experience (if any) as directors of listed companies.

In reviewing and recommending to the Board any new Director appointments, the NC considers: (a) the candidate's track record, experience and capabilities or such other factors including age and gender, as may be determined by the NC to be relevant and which would contribute to the Board's collective skills; (b) any competing time commitments if the candidate has multiple listed company board representations and/or other principal commitments; (c) the candidate's independence, in the case of the appointment of an independent NED; and (d) the composition requirements for the Board and Committees after matching the candidate's skills set to the requirement of the relevant Committees (if the candidate is proposed to be appointed to any of the Committees).

Directors' Time Commitments

When considering the re-nomination of Directors for re-election, the NC also takes into account the competing time commitments faced by Directors with multiple board representations and/or other principal commitments. An analysis of the directorships (which includes directorships by groups and executive appointments) held by the Directors is reviewed annually by the NC. Each Director is also required to confirm annually to the NC as to whether he has any issue with competing time commitments which may impact his ability to provide sufficient time and attention to his duties as a Director of the Company. Based on the analysis, the Directors' annual confirmation and the Directors' commitments and contributions to the Company which is also evident in their level of attendance and participation at Board and Committee meetings, the NC is satisfied that all Directors are able to carry out and have been adequately carrying out their duties as a Director of the Company.

It is recommended under the 2012 Code that the Board consider providing guidance on the maximum number of listed company representations which each Director of the Company may hold in order to address competing time commitments faced by Directors serving on multiple boards. The NC noted that, excluding the directorship held in the Company, the number of listed company board representations currently held by each of the Directors ranged from one to seven in number and those held by Mr Kwek Leng Beng and Mr Kwek Leng Peck are on the boards of the related companies of the Company.

Having considered this issue, the NC does not recommend setting a maximum number of listed company board representations that a Director may hold. The Company considers an assessment of the individual Directors' participation as described above to be more effective for the Company than prescribing a numerical limit on the number of listed company directorships that a Director may hold. It would not wish to omit from consideration suitable individuals who, despite the demands of their time, have the capacity to participate and contribute as members of the Board.

In addition to the current procedures for the review of the attendance records and analysis of directorships, a policy has also been put in place for Directors to consult the Board Chairman or the chairman of the NC with regard to accepting any new listed company board appointment or principal commitment and notifying the Board of any changes in their external appointments. This would allow the Director to review his time commitments with the proposed new appointment and in the case of an independent Director, to also ensure that his independence would not be affected.

Key Information on Directors

Please refer to the 'Board of Directors' section in the AR for key information on the Directors, including their date of first appointment and latest re-appointment to the Board, their academic/professional qualification, major appointments, directorships held in listed companies both currently and in the preceding three years, and other relevant information, and the Notice of AGM for information on Directors proposed for re-election at the 2018 AGM.

Succession Planning for the Board, the Board Chairman and Senior Management

The Board believes in carrying out succession planning for itself, the Board Chairman and the Senior Management team 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 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 account the Group's business operations. The Board will 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.

As part of the ongoing Board renewal process, Mr Tang See Chim, an independent NED, who had served on the Board for more than nine years, stepped down as Director upon the conclusion of the 2017 AGM. The Board had in September 2016 appointed Mr Koh Thiam Hock as an independent NED, having considered his extensive experience in the areas of corporate and investment banking, especially in the real estate and construction space, as well as in strategic planning and enterprise risk functions which complement and strengthen the core competencies of the Board.

In August 2017, the Board announced the resignation of Mr Grant Lewis Kelley as CEO of the Company and his effective date of departure on 31 December 2017. At the same time, the Board also announced the promotion of Mr Sherman Kwek, then Deputy CEO, to be CEO-Designate pending his assumption of full responsibilities as the CEO of the Company from 1 January 2018. This allowed for a smooth transition and continuity of leadership at the Senior Management level.

In February 2018, the Board also announced the appointment of a Group Chief Investment Officer, Mr Frank Khoo, who will assist the Group CEO in the sourcing and execution of new investment opportunities while also setting up a dedicated fund management platform. This appointment was in accordance with the Board's plan to recruit a senior fund management professional to maintain the momentum of the fund management and acquisition programmes launched over the past years. With Mr Khoo's qualifications, experience and proven track record with more than 20 years of international experience in fund management, private equity, acquisition of real estate assets and the repositioning and restructuring of real estate businesses, the Board looks forward to his contribution to help ensure that the Group is well poised to push forward on its real estate investment and fund management strategies.

Board Development

The NC reviews the training and development of the Directors to ensure that Directors receive appropriate development on a continuing basis, to perform their roles on the Board and where applicable, the Committees. The Directors are provided with updates and/or briefings to assist them to properly discharge their duties. The briefings are conducted either internally with invited speakers, or externally, at the Company's expense. A separate programme is established for new Directors, details of which together with details of the internal briefing and updates provided to the Directors in 2017 are set out in the paragraph above under the subject heading "Board Orientation and Training".

The Board is kept apprised twice yearly on the list of training programmes attended by the Directors during the year.

Principle 5: Board Performance

Board Evaluation Process

The Company has in place a formal process for assessment of the effectiveness of the Board as a whole, the various Committees and the contribution by each Director to the effectiveness of the Board and the Committees. No external facilitator has been used. The NC assesses the Board's performance as a whole annually, using objective and appropriate quantitative and qualitative criteria which were recommended by the NC and approved by the Board. When assessing the overall Board performance, the NC takes into consideration the feedback from individual Directors on areas relating to the Board's role on strategy and performance, the Board's process and governance (including oversight on risk management and internal controls), the Board's competencies and effectiveness and the effectiveness of the Board Chairman. The results of the overall evaluation of the Board by the NC, including its recommendation, if any, for improvements, are presented to the Board.

The NC also undertook an evaluation of the performance of the Committees, specifically the ARC, the RC and the BSC with the assistance of self-assessment checklists completed by these Committees.

The annual evaluation process for the individual Director's performance comprises two parts: (a) review of background information concerning the Director including his attendance records at Board and Committee meetings; and (b) NC's evaluation based on certain assessment parameters, which were recommended by the NC and approved by the Board.

When deliberating on the performance of a particular Director who is also a member of the NC, that member abstains from the discussions in order to avoid any conflict of interests.

The results of the individual evaluation of the Directors are also used by the NC, in its consultation with the Board Chairman (who is also a member of the NC), to review, where appropriate, the composition of the Board and Committees, and to support its proposals, if any, for appointment of new members and its recommendations for the election and re-election of retiring Directors. The Board Chairman, as a member of the NC, is fully apprised of the results of the performance evaluation for the individual Directors, and would take into consideration such evaluation and act as appropriate on the recommendations of the NC. Comments from the Directors, if any, concerning the Board as a whole and the general performance of the Directors, are also presented to the Board.

Board Evaluation Criteria

The qualitative criteria used by the NC to evaluate the Board covers six key areas relating to Board composition, Board independence, Board's review of the Company's strategy and performance, Board's oversight on the Company's governance, including risk management and internal controls, and the effectiveness of the Board Chairman and Board processes.

The quantitative criteria used to evaluate the overall Board performance comprises quarterly performance indicators which include a comparison of the Group's performance (including segmental performance) for the financial period under review against the Group's performance for the corresponding period in previous years and also vis-à-vis industry peers and industry averages, and other indicators such as the Company's share price performance over a historical period and vis-à-vis industry peers.

Individual Director Evaluation Criteria

Factors taken into account in the assessment of a Director's performance include his abilities and competencies, his objectivity and the level of participation at Board and Committee meetings including his knowledge and contribution to Board processes and the business strategies and performance of the Group.

Principle 6: Access to Information

Complete, Adequate and Timely Information and Access to Management

Prior to each meeting, members of the Board and the Committees are provided with the meeting agenda and the relevant papers submitted by the Management, containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings. Management, the Company's auditors and professional advisers who can provide additional insight into the matters for discussion are also invited from time to time to attend such meetings. Management also provides all Directors with monthly updates on the Company's financial performance including an analysis of the same, with material variances between the comparative periods disclosed and explained. Where the Board's or a Committee's approval is sought, relevant background and explanatory information on the specific matter is provided to enable Directors to understand the issues and to request for further disclosures, as necessary. All Directors have separate and independent access to Management.

Draft agendas for Board and Committee meetings are circulated to the Board Chairman and the chairmen of the Committees respectively, in advance, for them to review and suggest items for the agenda. The Board and Committees are also furnished routine reports, where applicable, from the Management. Each of the chairmen of the ARC, NC, RC and BSC provides an annual report of the respective Committees' activities during the year under review to the Board. The minutes of meetings of the Committees are circulated to all Board members.

Company Secretary

The Company Secretaries, whose appointment and removal are subject to the Board's approval, attend all Board and Committee meetings and ensure that all Board procedures are followed. The Company Secretaries, together with Management, also ensure that the Company complies with applicable statutory and regulatory rules. Together with the Management, the Company Secretaries also advise the Board Chairman, the Board and the Committees on corporate governance matters and assist to implement and strengthen corporate governance practices and processes, including ensuring good information flow within the Board and the Committees and between Management and the Directors, facilitating the induction for newly appointed Directors and newly appointed Committee members, and assisting in the continuing training and development programme for the Directors. On an on-going basis, the Directors have separate and independent access to the Company Secretaries.

Independent Professional Advice

The Directors, whether as a group or individually, are entitled to take independent professional advice at the expense of the Company, in furtherance of their duties and in the event that circumstances warrant the same. The Company has in place internal guidelines allowing the Directors to seek independent professional advice.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

RC Composition and Role

The RC comprises three NEDs, all of whom including the chairman of the RC are independent. The RC's principal responsibilities as set out in its written terms of reference approved by the Board are to review and recommend, for the endorsement of the Board, a framework of remuneration and the specific remuneration packages for each Board member and the Company's key management personnel ("KMP").

The Company has in place a remuneration framework (which covers all aspects of remuneration) for the Directors and the KMP. The Company has currently identified the Group CEO, the GGM, the Group CSO, the Group CIO and the Group CFO who are the most senior members of the Management team outside the Board as its KMPs. On an annual basis, the RC reviews and approves the annual increments, year-end and variable bonuses to be granted to the Executive Chairman and the KMPs which are within specific mandates sought from the Board. The RC also considers the contracts of employment of the KMPs to ensure that they do not contain any unfair or unreasonable termination clauses.

There being no specific necessity, the RC did not seek expert advice from external remuneration consultants from outside the Hong Leong Group in 2017.

The Company Secretary maintains records of all RC meetings including records of discussions on key deliberations and decisions taken. Two meetings of the RC were convened in 2017.

For the financial year under review, the RC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("RC Self-Assessment Checklist"). The RC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the RC under its terms of reference, and considered also the contribution of RC members to the deliberation and decision making process at RC meetings.

Based on the self-assessment, the RC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

Principle 8: Level and Mix of Remuneration

Remuneration of Directors and KMPs

The Company's remuneration policy for Directors comprises the following distinct objectives:

- to ensure that the procedure for determining remuneration for Directors is formal and transparent;
- to ensure that the level of remuneration is sufficient (without being excessive) to attract and retain Directors to exercise oversight responsibility over the Company; and
- to ensure that no Director is involved in deciding on his own remuneration.

In reviewing the remuneration packages of the Executive Chairman and the KMPs, the RC, with the assistance of the human resource advisers or consultants within the Hong Leong Group, considers the level of remuneration based on the Company's remuneration policy which comprises the following distinct objectives:

- to reward employees for achieving corporate and individual performance targets in a fair and equitable way; and
- to ensure that the remuneration reflects employees' duties and responsibilities.

The Company advocates a performance-based remuneration system that is flexible and responsive to the market, and the performance of the Group's business units and individual employees. In designing the compensation structure, the Company seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate in finding a balance between the current and longer term objectives of the Company.

Based on the Remuneration Framework, the remuneration packages for the Executive Chairman and KMPs comprise a fixed component (in the form of a base salary, a 13th month Annual Wage Supplement and, where applicable, fixed allowances determined by the Company's Human Resource policies) and variable components (which would normally comprise short-term incentives in the form of year-end and variable bonuses) together with benefits-in-kind, if any.

When determining the fixed and variable components for a KMP, the KMP's individual performance is taken into consideration and remuneration recommendations are reviewed in the light of any annual guidance from the National Wages Council, competitive market practices and information gathered from market surveys conducted by the Company's Human Resource department.

This is further reviewed along with the Group's performance, taking into consideration specific key performance indicators (involving financial and non-financial indicators) tracked over time using the Company's balanced scorecard system that sets out the targets to be achieved by the Company based on its short and long term objectives, which are cascaded down to the various business units. The Company exercises its discretion and independent judgment in ensuring that the amount and mix of compensation are aligned with the interests of shareholders and promote the long-term success of the Company. The overall level of remuneration is not considered to be at a level which is likely to promote behaviour contrary to the Group's risk profile.

Whilst the Company currently does not have a share option or long-term incentive scheme in place, it will consider the establishment of other forms of longer term incentive schemes, as and when appropriate. When such long-term incentive scheme is established in due course with the assistance of external advisers, the Company will consider the inclusion of claw-back provisions within the scheme which would give the right to the Company to reclaim incentive components from participants in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company.

The Company currently does not discourage Directors from holding shares in the Company but note that there is no requirement under the Company's Constitution for Directors to hold shares in order to be qualified to act as a Director.

When reviewing the structure and level of Directors' fees, which comprise base director's fee and additional fees for services rendered on Committees, the RC takes into consideration the Directors' respective roles and responsibilities in the Board and Committees and the changes in the business, corporate governance practices and regulatory rules. The RC also compared the Company's fee structure against industry practices. Other factors taken into consideration in the fee review include the frequency of Board and Committee meetings, corporate performance for the financial year under review as well as the corporate and economic outlook in the new financial year, and the interval since the last fee review. The RC is mindful that the remuneration for IDs should not be excessive so as to compromise or reasonably be perceived to compromise their independence. No Director is involved in deciding his own remuneration.

Each of the Directors receives a base Director's fee. The Lead ID also receives an additional fee to reflect his expanded responsibility. Directors who serve on the various Committees (other than the BC) also receive additional fees in respect of each Committee that they serve on, with the chairmen of the Committees (other than the BC) receiving a higher fee in respect of their service as chairman of the respective Committees.

The structure of the fees paid or payable to Directors of the Company for FY 2017 is as follows:

Appointment	Per annum
Board of Directors	
- Base fee	$60,000
Audit & Risk Committee	
- ARC Chairman's fee	$70,000
- ARC Member's fee	$55,000
Nominating Committee	
- NC Chairman's fee	$18,000
- NC Member's fee	$12,000
Remuneration Committee	
- RC Chairman's fee	$18,000
- RC Member's fee	$12,000
Board Sustainability Committee	
- BSC Chairman's fee	$6,000
- BSC Member's fee	$4,000
Lead Independent Director's fee	$10,000

Principle 9: Disclosure of Remuneration

Disclosure of Remuneration

The compensation packages for employees including the Executive Chairman and the KMPs comprised a fixed component (in the form of a base salary and fixed allowances), a variable component (which would normally include year-end and variable bonuses) and benefits-in-kind, where applicable, taking into account amongst other factors, the individual's performance, the performance of the Group and industry practices.

During the year, there was no termination, retirement or post-employment benefits granted to any Director or KMP.

Directors' and CEO's remuneration for FY 2017, rounded off to the nearest thousand dollars including a breakdown in percentage terms of the components of the remuneration, is set out below:

	Base Salary * %	Variable Bonuses/ Allowances * %	Board/ Committee Fees ** %	Other Benefits %	Total $'000
Executive Director					
Kwek Leng Beng^	16	76	7	1	8,380
Non-executive Directors					
Kwek Leng Peck^	–	–	100	–	160
Tang See Chim[1]	–	–	100	–	67
Philip Yeo Liat Kok	–	–	100	–	94
Tan Poay Seng	–	–	100	–	64
Chan Soon Hee Eric	–	–	100	–	176
Tan Yee Peng	–	–	100	–	115
Koh Thiam Hock	–	–	100	–	115
Chief Executive Officer					
Grant L. Kelley[2]	25	71	–	4	2,712

Notes:

* The salary and variable bonuses/allowances are inclusive of employer's central provident fund contributions.

** These fees comprise Board and Committee fees for FY 2017, which are subject to approval by shareholders as a lump sum at the 2018 AGM as well as ARC fees for FY 2017 that have already been approved by shareholders at the 2016 and 2017 AGMs.

^ Remuneration of these Directors includes remuneration paid or payable by subsidiaries of the Company.

[1] Mr Tang See Chim retired as a Director of the Company on 25 April 2017.

[2] Mr Grant Lewis Kelley resigned as Chief Executive Officer with effect from 31 December 2017.

Remuneration of Key Management Personnel (KMP)

Remuneration for KMP comprise a fixed component (in the form of a base salary, a 13th month Annual Wage Supplement and, where applicable, fixed allowances determined by the Company's Human Resource policies) and variable components (which would normally comprise short-term incentives in the form of year-end and variable bonuses) together with benefits-in-kind, if any.

When determining the fixed and variable components for a KMP, the KMP's individual performance is taken into consideration and remuneration recommendations are reviewed by the RC in the light of any annual guidance from the National Wages Council, competitive market practices and information gathered from market surveys conducted by the Company's Human Resource department. This is further reviewed along with the Group's performance, taking into consideration specific key performance indicators (involving financial and non-financial indicators) tracked over time using the Company's balanced scorecard system that sets out the targets to be achieved by the Company based on its short and long term objectives, which are cascaded down to the various business units. The Company exercises its discretion and independent judgment in ensuring that the amount and mix of compensation are aligned with the interests of shareholders and promote the long-term success of the Company. The overall level of remuneration is not considered to be at a level which is likely to promote behaviour contrary to the Group's risk profile.

The KMPs (who are not Directors or the CEO) in 2017 have been identified as follows:

1. Mr Sherman Kwek Eik Tse, CEO-Designate
2. Mr Chia Ngiang Hong, Group General Manager
3. Ms Yiong Yim Ming, Chief Financial Officer
4. Mr Kwek Eik Sheng, Chief Strategy Officer and Head, Asset Management

The aggregate remuneration paid to all of the above top KMP of the Company in FY 2017, including Mr Grant Lewis Kelley, is $7,325,709 which amount included directors' fees paid or payable by subsidiaries of the Group.

As set out above, the Company has taken the further step to identify its KMP and provided disclosure of the aggregate remuneration paid to these KMP for FY 2017. The Company however maintains its view that it is not in its interest to disclose the remuneration of each of its KMP, whether in bands of $250,000 or to the nearest thousand dollars. Having considered the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Company'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 Company 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 Company. The Company believes that shareholders' interest will not be prejudiced as a result of such non-disclosure of the remuneration for each of the Company's KMP, and with the Company's disclosure on the aggregate remuneration of the identified KMP, shareholders are provided an insight into the level of remuneration paid to the identified KMP.

Remuneration of Directors' Immediate Family Members for FY 2017

Other than the following disclosure, there are no other employees of the Company who are immediate family members of a Director or the CEO, and whose remuneration exceeds $50,000 during the year. The annual remuneration of Mr Sherman Kwek Eik Tse, the CEO-Designate in 2017, who is the son of the Executive Chairman is set out as follows:

(disclosed in bands of $50,000)	Base Salary * %	Variable Bonuses/ Allowances * %	Board/ Committee Fees ** %	Other Benefits %	Total %
Above $1,300,000 and up to $1,350,000					
Sherman Kwek Eik Tse	38	62	-	-	100

* The salary and variable bonuses/allowances are inclusive of employer's central provident fund contributions.
** Remuneration included remuneration paid or payable by subsidiaries of the Company.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

Accountability of the Board and Management

The Board provides shareholders with quarterly and annual financial results. Results for the first, second and third quarter are released to shareholders within 45 days of the end of each quarter whilst annual results are released within 60 days from the financial year end. In presenting the Group's annual and quarterly results, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's performance and financial position with a commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which it operates.

For the financial year under review, the Group CEO and the Group CFO provided assurance to the ARC on the integrity of the quarterly unaudited financial statements and the Board in turn provided a negative assurance confirmation in respect of the unaudited financial statements for the first, second and third quarters in accordance with the regulatory requirements.

The Management provides all Directors with monthly financial summary of the Group's performance.

The Board and Senior 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. The Company has established various corporate policies as necessary which provide a communicable and understandable framework for staff to observe the Company's principles on honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of the Company's business in their relationships with the Company's stakeholders, including customers, suppliers and employees. Further details of these policies are described in the segment entitled "Corporate Values and Conduct of Business" at the end of this report.

Principle 11: Risk Management and Internal Controls

The Directors recognise that they have overall responsibility to ensure proper financial reporting for the Group and effectiveness of the Group's system of internal controls, including financial, operational, compliance and IT controls, and risk management policies and systems. The boards of the Group's separately listed subsidiaries are responsible for the oversight of their respective groups' internal controls and risk management systems and the Directors rely on the Company's nominees to the boards of these listed subsidiaries to provide oversight together with the other board members of these listed subsidiaries on the adoption and implementation of appropriate corporate governance practices, internal controls and risk management systems.

The ARC assists the Board in providing oversight of risk management in the Company. It is responsible for reviewing the adequacy and effectiveness of the Group's risk management systems and internal controls, including financial, operational, compliance and IT controls and reporting to the Board annually its observations on any matters under its purview including any risk management, internal controls or financial and management matters as it considers necessary and makes recommendations to the Board as it thinks fit.

The Company has in place an Enterprise Risk Management Framework. The implementation and maintenance of the Company's risk management framework is undertaken by the Risk Management Committee, comprising the senior management team, which in turn reports to the ARC on a quarterly basis on strategic business risks as well as provides updates on the risk management activities of the Company's property investment, development and management businesses and the Enterprise Risk Management implementation progress in the Company. Significant strategic risks identified are assessed, managed and monitored adequately within the Company's risk management framework. These strategic risks are also being reviewed and refreshed to ensure relevant emerging risks are being considered and included for proper assessment, monitoring and reporting as appropriate.

Having regard to the risks which the business is exposed, the likelihood of such risks occurring and the risk tolerance accepted by the Company, the internal controls structure of the Group has been designed and put in place by the Group's business units to provide reasonable assurance against material financial misstatements or loss, for the safeguarding of assets, for the maintenance of proper accounting records, for the provision of financial and other information with integrity, reliability and relevance, and in compliance with applicable laws and regulations. However, no internal controls system can provide absolute assurance in view of inherent limitations of any internal controls system against the occurrence of human and system errors, poor judgement in decision making, losses, fraud or other irregularities.

The Company's approach to risk management is set out in the "Risk Management" section on pages 56 to 59 of the AR.

As part of the internal and external audit programmes, the internal and external auditors report to the ARC any audit findings relating to internal controls, and the ARC reviews the adequacy of the actions taken by Management to address the recommendations of the internal and external auditors.

The ARC reviewed the adequacy and effectiveness of the Group's internal controls that address the Group's financial, operational, compliance and IT risks, with the assistance of the internal and external auditors and the Management.

Written assurance was received from the Group CEO and the Group CFO that:

(i) the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
(ii) the Group's risk management and internal controls systems in place were adequate and effective to address the financial, operations, compliance and IT risks in the context of the current scope of the Group's business operations.

Based on the work performed by Internal Auditors during the financial year, as well as the statutory audit by the external auditors, and the written assurance from Management, the Board, with the concurrence of the ARC, is of the opinion that the system of internal controls in place as at 31 December 2017 to address the financial, operational, compliance and IT risks are adequate and effective in the context of the current scope of the Group's business operations.

Management will continue to review and strengthen the Group's control environment and devote resources and expertise towards improving its internal policies and procedures to maintain a high level of governance and internal controls.

Principle 12: Audit & Risk Committee

Composition of the ARC

The ARC comprises three NEDs, all of whom including the chairman of the ARC are independent. The chairman of the ARC and at least one other member of the ARC, being the majority of the ARC, possess the relevant audit, accounting or related financial management and risk management expertise and experience, whilst the remaining member of the ARC possesses financial and risk management background.

With the current composition, the ARC believes that it has the relevant accounting and related financial management expertise and experience to discharge its functions within its written terms of reference which has been approved by the Board.

Based on the terms of reference of the ARC, a former partner or director of the Company's existing auditing firm or auditing corporation should not act as a member of the ARC: (a) within a period of twelve months commencing on the date of his or her ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he or she has any financial interest in the auditing firm or auditing corporation. Although two of the ARC members, namely Mr Chan Soon Hee Eric and Ms Tan Yee Peng, were previously partners of the Company's existing auditors, KPMG LLP, they have ceased to be partners more than 6 and 9 years ago, and confirmed that they do not have any financial interest in KPMG LLP. The remaining ARC member does not have any relationship with the Company's existing auditors.

Powers and Duties of the ARC

The ARC is authorised by the Board to review or investigate any matters it deems appropriate within its terms of reference and has direct and unrestricted access to the external and internal auditors. It may invite any Director, Management, officer or employee of the Company to attend its meetings. It is also authorised to engage any firm of accountants, lawyers or other professionals as it sees fit to provide independent counsel and advice to assist in the review or investigation on such matters within its terms of reference as it deems appropriate at the Company's expense.

The principal responsibility of the ARC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the adequacy and effectiveness of the Group's financial reporting process (including reviewing the accounting policies and practices of the Company and the Group on a consolidated basis) and key internal controls, including financial, operational, compliance, IT and risk management controls. Other duties within its written terms of reference include:

- to review with Management and, where appropriate, with the external auditors the significant financial reporting issues and judgements so as to ensure the integrity of the quarterly and full year financial statements of the Group to be issued by the Company before their submission to the Board and any other formal announcements relating to the Group's financial performance;
- to review annually the scope and results of the external audit and the independence and objectivity of the external auditors, and in this regard to also review the nature and extent of any non-audit services provided by the external auditors to the Group;
- to make recommendations to the Board on the nomination for the appointment, re-appointment and removal of external auditors, and to approve the remuneration and terms of engagement of the external auditors;
- to assess the role and effectiveness of the internal audit ("IA") function in the overall context of the Group's internal controls and risk management systems, and to consider the results of their review and evaluation of the Group's internal controls, including financial, operational, compliance and IT controls, and risk management policies and systems;
- to approve the appointment, resignation or dismissal of the Head of IA;
- to review interested person transactions falling within the scope of Chapter 9 of the Listing Manual; and
- to oversee the establishment and operation of the Company's whistle-blowing policy and arrangements put in place for raising concerns about possible improprieties on matters of financial reporting or any other matters.

In the review of the financial statements for the year ended 31 December 2017, the ARC has discussed with both the Management and the external auditors the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with Management and the external auditors:

Significant Matters	How the ARC reviewed these matters and what decisions were made
Valuation of development properties	The ARC considered the approach and methodology applied to the valuation model in assessing the valuation of the development properties especially on development properties with low margins. Where applicable, the ARC reviewed either the Management's or valuers' underlying assumptions on estimated future selling prices by comparing to recently transacted prices or prices of comparable properties located in the same vicinity as the Group's development projects, taking into consideration the anticipated price decline. The ARC also considered the historical accuracy of the Group's estimate of future selling prices and research analysts' expectations of price movements in assessing the reasonableness of the estimated future selling prices. The valuation of the development properties was also an area of focus for the external auditors. The external auditors have included this item as a key audit matter in their audit report for the financial year ended 31 December 2017. Refer to page 108 of this AR.
Valuation of hotel assets	The ARC considered the approach and methodology applied to the valuation model in assessing the valuation of the hotel assets. The ARC noted that more than 90% of the hotel assets relates to Millennium & Copthorne Hotels plc, a subsidiary in which the Group owns 65% and which is listed on the London Stock Exchange. From discussion with Management, the approach adopted by the management of this listed subsidiary and its external auditors included the review of the reasonableness of key assumptions used including occupancy rates, revenue room rates and discount rates used in the valuation model. The valuation of the hotel assets was also an area of focus for the external auditors. The external auditors have included this item as a key audit matter in their audit report for the financial year ended 31 December 2017. Refer to page 109 of this AR.

The ARC held six meetings during the year and carried out its duties as set out within its terms of reference. The Company Secretary maintains records of all ARC meetings including records of discussions on key deliberations and decisions taken. The ARC meets with the internal and external auditors, each separately without the presence of Management, annually.

The ARC members continually keep themselves abreast of changes to accounting standards and issues which have a direct impact on financial statements. These included the following trainings attended in 2017:

- ACRA-SGX-SID Audit Committee Seminar 2017
- SID AC Chapter Pit-Stop Series: Relevance of the Enhanced Auditor's Report to Directors, Audit Committees and Management
- SID: LCD2 Audit Committee Essentials
- ACCA Singapore Annual Conference 2017 – Innovating Business Models for a Sustainable Future
- SID: Directors' Financial Reporting Essentials
- ISCA: FRS 40: Investment Property
- Update by the Company's auditors and Management on Accounting Standards Update

For the financial year under review, the ARC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("ARC Self-Assessment Checklist").

The ARC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the ARC under its terms of reference, and also considered the contribution of ARC members to the ARC's deliberation and decision making process.

Based on the self-assessment, the ARC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

External Auditors

Taking cognisance that the external auditors should be free from any business or other relationships with the Group that could materially interfere with their ability to act with integrity and objectivity, the ARC undertook a review of the independence of KPMG LLP ("KPMG") and gave careful consideration to the Group's relationships with them during 2017. In determining the independence of KPMG, the ARC reviewed all aspects of their relationships with them including the policies, processes and safeguards adopted by the Group and KPMG to protect and preserve audit independence. The ARC also considered the nature and volume of the provision of the non-audit services in 2017 and the corresponding fees to ensure that such non-audit fees did not impair or threaten the audit independence. It was noted that the fees for non-audit services had not exceeded 50% of the aggregate amount of all fees paid/payable to KPMG in 2017. Based on the review, the ARC is of the opinion that KPMG is, and is perceived to be, independent for the purpose of the Group's statutory financial audit.

For details of the fees paid and/or payable by the Group in respect of audit and non-audit services for FY 2017, please refer to note 28 of the Notes to the Financial Statements.

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2018, the ARC had considered the adequacy of the resources, experience and competence of KPMG, and had taken into account the Audit Quality Indicators relating to KPMG at the firm level and on the audit engagement level. Consideration was also given to the experience of the engagement partner and key team members in handling the audit of multi-listed entities under different jurisdictions and in the real estate and hospitality segments. The size and complexity of the audit of the Group, and the number and experience of the supervisory and professional staff assigned were taken into account. The ARC had also considered the audit team's ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed time-lines.

KPMG has confirmed that they are registered with the Accounting and Corporate Regulatory Authority. The Company is thus in compliance with Rule 712 and Rule 715 (read with Rule 716) of the Listing Manual in relation to the appointment of its auditors.

On the basis of the above, the ARC has recommended to the Board the nomination of KPMG for re-appointment as external auditors at the 2018 AGM.

Interested Person Transactions

On 29 May 2003, the Company obtained shareholders' approval for the Company, its subsidiaries and its associated companies not listed on the SGX-ST or an approved exchange, over which the Company, its subsidiaries and/or interested persons have control, to enter into transactions within the categories of Interested Person Transactions set out in the Company's circular to shareholders dated 28 April 2003, with such persons within the class or classes of Interested Persons as described in the said circular, provided that such transactions are entered into in accordance with the review procedures set out in the said circular (the "IPT Mandate"). The IPT Mandate was last renewed by the shareholders on 25 April 2017 and given that such Interested Person Transactions are expected to occur with some degree of frequency and may arise at any time, and to allow the Group to undertake such transactions in an expeditious manner, shareholders' approval will be sought at the 2018 AGM of the Company for the renewal of the IPT Mandate.

The ARC has confirmed that an independent financial adviser's opinion is not required for the renewal of the IPT Mandate as the methods and procedures for determining the transaction prices of the Interested Person Transactions conducted under the IPT Mandate have not changed since the IPT Mandate was obtained on 29 May 2003, and such methods and procedures continue to be sufficient to ensure that these Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

Particulars of interested person transactions required to be disclosed under Rule 907 of the Listing Manual are as follows:

Interested Persons	Aggregate value of all interested person transactions in FY 2017 (excluding transactions less than $100,000 and transactions conducted under the IPT Mandate pursuant to Rule 920)	$'000	Aggregate value of all interested person transactions conducted in FY 2017 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than $100,000)	$'000
Hong Leong Investment Holdings Pte. Ltd. group of companies	Joint Venture Shareholders' Loans*	12,451	Property-related (i) Provision of cleaning services to interested persons (ii) Lease of premises to interested persons	684
	Corporate Secretarial Services Provision of corporate secretarial services to interested persons	1,364		
Directors and their immediate family members		Nil		Nil

Note:

* The figure comprises the aggregate value of shareholders' loans extended to joint venture companies involving interested persons, and where applicable, interest accrued on shareholders' loans, in FY 2017, which were announced on 5 February 2018 pursuant to Rule 916(3). The shareholders' loans referred herein have been extended by all the joint venture parties or shareholders in proportion to their respective equity interest in the joint venture and on the same terms and conditions, including the interest rate, if any, accrued or to be accrued on the shareholders' loans.

The above interested person transactions were carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders.

Whistle-blowing Policy

CDL has in place a whistle-blowing procedure where staff of the Company and other persons can raise in confidence, whether anonymously or otherwise, concerns on possible improprieties relating to accounting, financial reporting, internal controls and auditing matters or other matters without fear of reprisals in any form. The ARC has the responsibility of overseeing this policy which is administered with the assistance of the Head of IA. Under these procedures, arrangements are in place for independent investigation of such matters raised and for appropriate follow-up action to be taken.

The Company is committed to maintaining procedures for the confidential and anonymous submission of reports and the anonymity of the whistle-blower concerned will be maintained where so requested by the whistle-blower who lodged the report. Investigations of such reports will be handled on a confidential basis to the extent permissible or deemed appropriate under the circumstances, and involve persons who need to be involved in order to properly carry out the investigation and will, on a best efforts basis, be carried out in a timely manner.

In order to facilitate and encourage the reporting of such matters, the whistle-blowing policy, together with the dedicated whistle-blowing communication channels (email and postal address as well as toll-free telephone contact numbers in various countries) are available on the Company's website and intranet and is easily accessible by all employees and other persons.

The whistle-blowing policy is reviewed by the ARC from time to time to ensure that it remains current. For more information on the said policy, please refer to the Company's website at www.cdl.com.sg.

Principle 13: Internal Audit

Reporting Line and Qualification

The IA function is independent of the activities it audits. The Head of IA's primary reporting line is to the chairman of the ARC with an administrative line of reporting to the Group CEO of the Company. The appointment, resignation and dismissal of the Head of IA is reviewed and approved by the ARC. The ARC also provides input on the annual performance appraisal of the Head of IA and reviews the compensation for the Head of IA within the compensation policies established by the Company. The ARC meets the Head of IA at least once annually without the presence of Management. The Head of IA has unfettered access to the ARC, the Board and Management as well as the Group's documents, records, properties and personnel relevant for the performance of audits.

IA operates within the framework stated in its IA Charter which is approved by the ARC and reviewed on an annual basis. The standards of the IA Charter are consistent with the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The Head of IA, Mr Stephen Ching, and the Audit Managers are all Certified Internal Auditors accredited by The Institute of Internal Auditors. Processes are in place to ensure that the professional competence of the IA staff is maintained and upgraded through continuing professional education programmes which comprises technical and non-technical training for the development of the IA staff.

Role and Activities of IA

The primary role of IA is to assist the Board to evaluate the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Company, reviewing the internal controls of the Company to ensure prompt and accurate recording of transactions and proper safeguarding of assets and reviewing that the Company complies with the relevant laws, regulations and policies established by the Company.

The ARC approved the annual IA plan in February 2017 and received regular reports during 2017 on the progress of the audit work under the IA plan. All IA reports are given to the ARC, the Board Chairman, Group CEO, Group CFO and the Heads of the relevant business divisions. IA observations on control, operational and human lapses and recommendations to address them were also reviewed and discussed at ARC meetings. The ARC was satisfied that recommendations made were dealt with by the Management in a timely manner, with outstanding exceptions or recommendations being closely monitored and reported back to the ARC.

The ARC reviewed the effectiveness and adequacy of the IA function through a review of the IA activities on a quarterly basis as well as its annual assessment of the IA function. The assessment was facilitated through the use of an evaluation framework modeled on the framework recommended in the Guidebook for Audit Committees in Singapore issued in October 2008. The evaluation framework is comprehensive and covers IA organisation, resources and continuing training, audit plans work scope, quality of reports and recommendations, IA Charter and IA internal control assessment. Based on the assessment, the ARC is satisfied with the quality and effectiveness of the IA function and that the IA function is currently adequately resourced and has appropriate independent standing within the Group to perform its functions effectively.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Shareholder Rights

Being committed to good corporate practices, the Company treats all shareholders fairly and equitably. 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.

All shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules for the appointment of proxies, including information that voting will be conducted by way of poll, are set out in the notice of general meetings. In accordance with the Constitution of the Company, shareholders who are not relevant intermediaries may appoint not more than two proxies to attend, speak and vote at general meetings in their absence, and shareholders who are relevant intermediaries may appoint more than two proxies to attend, speak and vote at general meetings. The proxy forms must be deposited at such place or places specified in the notice or document accompanying the notice convening the general meetings at least seventy-two (72) hours before the time set for the general meetings.

Principle 15: Communication with Shareholders

The Company ensures that shareholders are notified of all material information in an accurate and timely manner. Should there be an inadvertent disclosure made to a select group, the Company will release the same information as promptly as possible via SGXNET. The Company notifies its investors in advance of the date of release of its financial results via SGXNET. The Company announces its quarterly and full-year results within the mandatory period. The financial statements and other presentation materials presented at the Company's general meetings, including material and price-sensitive information, are disseminated and publicly released via SGXNET on a timely basis. All shareholders of the Company receive the annual report of the Company and the notice of AGM, which notice is also advertised in the press and released via SGXNET.

Shareholders and investors can contact the Company or access information on the Company at its website at www.cdl.com.sg which has a dedicated "Investors & Media" link that provides, *inter alia*, information on the Board of Directors and Senior Management team, the Company's Corporate Governance Reports, Sustainability Reports, Annual Reports, corporate policies, corporate announcements, press releases and financial results as released by the Company on SGXNET, and other information which may be relevant to investors.

From time to time, the Board Chairman and the Company's Senior Management hold briefings with analysts and the media to coincide with the release of the Group's half-year and full-year financial results. Media presentation slides are also released on SGXNET and are available on the Company's website. A live video webcast was arranged for investors at the analysts/media briefing for the full year 2017 results in February 2018. In addition, the Management takes an active role in investor relations, meeting local and foreign fund managers regularly as well as participating in investor roadshows and conferences both locally and overseas. The Head, Investor Relations is responsible for managing the Group's investor relations programmes, including the communications with the financial community, research analysts and relevant stakeholders. Further information on the Company's investor relations policy and activities can be found on pages 60 to 61 of the AR.

The Company has formalised its dividend policy which aims to provide a return to shareholders at least once a year through the payment of dividends, after taking into account the Group's financial performance, short and long term capital requirements, future investment plans, general global and business economic conditions and any regulatory factors. The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will review the dividend policy from time to time and reserves the right to modify, amend and update the policy.

Principle 16: Conduct of Shareholder Meetings

At general meetings of the Company, shareholders are given the opportunity to communicate their views and are encouraged to ask the Directors and the Management questions regarding matters affecting the Company. The Board Chairman and the chairmen of the ARC, NC, RC and BSC and the external auditors were present at the last 2017 AGM, and will endeavour to be present at the 2018 AGM to assist the Directors in addressing queries raised by the shareholders. All Directors attended the 2017 AGM.

Shareholders are given the opportunity to vote at general meetings. However, as the authentication of shareholder identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

The Company provides for separate resolutions at general meetings on each substantial issue, including treating the election or re-election of each Director as a separate subject matter. Detailed information on each item in the AGM agenda is provided in the explanatory notes to the notice of AGM in the AR. The Company also maintains minutes of the AGM, which include the key comments and queries raised by shareholders and the responses from the Board, Management and/or the external auditors. The AGM minutes are available on the Company's website, and the Company will also furnish the AGM minutes upon request of any shareholder.

Pursuant to Rule 730A(2) of the Listing Manual, all resolutions proposed at the 2018 AGM and at any adjournment thereof shall be put to the vote by way of poll.

In support of greater transparency and to allow for a more efficient voting system, the Company has been conducting electronic poll voting instead of voting by show of hands since the 2012 AGM and would continue to do so in respect of all resolutions proposed at the 2018 AGM. With electronic poll voting, shareholders present in person or represented by proxy at the meeting will be entitled to vote on a 'one-share, one-vote' basis. The voting results of all votes cast in respect of each resolution will also be instantaneously displayed on-screen at the meeting. The detailed results setting out the number of votes cast for and against each resolution and the respective percentages would be announced via SGXNET after the 2018 AGM. The detailed procedures for the electronic poll voting would be explained at the AGM. An external firm is appointed as scrutineers for the AGM voting process, which is independent of the firm appointed to undertake the electronic poll voting process.

Corporate Values and Conduct of Business

The Board and Senior 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. The Company has in place an internal code of business and ethical conduct 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 staff 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, is available on the Company's intranet and is easily accessible by all employees.

The code provides guidance on issues such as:

- conflicts of interest and the appropriate disclosures to be made;
- the Company's stance against corruption and bribery;
- compliance with applicable laws and regulations including those relating to the protection of the environment and the conservation of energy and natural resources;

- compliance with the Company's policies and procedures, including those on internal controls and accounting;
- 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
- 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 our corporate identity and business, the Company has the following three corporate policies in place:

(i) **Anti-Corruption Policy & Guidelines** which sets out the responsibilities of the Group companies and of each employee in observing and upholding CDL's 'zero-tolerance' position against all forms of corruption, bribery and extortion and provides 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 provides guidance on actions which may constitute fraudulent conduct and highlights the importance of the implementation, maintenance and compliance with the internal controls framework of the Group and its policies and procedures.

(iii) **Competition Policy & Guidelines** which states the Company's policy to compete fairly and ethically in the conduct of business in all of our markets and provides direction and guidance to employees in their relationships and communications with competitors and customers.

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

The Company has also set out the following sustainability policies which are available on the Company's corporate website:

- **Environmental, Health & Safety (EHS) Policy** – Established in 2003, the EHS Policy sets the strategic direction for all departments and employees towards creating a "Green & Safe" corporate culture, conserving resources and preventing pollution.

- **Human Rights Policy** – Sets out the Company's commitment in upholding fundamental principles of human and workplace rights in places where the Company operates. Beyond compliance to the local government's policy and national legislation in protecting human rights, CDL is committed to respecting human rights in all aspects of its stakeholder engagement such as equitable employment practices, non-discrimination, fair welfare and compensation, as well as workplace health and safety within its developments.

- **Climate Change Policy** – In line with CDL's corporate social responsibility strategy and commitment to "Conserve as We Construct" since 1995, the Company is dedicated to achieving low carbon operations with reduction targets set at 22% in 2020 and 25% in 2030. Recognising that a sizeable proportion of the Company's carbon footprint lies outside its business operations and direct control, the Company actively engages its supply chain and stakeholders to mitigate climate impact and to add value to the communities in which the Company operates.

Internal Code on Dealings in Securities

The Company has in place an internal code on securities trading which sets out the implications of insider trading and provides guidance and internal regulation with regard to dealings in the Company's securities by its Directors and officers. These guidelines prohibit dealing in the Company's securities (a) on short-term considerations, (b) while in possession of unpublished material price-sensitive information in relation to such securities, and (c) during the "closed period", which is defined as two weeks before the date of announcement of results for the first, second and third quarter of the Company's financial year and one month before the date of announcement of the full-year financial results, and ending on the date of the announcement of the relevant results. The Directors and employees of the Company are notified in advance of the commencement of each "closed period" relating to dealing in the Company's securities. The internal code on securities trading is available on the Company's intranet and is easily accessible by all employees.

RISK MANAGEMENT

Risk management is a critical component in CDL's commitment to a high level of corporate governance and plays an integral role in its business activities and strategic planning process. Its balanced approach towards risk management focuses on ensuring continued financial soundness while remaining nimble to seize business opportunities, undertaking appropriate and well considered risks to optimise returns.

The Board has overall responsibility to ensure that the Group has the capability and necessary framework to manage risks in new and existing businesses and that business plans and strategies accord with the risks appetite that the Group undertakes to achieve its corporate objectives. The Board sets and instils the right culture in the Group for effective risk governance. To assist the Board in its risk management oversight, the Audit & Risk Committee (ARC) is authorised by the Board to provide oversight and review on matters relating to the risk management policies and systems of the Group. The ARC's risk management function is assisted by a Risk Management Committee (RMC). The RMC is chaired by the Group Chief Executive Officer, with members comprising senior management, Heads of Divisions, Business Units and Corporate Functions.

The RMC is responsible for ensuring the effectiveness of the risk management framework of the Group. Its key objective is to provide an enterprise-wide view of the risks arising from the Group's core business of property development, investment and asset management activities and a systematic risk assessment methodology for the identification, assessment, management and reporting of such risks on a consistent and reliable basis. The RMC is focused on strategic risks, financial risk, compliance risks and key operational risks whilst ensuring that the business units are tasked to develop, implement and monitor risk management policies and procedures within their day to day operations.

The Enterprise Risk Management (ERM) function partners and advises the RMC on matters relating to key strategic risks, global trends, key risk exposures and emerging risks that may require management focus and coordination. The ERM team assists the RMC in its quarterly updates to the ARC on the Group's strategic and key operational risks positions, including mitigating treatment plans and the occurrence or potential occurence of significant risk events. The ERM team also partners with the business units to strengthen the risk management process and manage regulatory compliance requirements.

The risk management principles are set out in the ERM Framework which advances a holistic, structured and consistent process for the identification, assessment, management and reporting of risks, supported by continuous training to reinforce awareness, competencies and accountabilities.

The Group recognises that risk management is an iterative process and aims to continually look for ways to improve. In an increasingly dynamic and changing business environment, the Group adopts a risk-aware culture by embedding processes to scan the environment for new and emerging risks and opportunities, and concomitantly, to maintain an understanding of existing risks.

The Group believes that having the people with the right values and risk culture is crucial for the success of risk management. The most senior executive within the Group sets the "tone from the top" towards risk management and instils an effective risk culture. The management team is continually reinforcing a risk-aware culture within the Group and cascading the ERM Framework to all levels of the Group's businesses and operations.

To promote a culture of risk awareness, accountability and ownership at all levels, Management and staff are engaged regularly on risk management related activities such as risk identification and assessment workshops, topical talks as well as Control Self-Assessment (CSA) exercises.

The Group carries out a comprehensive approach to the identification, assessment, management and reporting of risks categorised on page 57.

STRATEGIC RISKS

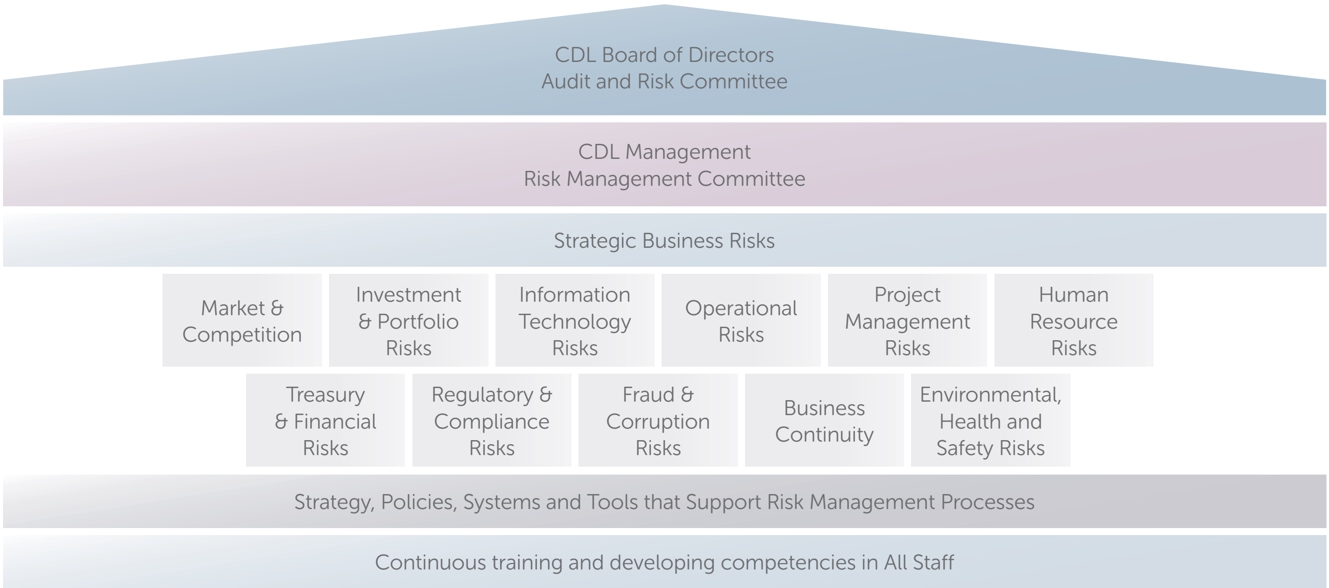
In the Group's annual risk assessment, it has identified Global Terrorism & Extremism, Cyber Security, Geopolitical & Macroeconomics and Emerging Global Trends as strategic risks that will have long term impact to its global business portfolio.

MARKET AND COMPETITION

The Group is exposed to developments and operations in major economies and key financial and property markets and remains vulnerable to external factors including uncertainties in the global economy, geo-political tensions and threats of disruptive technology in a rapidly evolving landscape. These risks are reviewed closely and regularly by the RMC, which provides leadership guidance for the Group in formulating and reviewing risk policies and tolerance in this fast pace business environment.

The Group manages its market risk by adopting a disciplined approach to financial management, and a diversified portfolio across geographies, focusing on cities where the underlying economic fundamentals are more robust. The management team works closely with the project team who studies the macroeconomic environment trends and implications on the property markets.

The Group also faces keen competition in the real estate industry. To overcome this, the Group aims to strengthen its competitiveness through product differentiation, asset enhancement initiative, operational efficiency and transformation through innovation and new platforms.



INVESTMENT AND PORTFOLIO RISKS

Risk evaluation forms an integral aspect of the Group's investment strategy. Balancing risk and returns across asset types and geographic regions are primary considerations to achieve corporate profitability and portfolio growth. With the increasing need to evaluate projects internationally, the risk assessment also includes macro and country specific risk analysis on top of project focused risk assessment, feasibility studies and sensitivity analyses of key assumptions and variables.

Each investment proposal involves rigorous due diligence and is objectively evaluated to its fit with the corporate strategy and investment objectives. Potential business synergies including collaborations are identified early to ensure business partnership objectives are well-aligned and collaboration partners are like-minded and compatible.

All major investments proposals are tabled to the Board for approval. Ongoing performance monitoring and asset management of new and existing investments are performed. This seeks to ensure that the investment portfolio creates value for its stakeholders on a risk-adjusted basis.

INFORMATION TECHNOLOGY RISKS

The Group adopts an uncompromising stand on information availability, control and governance of its critical Information Technology assets. As it looks towards leveraging its digital assets to improve operational effectiveness and increase product differentiation, cyber security has rapidly grown in importance. The Group has focused efforts towards building a strong and resilient technology platform, where critical enterprise IT systems and infrastructure are constantly monitored, and high availability and security policies are enforced.

With cyber-attacks becoming more prevalent and sophisticated, the Group adopts best practices from the industry and moving beyond technology defence and towards a more holistic and risk-based cybersecurity framework. The objective of the framework is to allow the Group a robust foundation to identify and protect its critical assets and more importantly, improve its ability to detect and respond to the relevant threats. Data recovery exercises are also carried out to ensure critical information can be made available quickly and business recovery objectives are met. Information security materials are also made available to educate employees of prevailing risks, especially in the handling of sensitive data. To further enhance its IT Risk management, the Group also engages external consultants to review and improve the Group's IT risk position.

OPERATIONAL RISKS

The risk management process has been embedded into the Group's core business operations. The respective divisions and departments are responsible for identifying, assessing, managing and reporting the operational risks areas arising from their operations and functional areas. The risk management process and system of internal controls in place includes operating, reporting and monitoring processes and procedures (such as processes involving due diligence and collation of market intelligence and feedback). These elements are critical to mitigate and monitor risks relating to product and service quality assurance, costs control, design and product innovation, market intelligence, marketing/sales and leasing, financial control and regulatory compliances in the Group's operations.

The Group's ability to deliver high quality products to its customers is a key focus in operational risk management. The emphasis towards being customer centric remains a top priority as the Group monitors customer satisfaction levels closely through surveys, feedbacks and inspections. It strives to differentiate its products through upholding high standards in product delivery, innovative design, value-added features and services as well as promoting customer loyalty through regular feedback and engagement channels.

PROJECT MANAGEMENT RISKS

A rigorous risk management process is integrated within project management to enable early risk detection and proactive management to ensure that cost control, quality and timelines are monitored closely. The Group adopts a systematic assessment and monitoring process to help manage the key risks for each project. Appropriate attention is given to technically challenging and high-value projects. Projects in each market are managed in accordance with the respective country's requirements, laws and labour practices, and where appropriate, local project management firms are engaged.

There are stringent pre-qualification procedures on the appointments of vendors, scrutinising the past performance and financial strength of the vendors. At the project execution stage, the respective technical team carries out project reviews and quality assurance programmes to closely monitor the progress and address issues involving cost, time and quality. Critical project issues are escalated to the Management for early intervention and the lessons learnt are shared across the Group. These will further strengthen its internal processes and steer project developments to be completed on time and within budget while meeting safety and quality standards as well as contract obligations.

HUMAN RESOURCE RISKS

The Group recognises Human Resource (HR) as a critical contributing factor towards the stable growth of the businesses. Efforts are taken to enhance the processes for recruitment, remuneration, training and development of employees. Identification, development and retention of talents are key areas for HR risk management. Leadership development programmes are in place to groom talent and ensure a smooth succession planning for key positions.

The implementation of its Learning Management system and Succession Planning module, coupled with career development and training programmes are part of the Group's HR strategy to improve feedback and work performance, level up competencies and increase employees' commitment. Management also supports work-life harmony programmes and family-friendly policies as part of its efforts to help employees achieve a balanced life between work and family and at the same time create a quality workplace.

TREASURY & FINANCIAL RISKS

Given the Group's diversified global business, the Group is exposed to liquidity risk, interest rate risk and foreign currency risk.

Liquidity Risk – The Group monitors its liquidity risk and maintains a level of cash and cash equivalents and credit facilities to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Group has in place various Medium-Term Note (MTN) programmes to provide a further funding avenue to support planned growth and investment opportunities.

Interest Rate Risk – The Group's exposure to market risk changes in interest rates relates primarily to its interest-bearing financial assets and debt obligations. The Group adopts a policy of managing its interest rate exposure by maintaining a debt portfolio with both fixed and floating rates of interest. Where appropriate, the Group uses interest rate derivatives to hedge its interest rate exposure for specific underlying debt obligations.

Foreign Currency Risk – The Group is exposed to foreign currency risks on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of the Group's entities. The Group manages its foreign exchange exposure by a policy of matching receipts and payments, and asset purchases and borrowings in each individual currency. Where appropriate, the Group uses forward foreign exchange contracts or cross currency swaps to manage its foreign exchange exposure.

REGULATORY & COMPLIANCE RISKS

Given the geographical diversity of the Group's operations, it is by necessity subject to various local laws and regulations of the markets it operates in. Recognising that non-compliance with these laws and regulations have potential significant reputational and fiscal impact, emphasis is placed on regulatory compliance in its operations. Compliance risks are addressed as part of the risk management framework that the Group proactively identifies which include the relevant changes to the laws and regulations and taking adequate steps to ensure continuing compliance.

FRAUD & CORRUPTION RISKS

The Group remains committed to maintaining the highest standards of integrity which are integral to its corporate identity and business and has in place a Code of Business Conduct & Ethics, Fraud Policy, Anti-Corruption Policy and Whistle Blowing Policy.

In line with this commitment to maintain high ethical standards, the Group's policy is to adopt a 'zero-tolerance' approach against all forms of corruption, bribery and extortion as iterated in the Anti-Corruption Policy. The Group also has a whistle-blowing policy to encourage the reporting of suspected misconduct by establishing a clearly defined process through which such reports can be made in confidence and without fear of reprisal.

The Group strongly believes that the actions and conduct of its employees are essential to maintaining its desired standards of business ethics. Annually, all employees sign a declaration to renew their commitment to comply to all CDL policies.

BUSINESS CONTINUITY

The Group is committed to maintaining a high level of operational resilience through its Business Continuity Plan (BCP). The intended purpose is to equip the Group with the ability to recover its operations quickly and minimise the impact on clients, operations and assets. As a Group, it is mindful of the threat of terrorism and other impactful events. Its businesses analyse and review the BCP regularly in ensuring that it is always updated and communicated to all parties. Its primary focus is to build capability to respond to crisis effectively while safeguarding its people, assets and the interests of its stakeholders.

ENVIRONMENTAL, HEALTH AND SAFETY RISKS

As a developer and major landlord with extensive operations, the Group is exposed to environmental, health and safety (EHS) risks arising from its activities. The Group has put in place strategic and concerted efforts to mitigate the impacts on the environment and on the health and safety of the Group's key stakeholders. An externally certified EHS Management System based on ISO14001 and OHSAS18001 has been established and integrated into the Group's operations in Singapore.

The significant EHS risks are:
Climate change risk – In 2015, the Company put in place a Climate Change Policy and set a carbon emission target to demonstrate its commitment to low-carbon operations. A scenario planning exercise will be conducted in 2018 to understand the materiality of climate-related impacts on its business operations.

Water risk – UNEP projected, by 2030, there will be a 40% gap between demand and supply of water globally. There is also the concern that water security can limit its business growth, especially in cities facing water stress such as London, Paris and Melbourne. In Singapore, scarcity of water remains a risk to the nation. The Company sets a water reduction target and the performance status is monitored on an ongoing basis.

Raw materials supply risk – Developing new buildings require raw materials that range from timber to steel. Within the EHS Management System, the Company has Green Procurement Policies and Guidelines that clearly state the requirement for the selection of products through sustainable sourcing. In 2017, a scenario planning exercise was conducted to understand how emerging trends present risks and opportunities to CDL's supply chain strategy.

Safety, health and well-being risk – The Group has a EHS Policy to manage occupational health and safety risks whilst promoting a healthy lifestyle and holistic wellness at its workplace. It also established a CDL 5-Star Assessment System – an independent audit tool to assess, measure and improve the contractor's onsite EHS performance.

MILLENNIUM & COPTHORNE HOTELS PLC (M&C)

The Board of M&C is accountable for carrying out a robust assessment of the principal risks facing M&C, including those affecting its customers, people, values, reputation, business model, diverse brand portfolio, future performance, solvency and liquidity. To assist the M&C Board in this task, the Board Risk Committee is tasked with reviewing the effectiveness of the M&C Group's risk management framework and overseeing the principal risks.

Below the Board Risk Committee sits the Group Management Risk Committee which is chaired by M&C's Group Chief Executive Officer, and comprising key executive personnel and supported by the head of Internal Audit. This committee provides input on, and oversight of the risk management framework.

The business functions and regional operations heads, in turn, are responsible for formally identifying and assessing the risks within their remit and measuring them against a defined set of criteria while considering the likelihood of occurrence and potential impact to M&C.

Information on M&C's principal risks and risk management can be found in its most recent annual report and accounts.

MOVING FORWARD

Due to uncertainties within its domestic and the overseas operating environments being accentuated by the rapid shift in geopolitical undercurrents, global economic growth headwinds and emerging global trends in the form of rapid digitalisation, technology disruptions and demographic shifts, the Group recognises that not all risks can be totally eliminated. It has however consciously strived and made efforts to quickly identify and minimise them to acceptable levels. The Group continues to refine and improve its risk management framework, systems and processes to achieve an acceptable balance between risk and return in an increasingly dynamic and evolving future business environment.

INVESTOR RELATIONS

CDL is committed to building investor confidence and trust, enhancing our corporate transparency through effective communication and regular interaction with our shareholders and the investment community.

INVESTOR RELATIONS (IR) POLICY

CDL's IR Policy, available on our corporate website (www.cdl.com.sg), outlines the principles and framework for the Company to provide investors, analysts and other IR stakeholders with balanced, clear and pertinent information.

BUILDING CONFIDENCE: EFFECTIVE COMMUNICATION

Ensuring timely, accurate disclosure of financial results, business strategies and performance, as well as other material information, is a key principle that the CDL IR function upholds.

The Group's quarterly financial results, presentations, annual and sustainability reports, media statements and other material announcements, are disseminated on SGXNET (www.sgx.com), and also published on the 'Investors & Media' section of our corporate website. We also leverage other communication platforms such as our quarterly publication City News (www.cdl.com.sg/citynews) and social media channels such as LinkedIn and Twitter to share updates on the Group's announcements and achievements. Investors can also sign up online for email alerts to obtain latest updates on CDL.

BUILDING TRUST: ACTIVE ENGAGEMENT

The CDL senior management and IR team engages with the investment community through various platforms such as its Annual General Meeting (AGM), post-results luncheons, non-deal roadshows, conferences, meetings and site visits. Biannual results briefings are held for covering analysts and media, with 'live' webcasts of the briefings available on our corporate website.

These platforms enable us to effectively connect with existing and potential investors, communicate our business strategy and provide regular updates on our operational performance, market conditions and outlook. Through open dialogue at these sessions, we obtain a deeper understanding of investors' concerns and feedback on business strategy.

In 2017, CDL senior management and IR team met with over 200 institutional shareholders and potential investors from Singapore, Malaysia, Hong Kong, Japan, United Kingdom and United States. In addition, we hosted around 20 site visits to our developments in Singapore, China and UK for fund managers and analysts.

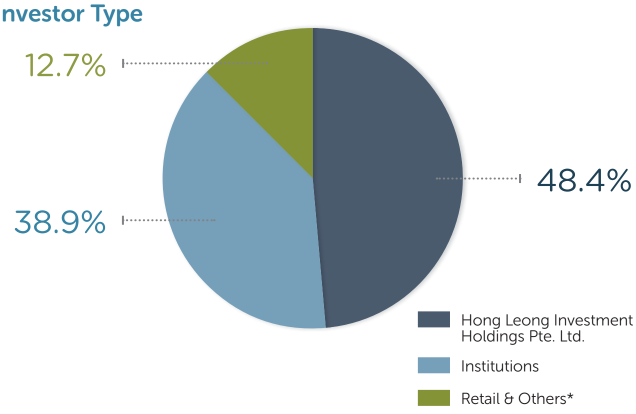
Beyond facilitating corporate access for investors, the IR team also maintains regular communication with over 20 sell-side research analysts that cover our stock. Each year, CDL Analyst Social events are held at our new projects. The events provide sell-side analysts the opportunity to engage in open interaction with CDL's senior management under a less formal setting.

SHARE OWNERSHIP

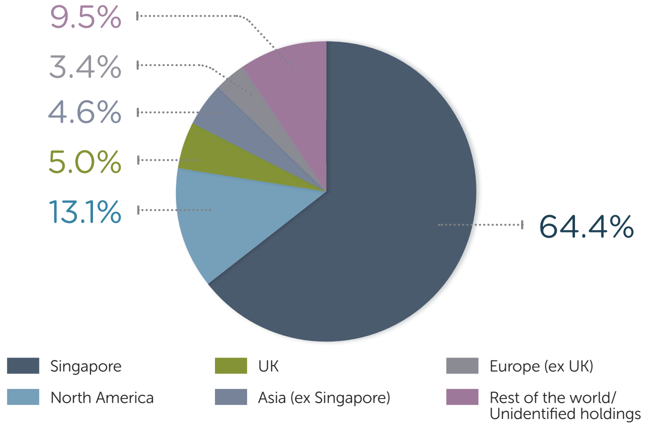
As at 31 December 2017

Total 909.3 MILLION SHARES

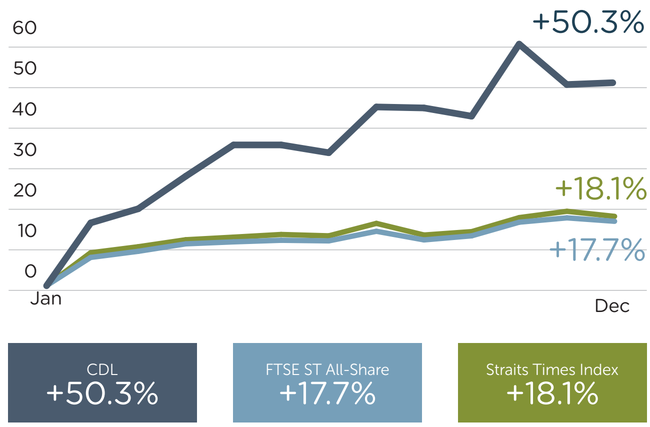
Investor Type



Geographic Distribution



2017 SHARE PRICE PERFORMANCE



For our continued pursuit to improve on our IR engagement, we are honoured to have been accorded the Best IR Gold Award at the Singapore Corporate Awards 2017, in addition to being the inaugural winner of the Shareholder Communications Excellence Award (Big Cap Category) at the Securities Investors Association of Singapore (SIAS) 18th Investors' Choice Awards 2017.

The Group's share price recorded a strong performance in 2017, closing at $12.49 – a 50.3% increase from the start of the year. Taking into account the total dividend of 18 cents per share declared for FY 2017, CDL's Total Shareholder Return (TSR) for the year was 53.0%.

2017 INVESTOR RELATIONS CALENDAR

		Location
January – March	DBS Vickers Securities Pulse of Asia Conference 2017	Singapore
	CDL FY 2016 Financial Results Briefing to Media & Analyst – Live Webcast	Singapore
	Post FY 2016 Results Luncheon hosted by Bank of America-Merrill Lynch	Singapore
	Non-Deal Roadshow hosted by HSBC	Hong Kong
	CDL Analyst Social at South Beach	Singapore
April – June	CDL 54th Annual General Meeting	Singapore
	Deutsche Bank 8th Annual dbAccess Asia Conference 2017	Singapore
July – September	CDL 1H 2017 Financial Results Briefing to Media & Analyst – Live Webcast	Singapore
	Post 1H 2017 Results Luncheon hosted by Credit Suisse	Singapore
	Macquarie ASEAN Conference 2017	Singapore
October – December	SGX – Credit Suisse Real Estate Corporate Day 2017	Singapore
	Post Q3 2017 Results Luncheon hosted by UBS	Singapore
	Morgan Stanley 16th Annual Asia Pacific Summit	Singapore

CALENDAR OF FINANCIAL EVENTS

FINANCIAL YEAR ENDED 31 DECEMBER 2017

Date	Event
	Announcement of Results:
11 May 2017	Announcement of First Quarter Results
11 August 2017	Announcement of Second Quarter and Half Year Results
9 November 2017	Announcement of Third Quarter and Nine-Month Results
28 February 2018	Announcement of Fourth Quarter and Full Year Results
	Books Closure and Dividend Payment Dates:
7 June 2017	Books closure date for Preference Dividend^
30 June 2017	Payment of Preference Dividend^
22 August 2017	Books closure date for Special Interim Ordinary Dividend
13 September 2017	Payment of Special Interim Ordinary Dividend
7 December 2017	Books closure date for Preference Dividend^
2 January 2018	Payment of Preference Dividend^
3 May 2018	Books closure date for proposed 2017 Final and Special Final Ordinary Dividends*
23 May 2018	Proposed payment of 2017 Final and Special Final Ordinary Dividends*
	Shareholders' Meeting:
25 April 2018	55th Annual General Meeting

Notes:

^ The Preference Dividend is paid semi-annually in arrears.

* The declaration and payment of the 2017 Final and Special Final Ordinary Dividends are subject to approval of Ordinary shareholders at the 55th Annual General Meeting.

FINANCIAL YEAR ENDING 31 DECEMBER 2018

Date	Event
	Announcement of Results:
May 2018	Proposed Announcement of First Quarter Results
August 2018	Proposed Announcement of Second Quarter and Half Year Results
November 2018	Proposed Announcement of Third Quarter and Nine-Month Results
February 2019	Proposed Announcement of Fourth Quarter and Full Year Results
	Shareholders' Meeting:
April 2019	56th Annual General Meeting

SUSTAINABILITY BOARD STATEMENT

In 2017, significant progress was achieved for climate action. 173 nations ratified the Paris Agreement and at the United Nations (UN) Framework Convention on Climate Change (COP 23) there was considerable focus on businesses and cities combating climate change.

Globally, investors are also increasingly cognizant of the impact of climate-related risks. In June 2017, the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) issued guidelines for investors and insurers on the climate-related risks of their investments. The UN Sustainable Stock Exchanges Initiative network grew to 68 partner exchanges, including the Singapore Exchange (SGX) which made sustainability reporting for FY2017 mandatory for listed companies based on the 'comply or explain' approach.

Sustainably managed global assets reached nearly US$23 trillion in 2016[1], a 25% increase from 2014 and green finance has increased exponentially. Global green bond issuance hit a record US$155.5 billion in 2017, and is estimated to reach up to US$300 billion in the year ahead[2].

In Asia, sustainable investing is given a push by the rapid introduction of stewardship codes, including the Singapore Stewardship Principles for responsible investors introduced in November 2016. More investors and financiers factor sustainability into their investment decisions and are increasingly rewarding companies with good Environmental, Social and Governance (ESG) performance.

2017 IN REVIEW

- **CDL Future Value 2030 Sustainability Blueprint**
  Established in 2017, the blueprint encapsulates CDL's sustainability commitment and best practices of over 20 years, and sets out long term ESG goals and targets that are material to CDL's business, while aligning with the global climate agenda and Sustainable Development Goals (SDGs).

- **First Green Bond**
  CDL issued its inaugural Green Bond – a first by a Singapore company, in April 2017. It provided CDL with an alternative financing stream by tapping on investors supportive of CDL's long-standing green building commitment.

- **Singapore Sustainability Academy (SSA)**
  CDL opened the zero-energy SSA on 5 June 2017, in partnership with the Sustainable Energy Association of Singapore (SEAS). Supported by six government agencies and 15 industry and non-governmental organisations (NGO) partners, the SSA is the first major facility in Singapore dedicated to thought leadership on sustainability and capacity building through training and advocacy to benefit the wider community. The SSA also supports the SDGs through cross-sectoral partnerships and programmes.

- **Supply Chain Scenario Planning Exercise**
  The exercise was conducted to identify risks and opportunities that emerging trends may present to CDL's supply chain and the strategies moving forward. In preparation for Singapore's upcoming carbon tax regime in 2019, CDL completed an internal carbon pricing study to mitigate the potential business impact.

- **Diversity on the Board**
  A formal Board Diversity Policy was adopted, setting out a clear policy and framework for promoting diversity on CDL's Board. Ms Tan Yee Peng, an independent non-executive female director, was appointed to the Nominating Committee, a testament to the Company's commitment to promote diversity, especially gender diversity, on its Board. The Nominating Committee also approved the target of having women make up 20% of the Board by 2020, as recommended by the Diversity Action Committee Singapore.

- **Gender Diversity and Empowerment**
  A Diversity and Inclusion Task Force was formed to promote awareness and adoption of diversity and inclusion within CDL and the larger community. CDL Group CEO Mr Sherman Kwek joined over 1,600 leaders globally in supporting the Women's Empowerment Principles developed by the UN Women and UN Global Compact. At the SSA's launch, CDL also initiated Women4Green, the first Singapore network to celebrate, inspire and empower women to create a financially, environmentally and socially sustainable future.

- **Recognition on Global Sustainability Indices and Rankings**
  CDL was listed on 13 leading global sustainability benchmarks including the FTSE4Good Index Series (since 2002), MSCI ESG Leaders Indexes (since 2009) – highest AAA rating, Global 100 Most Sustainable Corporations in the World (since 2010) and Dow Jones Sustainability Indices (since 2011). CDL was also ranked the Regional Sector Leader (Office Sector) in the 2017 Global Real Estate Sustainability Benchmark, attained Leadership level for its 2017 carbon disclosures with CDP, and it was the only real estate management and development company on the inaugural sector-neutral Bloomberg Gender Equality Index announced in January 2018.

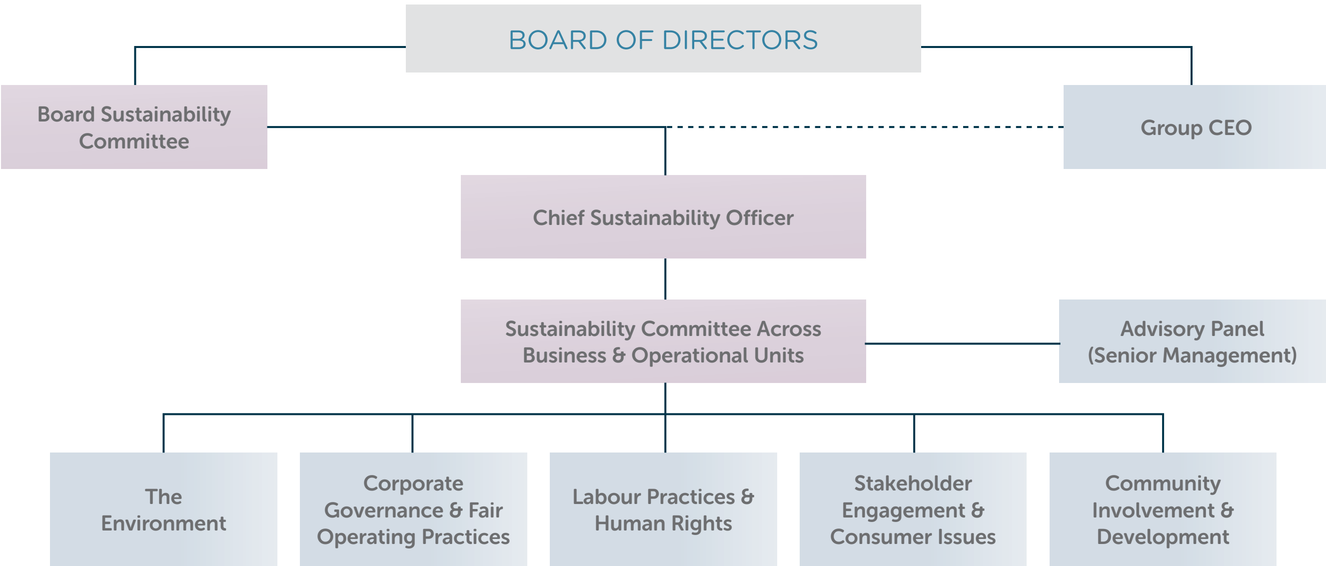
[1] Global Sustainable Investment Review 2016 by the Global Sustainable Investment Alliance
[2] Report by Climate Bonds Initiative released in January 2018

CONTINUED LEADERSHIP COMMITMENT TO SUSTAINABILITY

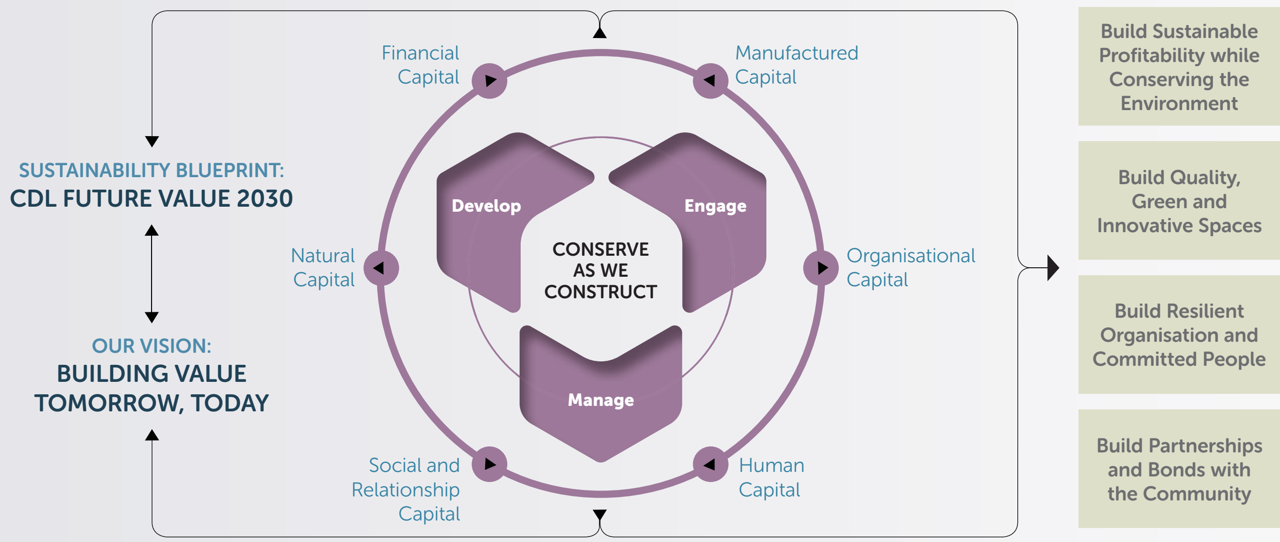
Since 2008, a company-wide operational-level Sustainability Committee was set up to drive ESG practices across all departments within CDL. Above it is the Board Sustainability Committee which advises on CDL's sustainability strategy and reviews sustainability plans and performance.

From February 2018, the Board Sustainability Committee will play a bigger role in advancing CDL's sustainability leadership. CDL's Sustainability function will report directly to the Committee and administratively to the Group CEO.

Sustainability Committee Structure (As of February 2018)



CDL's Value Creation Model



Voluntary Digital Quarterly Report

Through a quarterly Sustainability Report launched in July 2017, CDL has voluntarily tracked and disclosed its progress towards the targets under the CDL Future Value 2030 blueprint. This provides more regular and timely review of ESG performance against the committed targets, and more prompt and transparent disclosure to investors and stakeholders.

CDL's 2017 progress on its 2030 goals and targets can be found on page 67 to 68 .

STRATEGIC MANAGEMENT OF MATERIAL ESG ISSUES

Following its last materiality assessment in 2014, CDL did a robust study amongst key stakeholders in November 2017, to reassess and prioritise material ESG issues. The findings helped CDL to fine-tune its sustainability strategy, programmes and reporting scope.

- STAGE 1 Identification of ESG issues
- STAGE 2 Prioritisation with Stakeholders
- STAGE 3 Validation by Expert Panel
- STAGE 4 Senior Management Review
- STAGE 5 Board Sign-off

Using a comprehensive five-stage framework, an independent sustainability consultant obtained feedback from more than 160 internal and external stakeholders on ESG issues that are of most relevance and concern to them. 13 critical and highly material issues were prioritised and further validated by experts from the International Integrated Reporting Council (IIRC), World Green Building Council and National University of Singapore (NUS)'s Asia-Pacific Centre for Environmental Law.

CDL MATERIAL ESG ISSUES, RISKS AND OPPORTUNITIES

A disconnection between sustainability and risk management can lead to strategic and operational risks, as well as missed opportunities for growth. CDL's stakeholder engagement and materiality assessment complements its Enterprise Risk Management (ERM) in the identification and assessment of ESG risks and opportunities. CDL will continue to monitor and review the risks and mitigating controls in line with emerging global trends and evolving business landscape.

CDL's Material ESG Issues	Risks	Opportunities	Supporting SDGs
Innovation	CDL's business can be outpaced, if its services and products are not relevant in this age of technological disruptions.	Innovation is key to driving CDL's business to the next level. In 2017, an Enterprise Innovation Committee (EIC) was formed to study and adopt initiatives to differentiate CDL's value proposition and offerings.	9 Industry, Innovation and Infrastructure 11 Sustainable Cities and Communities 15 Life on Land
Energy Efficiency and Renewable Energy	From 2019, Singapore will impose a carbon tax of S$5 for each tonne of carbon emissions on large direct emitters, which will likely increase electricity charges and operational costs for CDL. More countries are also expected to capture the external costs of carbon emissions and in CDL's key overseas markets – China, UK / Europe, Japan and Australia, the carbon pricing ranges from US$1 to US$33 per tonne of carbon emissions.	CDL can leverage its green building track record and expertise to minimise energy use in all stages of a building's life-cycle, maximise inbuilt and natural efficiencies, minimise embodied resources, and raise renewable energy consumption in the design and construct of new buildings. Existing buildings can be upgraded and retrofitted with energy-efficient features. In 2017, CDL launched its inaugural green bond to repay a loan which financed Republic Plaza's retrofit and upgrade projects. Beyond brick and mortar, CDL can influence building users to adopt sustainable lifestyles (e.g. providing charging stations for electric vehicles at carparks and cultivating good energy-saving habits).	7 Affordable and Clean Energy 9 Industry, Innovation and Infrastructure 12 Responsible Consumption and Production 13 Climate Action
Product Quality and Responsibility	Failure to meet customers' expectation on quality and responsibility will affect reputation and sales. CDL prioritises innovative, green and safe designs, with high standards of workmanship and functionality, by voluntarily subscribing to the BCA Construction Quality Assessment System (CONQUAS). For quality assurance, CDL targets to rectify defects reported at new developments within 30 days.	CDL's stringent quality assurance processes are benchmarked against all industry standards. Its robust evaluation of partners ensures its internal quality KPIs are maintained or exceeded. For five consecutive years, CDL has been recognised as one of the highest CONQUAS scoring property developers, exceeding the average industry score. This has differentiated CDL's products and enhanced stakeholders' confidence in CDL.	9 Industry, Innovation and Infrastructure 11 Sustainable Cities and Communities 12 Responsible Consumption and Production 15 Life on Land

CDL's Material ESG Issues	Risks	Opportunities	Supporting SDGs
Occupational Health, Safety and Well-being	The safety, health and well-being of employees and workers may affect their performance and productivity. It is therefore important to manage occupational health and safety risks whilst promoting healthy lifestyles and holistic wellness at the workplace. As most activities at construction sites and managed buildings are carried out by contractors, CDL has also extended its safety and health risk management efforts to cover its contractors.	CDL advocates a safe, healthy and conducive work environment as this has a positive impact on operational performance and productivity. In 2017, CDL implemented an integrated ISO14001 and OHSAS18001 EHS Management System (EHSMS) across all its key operations in Singapore, to effectively manage the safety, health and well-being of its employees and workers. The Company also continues to implement the CDL 5-Star EHS Assessment System, an independent audit tool established since 2005, to monitor contractors' onsite EHS performance.	8 DECENT WORK AND ECONOMIC GROWTH
Anti-Corruption	CDL has a zero-tolerance policy towards fraud and corruption, and whistle-blowing procedures for employees and other persons to raise in confidence concerns of possible improprieties.	CDL's zero-tolerance policy towards fraud, bribery and corruption provides assurance to all its stakeholders including investors and customers. Currently, CDL has benchmarked its practices with the SS ISO37001 to ensure that the gaps are narrow and in accordance to industry practices.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Business Ethics and Compliance	Legal non-compliances may result in fines and non-financial sanctions which impact operations and affect CDL's reputation. Failure to comply with local and international laws will also threaten CDL's license to operate in those markets. Within the EHSMS, the applicable legal requirements are regularly monitored and evaluated for compliance. Incentives and penalties have also been implemented to improve and tighten contractors' site management.	CDL firmly believes in establishing long-lasting trust with stakeholders, and conducts its business ethically and fairly. The Company continuously validates business processes and benchmarks them to industry best practices.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Climate Change	The impacts of climate change are global, and can be felt in many sectors of the economy. Its physical and financial implications will manifest in the short and long term. This presents CDL with the challenge of protecting its current assets, and adapting and evolving its business model.	In addition to the existing application of energy-efficient fittings and technologies, CDL has been looking into the greater adoption of renewable energy, which is rapidly declining in cost. This will provide CDL the opportunity to re-engineer its business model to help cities adapt to climate shock and remain resilient against increasingly frequent and severe environmental disasters. CDL has been committed to green buildings for over a decade. Moving forward, CDL will push the envelope in innovative building designs, and sustainable construction technologies and materials, to enhance its developments' resilience against climate change. CDL has adopted a formalised Climate Change Policy since 2015. In 2017, CDL raised its carbon emission reduction target from 25% to 38% by 2030 against 2007 levels using the Sectoral Decarbonisation Approach (SDA). The Company will further review and raise its carbon emission reduction targets in 2018, which will be assessed and validated by the Science Based Target Initiative (SBTi). In addition, the Company can build upon its long-standing partnership with research institutions (e.g. National University of Singapore), trade and industry associations (e.g. Singapore Green Building Council), and global thought leadership organisations (e.g. UN Environment Programme (UNEP) – Finance Initiative) to explore new frontiers in innovation and sustainable investing. CDL also supported the Solar Energy Research Institute of Singapore's (SERIS) research project on cost-effective high-power density Building-Integrated Photovoltaics (BIPV) modules.	13 CLIMATE ACTION

CDL's Material ESG Issues	Risks	Opportunities	Supporting SDGs
Cyber Security and Data Governance	CDL's Information Systems department constantly scans for cyber security trends to ensure that cyber risks are mitigated effectively. CDL is also mindful of its obligation to and regulatory compliance with Personal Data Protection Act (PDPA).	CDL's holistic approach encompassing the whole organisation and robust IT security measures also enhances its market standing. The Company's IT response plans are being tested by independent external and internal auditors and benchmarked against best industry practices.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Product Safety and Customer Well-being	CDL recognises its legal obligation and contractual responsibility to ensure the safety of the occupants at its residential, office, commercial and industrial developments. Where their health and safety are affected, customers have the right to seek redress. Regulations are expected to be tightened in the near term following the Grenfell Tower, West London and Dubai Torch Tower incidents in 2017, and after 36 buildings in Singapore were found to use non-compliant cladding, including an industrial complex where a lethal fire broke out in May 2017.	To ensure compliance and prevent latent defects, CDL identifies design risks and assesses the severity of environmental, health and safety impacts throughout the design and construction stages of its developments. For tenants at its commercial and industrial buildings, CDL sets internal key performance indicators for critical safety services, such as response time to attend to trapped passengers in lifts. In 2017, CDL partnered with SGBC and BCA to hold the inaugural Better Places for People event for tenant engagement.	8 DECENT WORK AND ECONOMIC GROWTH
Responsible Supply Chain and Sourcing	The use of virgin materials can impact the environment and human health. CDL is mindful that its procurement of raw materials impacts non-renewable resources, and human rights across the supply chain.	A responsible supply chain is also a resilient one, enabling CDL to swiftly adapt to external challenges such as weather impacts and an aging workforce to maintain business continuity. CDL can establish mutually beneficial relationships with trusted and credible suppliers to create high quality, cost-effective reliable products. Within its EHSMS, CDL has Green Procurement Policies and Guidelines that clearly state its requirements for sustainable sourcing.	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Talent Attraction, Retention and Development	The loss of talent will impact the Company's daily operations and ability to sustain growth. Identification, development and retention of talent are key aspects of CDL's human capital risk management.	CDL focuses on human capital development and growth, and empowers employees to be innovative. This helps to drive service and product differentiation.	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
Water Management and Efficiency	The UNEP projected that by 2030, there will be a 40% gap between demand and supply of water globally. CDL faces the challenge of securing long-term reliable supplies of clean water at a reasonable cost. Water security can also limit CDL's growth, especially in cities facing water stress such as London, Paris and Melbourne. In Singapore, water prices were raised for the first time in 17 years, by 30% over two years from 2017, which will affect CDL's bottom line.	As the water market grows and novel technologies become readily available at declining costs, CDL can take advantage of the new technologies and solutions to reduce fresh water consumption, increase reuse and recycling of wastewater, and improve the quality of treated wastewater. CDL's developments are designed with a strong focus on water sustainability throughout the lifecycle of the asset.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

CDL FUTURE VALUE 2030 GOALS, TARGETS AND PROGRESS

Legend: Progress Tracking

○ ○ ● Meet interim targets, maintain performance towards meeting 2030 targets

○ ● ○ Fall short of interim target for one year; review current practices

● ○ ○ Fall short of interim target for more than two consecutive years; review and revise targets (if necessary)

Future Value 2030 Goals	2030 Targets (Effective from 2017)	Interim Annual Targets for 2017	FY2017 Performance
Goal 1: Building Sustainable Cities and Communities	Achieve Green Mark certification for 80% of CDL owned and/or managed buildings	≥75%	○ ○ ● 75% achieved
	Maintain 100% tenant participation in CDL Green Lease Partnership Programme	Achieve 100%	○ ○ ● 100% achieved
	Double CDL's commitment to adopt innovations and technology of green buildings	Average of two innovations or new technology adoptions per year	○ ○ ● Two innovations achieved 1) Built the zero-energy SSA 2) Issued the first Green Bond by a Singapore company
	Double resources devoted to advocacy of sustainability practices, stakeholder engagement and capacity building	Establish baseline: ≥100 training programmes and events held in SSA per year	○ ○ ● 71 programmes and events since launch
Goal 2: Reducing Environmental Impact	Achieve science-based target of reducing carbon emissions intensity by 38% from 2007 levels	19% reduction	○ ○ ● 32.8% reduction Review in progress to raise target and align CDL's carbon strategy using science-based approach
	Reduce energy usage intensity by 25% from 2007 levels	17% reduction	○ ○ ● 27.3% reduction Review in progress to raise target and align CDL's energy strategy using science-based approach
	Reduce water usage intensity by 25% from 2007 levels	17% reduction	○ ● ○ 7.3% reduction The lower than expected % reduction was due to a higher number of developments that attained or are about to attain Temporary Occupation Permit (TOP) in 2017 and early 2018, which require higher water consumption for unit hand over.
	Reduce total waste intensity by 50% from 2016 levels	10% reduction	○ ● ○ 8.0% reduction Review in progress to step up waste minimisation and recycling practices
	Ensure 100% of appointed suppliers are certified by recognised environmental, health and safety (EHS) standards	Achieved 100% for suppliers appointed by Projects Division	○ ● ○ 97% of builders and consultants for Projects Division have obtained ISO14001 and/or OHSAS18001 certifications
	Ensure that 50% of construction materials are derived from recycled content, low-carbon sources or certified by recognised environmental organisations	≥35% by weight (for new projects awarded from 2016 onwards)	○ ○ ● At least 42% sustainable building materials, by weight, were designed for Forest Woods condominium, which started construction in 2017

Future Value 2030 Goals	2030 Targets (Effective from 2017)	Interim Annual Targets for 2017	FY2017 Performance
Goal 3: Ensuring Fair, Safe and Inclusive Workplace	Maintain Zero corruption and fraud incident across CDL's core operations	Zero	Zero corruption and fraud incident
	Maintain Zero fatality across CDL's operations and direct suppliers in Singapore	Zero	Zero fatality
	Maintain Zero occupational disease across CDL's operations and direct suppliers in Singapore	Zero	Zero occupational disease
	Maintain Zero Accident Frequency Rate (AFR)[1] for employees within CDL premises	≤1.7	1.2 AFR One reportable incident[2] took place within CDL premises and one outside
	Maintain AFR of 1 or less for direct suppliers at CDL construction sites	≤1.7 * Based on 2016 Construction Industry AFR[3]	0.1 AFR One reportable incident
	Maintain AFR of 1 or less for direct suppliers at CDL managed properties	≤1.7 * Based on 2016 Real Estate Services Industry AFR[3]	1.1 AFR Two reportable incidents

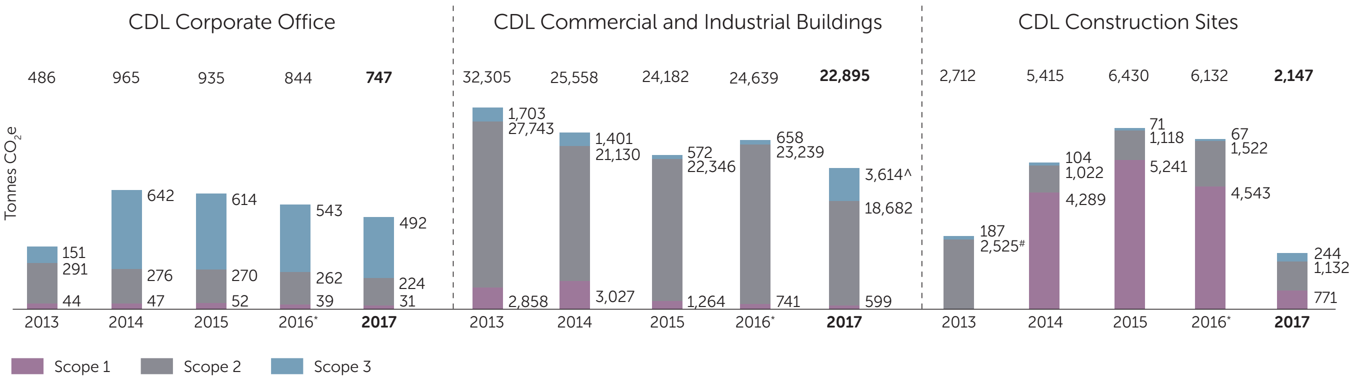
Note:
[1] Accident Frequency Rate (AFR) refers to the number of workplace accidents per million manhours worked.
[2] Reportable incident refers to work-related accident, workplace accident, dangerous occurrence and occupational disease that require statutory reporting to the Ministry of Manpower (MOM), as mandated by the Singapore Workplace Safety and Health (WSH) Act.
[3] Based on statistics provided by WSH Institute.

ENVIRONMENTAL IMPACT AND PERFORMANCE

For more than two decades, CDL upheld its unwavering commitment to environmental management and resource efficiency to reduce its environmental footprint. Driven by its ethos of "Conserving as we Construct", a host of policies and practices were put in place to mitigate environmental impact and aimed at maintaining a strong natural capital for CDL as the business grows.

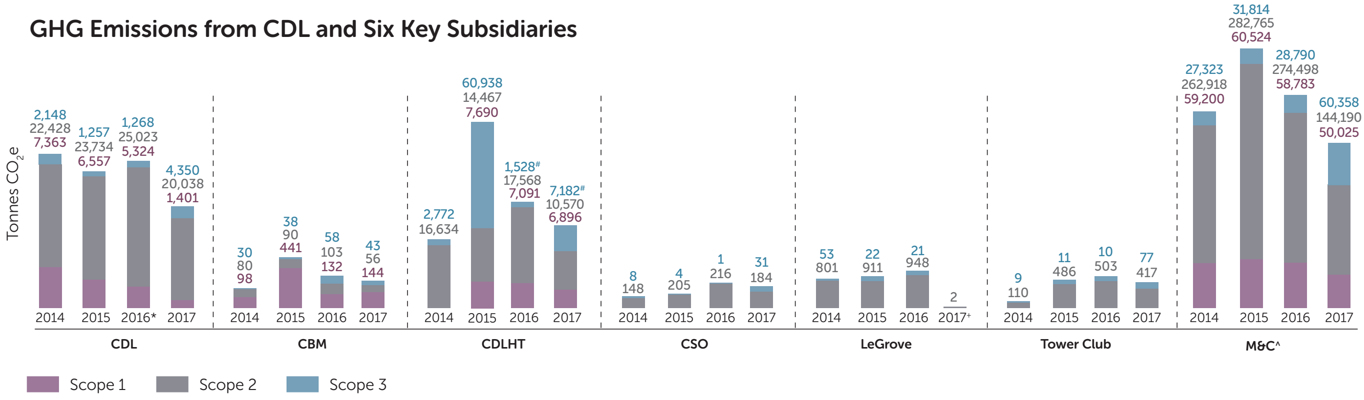
More information on CDL's environmental management strategy and initiatives can be found on CDL's dedicated sustainability microsite: www.cdlsustainability.com.

GHG Emissions from CDL's Core Business: Corporate Office, Managed Properties, Development Projects



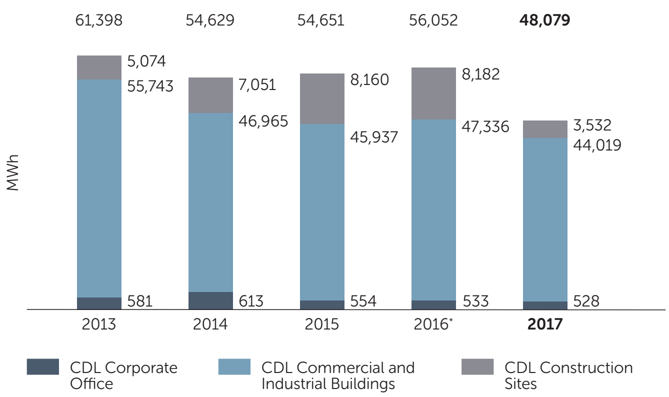
* The 2016 data were restated following external verification.
^ Electricity upstream fugitive methane emission of 2854 tCO_2e, previously included under scope 2, has been moved to scope 3.
\# Before 2014, scope 1 and 2 emissions were reported collectively.

GHG Emissions from CDL and Six Key Subsidiaries



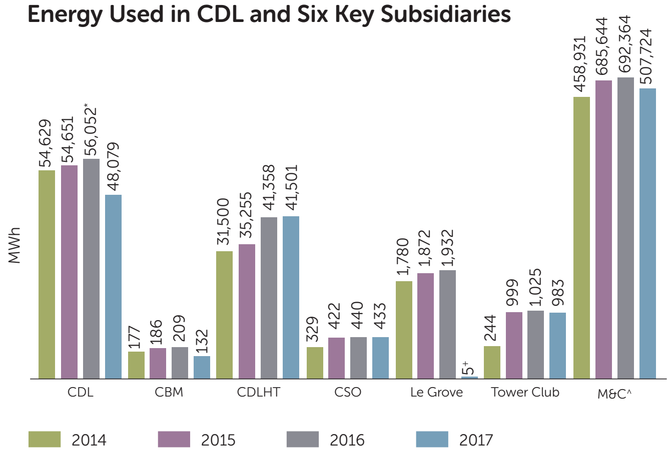
* CDL 2016 data were restated following external verification.
\# CDLHT scope 3 excluded emissions from waste disposed.
\+ Data represents Le Grove Office only. Le Grove Serviced Apartments were closed for renovation from Dec 2016 to Jul 2018.
^ Oct – Sep data. 2015 and 2016 data restated based on M&C Annual Report 2016. 2017 data provided by M&C excluded MENA.

Energy Used in CDL's Core Business: Corporate Office, Managed Properties, Development Projects



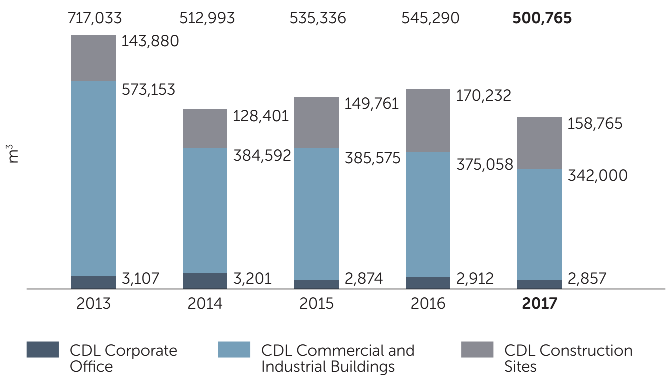
* 2016 data were restated following external verification.

Energy Used in CDL and Six Key Subsidiaries



* CDL 2016 data were restated following external verification.
\+ Data represents Le Grove Office only. Le Grove Serviced Apartments were closed for renovation from Dec 2016 to Jul 2018.
^ Oct – Sep data. 2015 and 2016 data restated based on M&C Annual Report 2016. 2017 data provided by M&C excluded MENA.

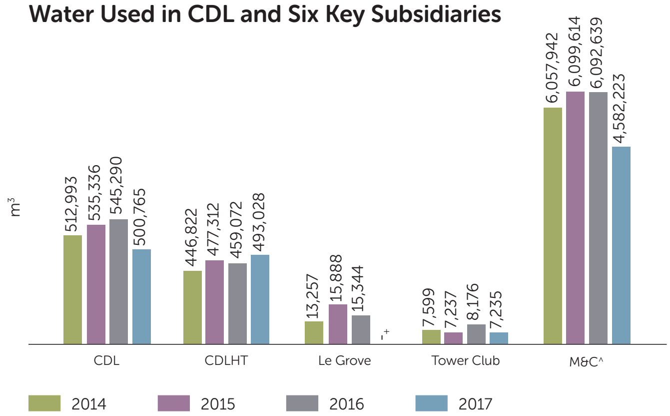
Water Used in CDL's Core Business: Corporate Office, Managed Properties, Development Projects



Note:

- It should be noted that the water used is potable water only. Industrial grade NEWater is not included in the amount of water used.
- Corporate Office water usage is also included and reported in the CDL Commercial and Industrial Buildings water usage.

Water Used in CDL and Six Key Subsidiaries



\+ No water data. Le Grove Serviced Apartments were closed for renovation from Dec 2016 to Jul 2018.
^ Oct – Sep data. 2016 data restated based on M&C Annual Report 2016. 2017 data provided by M&C excluded MENA.

SOCIAL IMPACT AND PERFORMANCE

Human Capital

People are an organisation's greatest asset, and the driving force behind CDL's long-term success. Professional ethos, skill sets and performance of its people are key to the Company's performance and financial sustainability. CDL believes in building engaging careers where employees can grow with the company. CDL's Human Resource policies and practices foster an inclusive and supportive workplace for employees' development and well-being to drive dedication, productivity and performance for organisational excellence and business growth.

CDL is a signatory with the Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP), and is committed to fair and progressive human resource (HR) practices. In 2017, CDL was recognised as a pioneering Human Capital Partner by TAFEP, for its continued commitment to invest in equitable human capital.

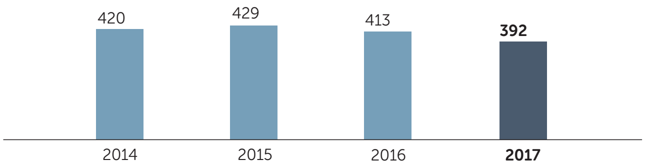
Job Creation and Employment

In 2017, the CDL Group provided employment for more than 15,000 employees worldwide. As at end of 2017, CDL's corporate office headquartered in Singapore had a workforce of 392 employees.

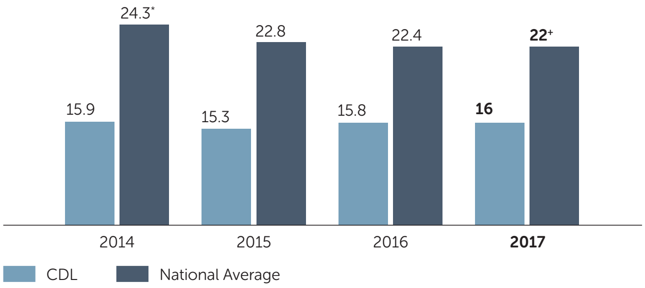
Employee Retention

CDL's successful employee engagement is evident from its employees' length of service. The average tenure of its employees is about 9.4 years and more than 56% of its employees have been with CDL for more than five years. CDL's employee turnover rate of 16% continued to remain significantly lower than the national average of 22% in 2017.

Total Number of Employees at CDL's Corporate Office



Employee Turnover Rate (%) at CDL's Corporate Office



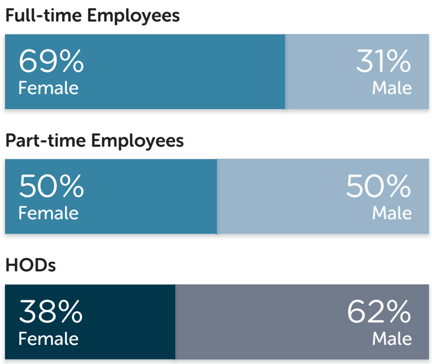
* Computation of annual employee turnover is based on cumulative monthly attrition rate derived from the number of resignations for the month / headcount for the month found on the MOM website.
\+ Using National Average as at 2017 found on MOM website

Diversity and Inclusion

CDL firmly believes that having an inclusive culture is important for its business and provides equal opportunities for all employees without discrimination. CDL's recruitment process adheres to the strict guidelines on non-discrimination and fairness, regardless of gender, ethnicity, religion, or age.

With women making up about 69% of CDL's workforce and 38% of its heads of departments (HODs), empowering women in the workplace and supporting their pursuit for career and personal development are vital to CDL's success. In 2017, CDL formed an internal Diversity and Inclusion Task Force to promote the awareness and adoption of diversity and inclusion within its workplace and the wider community.

Gender Diversity at CDL's Corporate Office



CDL Group CEO Mr Sherman Kwek, who is a member of SGX's Diversity Action Committee, with some of CDL's key female management reps. From left to right (Seated): Ms Catherine Loh, Head of Corporate Secretariat, Ms Yiong Yim Ming, Group Chief Financial Officer, Ms Esther An, Chief Sustainability Officer. (Standing): Ms Ong Siew Toh, Head of Group Reporting, Ms Sharifah Shakila Shah, Head of Legal, Ms Lee Mei Ling, Head of Sales & Marketing, Ms Belinda Lee, Head of Investor Relations & Corporate Communications.

CDL's efforts in advancing gender diversity have won recognition as the only real estate management and development company to be included in the inaugural sector-neutral Bloomberg Gender Equality Index 2018.

Training and Development

In 2017, CDL invested over $270,000 and clocked over 15,000 hours in training and development before any governmental funding. Over 50% of CDL's workforce achieved an average of four training days or more per employee.

More details on CDL's HR policies and practices, including Human Rights, Remuneration, Talent Development and Retention, can be found on www.cdlsustainability.com.

Health and Safety (H&S)

In 2017, there was zero fatality and occupational disease involving CDL employees across its core operations in Singapore. However, there were two reportable injuries, of which one occurred outside CDL premises.

As a strong advocate of safety and health across its value chain, various safety initiatives and engagement programmes that helped ensure zero fatality and occupational diseases were implemented at CDL's construction sites in 2017.

CDL's 2017 progress on H&S goals and targets across its operations in Singapore is reported on page 68. More details on its H&S policies and management can be found on www.cdlsustainability.com.

Community Investment

Over the years, CDL has gone beyond shaping cityscapes to contributing towards community building, to generate strong social capital and goodwill in the communities that CDL operates in. By actively initiating and supporting sustained outreach programmes in four focus areas – environmental conservation, youth development, the arts, and caring for the less fortunate – CDL aims to deliver a lasting and positive impact in the communities it operates in.

Influencing CDL's Value Chain

Better Places for People Initiative
CDL partnered the Singapore Green Building Council and Building and Construction Authority to hold Singapore's first tenant-focused event to raise awareness of the health, well-being and productivity benefits generated by green and low-carbon offices. The inaugural session supported the World Green Building Council's 'Better Places for People' initiative to benefit close to 100 tenants, occupants and partners from the public and private sectors.

13th CDL 5-Star EHS Awards and EHS Cup
Established in 2005, the annual CDL 5-Star EHS Awards recognise exemplary builders and workers who have excelled in EHS performance at CDL's construction sites. Along with the awards, CDL organised an annual EHS Cup to help build camaraderie among workers through a series of soccer matches. At the final match attended by over 300 workers, CDL distributed over 1.5 tonnes of fortified rice to improve workers' health and well-being.

Promoting a Low Carbon and Zero-Waste Society

EcoBank
In its third year running, the nationwide EcoBank campaign, which promotes zero-waste and responsible consumption and disposal, collected about 17,500kg of pre-loved items for sale at a three-day charity bazaar. The initiative saved 7,012 tonnes of carbon from landfill and raised close to $33,000 for the Children's Charities Association.

Clean and Green Singapore
CDL supports the annual NEA Clean and Green Singapore Carnival which received a visitorship of over 20,000 members of the public. In collaboration with IKEA, CDL's Eco-Home Exhibit leveraged the Group's expertise on green buildings to showcase smart home solutions such as a real-time Utility Management System and energy tracker.

Advocating Best Practices in Sustainability

Singapore Sustainability Academy
The Singapore Sustainability Academy (SSA), in partnership with the Sustainable Energy Association of Singapore, is the first major People, Public and Private (3P) ground-up initiative in support of global and national goals to tackle climate change. The zero-energy SSA was officially opened on World Environment Day on 5 June 2017 by Mr Teo Chee Hean, Deputy Prime Minister and Coordinating Minister for National Security and Mr Masagos Zulkifli, Minister for the Environment and Water Resources.

Since its launch, the SSA has hosted 71 sustainability-related training programmes and events, involving over 1,500 business, government and NGO representatives, 500 energy managers and 400 youths, as of end 2017.

Women4Green
CDL launched the Women4Green network at the SSA opening ceremony to empower and connect women executives in green industries by providing them a specific platform to develop ideas, foster growth and engage the community. The initiative supports SDG 5: Gender Equality and global climate action. It aims to help build a future where all women and girls have equal opportunities, and can incite meaningful change in green industries.

Thought Leadership in Sustainability and Responsible Business
Having integrated sustainability into its business for over two decades, CDL is often invited to share best practices on how businesses can create stakeholder value through responsible practices. CDL's senior management have showcased its experience in sustainability reporting, green finance and green buildings at over 60 local and international platforms in 2017.

Nurturing Future Sustainability Leaders

CDL-GCNS Young CSR Leaders Award 2017
Launched in 2011, this annual youth case competition seeks to empower and groom future business leaders to embrace sustainability as part of business strategy and operations. In 2017, the programme had a record sign-up of 132 teams, benefitting over 500 students from local institutions.

CDL E-Generation Challenge 2017
The 8th edition of the CDL E-Generation Challenge 2017, in partnership with Global Green Economic Forum, is a youth-centric competition targeted to encourage and empower youths to come up with urgent solutions for climate change. Winner Jessica Cheam, Founder and Managing Editor of Eco-Business and Distinction Awardee Inch Chua, a local singer-songwriter were selected to join O.B.E. Robert Swan on an expedition to Antarctica in 2018.

CDL Little Green Hearts
Echoing the Singapore government's increased efforts in early childhood development, CDL launched eco-education programme, CDL Little Green Hearts, in collaboration with local non-profit Ground-Up Initiative. Targeting children between four to seven years of age, the programme aims to impart actionable tips on sustainable living to young children through sensory experiences in a community-based natural environment. About 30 CDL employees and their children participated in the first run of the series, which will be extended to its tenants and their kids in 2018.

Youth-led Programmes – Local and Overseas
Through the CDL-Singapore Management University (SMU) Young CSR Leaders Fund and direct sponsorships, CDL has supported a total of 25 youth-led Community Involvement Projects (CIPs), which contributed to social-environmental causes in the local and neighbouring communities. Over 1,900 youth leaders and volunteers directly benefitted from CDL's support.

Connecting Arts with Sustainability

6th CDL Sculpture Award 2017
Themed 'Towards Zero-Waste!', submissions for this biennial award drew inspiration from the circular economy concept and Singapore's vision of becoming a zero-waste nation by 2030. The winning work titled 'Growth Within' was constructed with remnant timber strips from the construction of SSA and decommissioned signpost wood from the National Parks Board.

7th CDL Singapore Young Photographer Award 2018
Inaugurated by CDL's late Deputy Chairman Mr Kwek Leng Joo, the Singapore Young Photographer Award (SYPA) was revamped to generate awareness and interest among youths around sustainability. In line with CDL's commitment towards the SDGs and green buildings, SYPA invited youths to submit entries focused on SDG 11: Sustainable Cities and Communities.

Caring for the Community

Assisi Hospice Charity Fun Day 2017
In June 2017, CDL rallied the support of its Group companies and the enthusiastic participation from its Group employees, suppliers and subsidiaries to raise $185,000 at the Assisi Hospice Charity Fun Day, to provide much needed funding for quality palliative care to terminally ill adults and children.

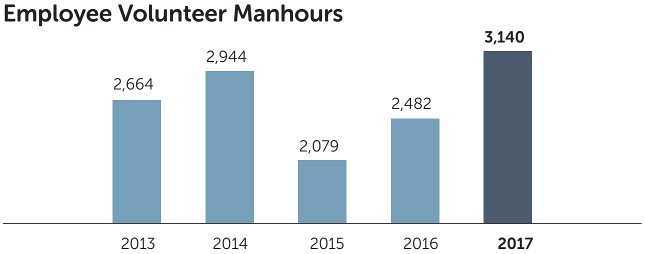
"Christmas Gift of Love" Community Outreach
CDL involved its tenants from three key office buildings in an outreach programme to benefit some 300 children from low-income or disadvantaged families. Tenants were invited to adopt and fulfil wishes of children beneficiaries, and spent time with the beneficiaries over a series of Christmas activities.

Employee Volunteerism

Apart from monetary donations, CDL has always believed in engaging stakeholders through active employee volunteerism to complement its community investment and deliver more meaningful impact.

Since 1999, CDL's employee-led volunteering body, City Sunshine Club (CSC), has been reaching out to the less fortunate and underprivileged in society. In 2017, CDL employees contributed more time and effort to support various community projects, achieving a participation rate of over 90%, and clocked close to 3,140 volunteer manhours.

Employee Volunteer Manhours



More information on CDL's community investment and programmes can be found on www.cdlsustainability.com.

LOOKING AHEAD

Moving forward, value creation through ESG integration will remain a top priority. Apart from raising operational performance, cost efficiency and productivity, efforts to embrace sustainability in innovation for technology and investment, as well as investor and stakeholder engagement will be CDL's key strategic focus. By supporting global and national sustainability agendas, CDL is poised to capitalise on the economic opportunities from sustainable development and investments that can potentially unlock greater value and future-proof its business.

Heightened efforts for climate change mitigation are expected as Singapore has designated 2018 as the Year of Climate Action. CDL will continue to push new frontiers for environmental actions, and stay zealous in achieving the CDL Future Value 2030 targets through strategic initiatives:

Innovation and Sharing Economy Business Model

In today's age of disruption, innovation is critical to the long-term viability of any business. As a company with over 50 years of history, it is essential that CDL constantly stays ahead of competition and remains relevant in the ever-changing global landscape. The Group's business must proactively evolve to develop higher quality products and focus on creating better experiences for its customers.

Over the years, CDL has leveraged its strong financial capital and enterprise agility to invest in new business models and venture into rapidly growing sectors. In January 2017, CDL invested in China's leading co-working space operator Distrii. Marking its first international foray, CDL is bringing Distrii into the Singapore market, by creating one of the largest co-working facilities at its flagship Republic Plaza in the heart of the city's Central Business District. Set to open in 2018, the new venture is expected to bring in fresh recurring revenue to complement its existing lines of business from 2018 and beyond.

To inculcate a strong culture for innovation with CDL, the Group has also created an Enterprise Innovation Committee (EIC) as an anchor platform for multidisciplinary teams to collaborate, seek new ideas and best practices focused on driving innovation and business transformation. The Committee will convene on a regular basis to research and review innovation in technologies, product, customer service and operational processes to future-fit CDL's business.

As part of CDL's $2.25 million investment in a research and development (R&D) partnership with the NUS School of Design and Environment, the NUS-CDL Tropical Technologies Laboratory (T^2 Lab) was completed in end 2017 and R&D works have commenced. The NUS-CDL Smart Green Home Lab, which will be located in the school's new building, is expected to receive its TOP by 2020. CDL looks forward to discovering the next generation of leading-edge innovations which can be test-bedded in its future developments to address future lifestyle needs and climate resilience for its customers and communities.

Low Carbon and Renewable Energy Strategy

As Singapore steps up on its national commitment to climate action in 2018, CDL is taking tangible steps towards reducing its carbon emissions and reliance on fossil fuel energy. CDL has set its sights on joining RE100 – a global renewable energy campaign led by The Climate Group in partnership with CDP – by reviewing a 100% renewable energy target for its operations by 2050. To achieve this ambitious but meaningful goal, the Company has begun to procure Renewable Energy Certificates (RECs) for its Singapore operations starting from 2018.

In tandem with increased demand from investors and stakeholders for greater transparency and accountability on climate change, CDL has taken the lead amongst Singapore companies to disclose its climate-related Governance and Risk Management as recommended by the Taskforce for Climate-related Financial Disclosure (TCFD), in the upcoming CDL Integrated Sustainability Report 2018.

In accordance with TCFD's recommendations, CDL has started a comprehensive climate change scenario planning exercise in 2018 to identify climate-related risks and opportunities which will have impending financial impacts on its business. This is an extension of its integrated reporting approach which connects ESG with financial impact since 2015. It also complements CDL's proactive ESG disclosure initiatives as seen in its dedicated sustainability microsite and quarterly reporting introduced in 2017 to provide greater transparency and more timely disclosure to investors and stakeholders.

Unlocking Financial Value with ESG Integration

CDL believes that ESG has a strong connection to, and impact on the financial performance of businesses. It was the first Singapore company to issue a green bond in 2017, tapping into the fast-growing global green financing market. Understanding that rising climate-related risks are a threat to businesses, CDL will continue to explore potential investment avenues through green financing, and business and financial opportunities connected to the sharing economy model.

In the year ahead, it will continue to step up its engagement with the sustainable investment community, to attract like-minded investors and financiers who are supportive of CDL's value creation strategy. By playing an active role in global networks and initiatives on responsible investment, including the UNEP - Finance Initiative and the Sustainable Stock Exchanges' Green Finance Advisory Group, it seeks to position CDL as the top investment choice among sustainable investors, and grow the shareholding of responsible investors that hold longer-term views for investment decisions.

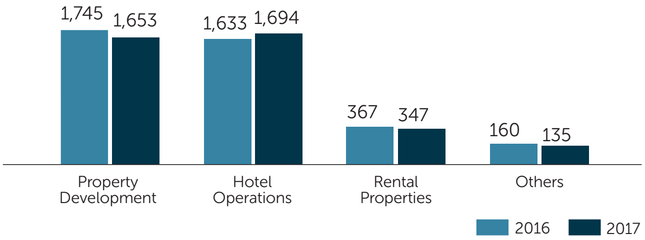
Building a Strong Force for Change Through Thought Leadership and Collaboration

Collaborative and innovative partnerships are key to achieving sustainable development. The zero-energy SSA has proven a most timely platform for advocacy, networking and collaboration among the People, Public and Private (3P) sectors to support the SDGs and global climate actions. With 2018 as Singapore's Year of Climate Action, the government has underscored the need for enhanced efforts and partnerships across all sectors to meet the nation's climate goals. The SSA, as Singapore's first dedicated training and networking facility for sustainability, will continue to catalyse enhanced engagement between regulators, businesses, NGOs and the community at large.

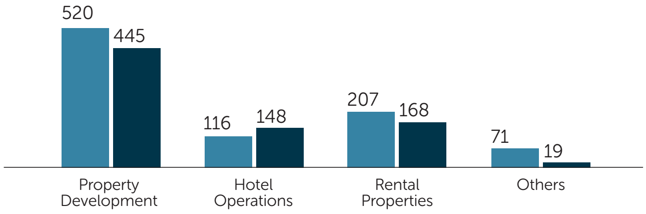
Building synergy across CDL's social and environmental programmes, CDL hopes to create greater connections between the SDGs with the arts and youth development initiatives. The Company has rebranded its flagship youth case competition as the CDL-GCNS Young SDG Leaders Award and aligned its framework with the SDGs. It has also revamped the CDL Singapore Young Photographer Award by introducing SDG 11: Sustainable Cities and Communities as the theme for 2018 to raise awareness and interest among the arts community in Singapore for sustainable development.

FINANCIAL REVIEW

REVENUE BY BUSINESS SEGMENTS
($ million)



PROFIT BEFORE TAX BY BUSINESS SEGMENTS*
($ million)



* Includes share of after-tax profit of associates and joint ventures.

PROPERTY DEVELOPMENT

Revenue and pre-tax profit decreased by $92.0 million to $1,652.7 million (FY 2016: $1,744.7 million) and $74.9 million to $444.8 million (FY 2016: $519.7 million) for FY 2017 respectively.

The small decline in revenue for FY 2017 was attributable to absence of revenue recognition from Lush Acres EC (TOP in Q2 2016) and Jewel@Buangkok (TOP in Q3 2016), coupled with lower contribution from Hong Leong City Center, Coco Palms and D'Nest. The decrease was however substantially mitigated by the recognition from The Brownstone EC, which obtained TOP in October 2017 and higher contribution from Gramercy Park.

Lower pre-tax profit for FY 2017 was reported as 2016 benefited from higher contribution from better profit margin projects including Coco Palms, D'Nest and Lush Acres EC, together with maiden contribution from Hong Leong City Center, gain recognised by First Sponsor Group Limited (FSGL), an associate, from its dilution of interest in Star of East River project in Dongguan as well as gain recorded on recapitalisation of Summervale Properties Pte. Ltd (which holds Nouvel 18) via the Group's third Profit Participation Securities. In addition, the absence of share of contribution from its joint venture projects, namely, Bartley Ridge and Echelon, both completed in Q3 2016, also attributed to the decline in FY 2017. Included in FY 2017 pre-tax profit was write-back of foreseeable losses for certain residential projects following the improving Singapore residential market sentiment and gain of $55.5 million recorded from the partial divestment of the Group's interest in two China projects in Chongqing which partially cushioned the decrease for 2017.

HOTEL OPERATIONS

Revenue and pre-tax profit increased by $60.5 million to $1,694.2 million (FY 2016: $1,633.7 million) and $32.7 million to $148.5 million (FY 2016: $115.8 million) for FY 2017 respectively.

The increase in revenue for FY 2017 was primarily due to full year contribution from Grand Millennium Auckland and M Social Singapore which were added to the Group's hotel portfolio in 2016, and Millennium Hilton New York One UN Plaza (re-opened in September 2016 after refurbishment). In October 2017, the 190-room new M Social Auckland was also opened. However, the much weaker Sterling Pound against Singapore dollar in current year continued to have negative impact on FY 2017 performance when M&C's hotel revenue denominated in Sterling Pound was consolidated to the Group, which its reporting currency is Singapore Dollar.

The improved performance in pre-tax profits for FY 2017 was attributable to a myriad of factors including increase in hotel revenue contribution, lower operating expenses incurred by JW Marriott Hotel Singapore South Beach (closed for six months in 2016 for rebranding exercise) and M Social Singapore (opened in Q3 2016), partially offset by higher impairment loss made in 2017. Further, the increase was attributable to write-back of impairment loss of $22 million previously made on loans advanced to Fena Estate Co., Ltd (Fena), a joint venture, in Q2 2017 following M&C's disposal of its 50% interest in Fena in exchange for a token consideration and repayment of the shareholder loans. M&C reversed the impairment loss previously recognised to the extent of the loans recovered.

RENTAL PROPERTIES

Revenue and pre-tax profit decreased by $20.0 million to $346.9 million (FY 2016: $366.9 million) and $39.1 million to $168.2 million (FY 2016: $207.3 million) for FY 2017 respectively.

The decrease in revenue for FY 2017 was largely due to the absence of rental income following the disposal of equity interest in Exchange Tower Limited (ETL), which owned a commercial building, in October 2016, and the full year closure of Le Grove Serviced Apartments for a major revamp. The decrease was partially offset by maiden contribution from Pullman Hotel Munich, acquired by CDL Hospitality Trusts (CDLHT) in July 2017.

The decrease in pre-tax profit for FY 2017, in tandem with lower revenue achieved, was mainly due to the absence of gain recorded on sale of equity interest in ETL (disposed in Q4 2016). Further, FY 2017 pre-tax profit was impacted by exchange losses recognised by CDLHT mainly from repayment of New Zealand dollar denominated intercompany loan. However, gain recorded from the disposal of an old office building in Osaka in Q3 2017 had partially mitigated the decline for FY 2017.

OTHERS

Revenue, comprising mainly income from building maintenance contracts, project management, club operations, laundry services and dividend income, decreased by $25.4 million to $134.8 million (FY 2016: $160.2 million) for FY 2017. The decrease was largely due to lower building maintenance contracts and project management fees, coupled with absence of hospitality income following the sale of the Group's entire 52.52% interest in City e-Solutions Limited (CES) in July 2016.

Pre-tax profit for this segment decreased by $52.4 million to $18.9 million (FY 2016: $71.3 million) for FY 2017. The significant decrease was largely due to gain recorded in 2016 from the disposal of equity interest in CES and lower profit recognised in 2017 from realisation of investments in Real Estate Capital Asia Partners (private real estate funds), partially offset by higher share of contribution from FSGL's property financing operations which recorded net penalty interest income in 2017 from successful enforcement action for one of the defaulted loans.

OPERATIONS REVIEW

Gramercy Park, the Group's 174-unit luxury freehold residence on Grange Road had its Phase 2 soft launch in 2017. To date, it is 97% sold, with only six units remaining.

STRONG PLAYER IN SINGAPORE PROPERTY MARKET

Having operated in Singapore for over 50 years, CDL's home market is one that we know intimately and where we have continued to remain active in real estate development activities and placed strategic bids to bolster our land bank.

In 2017, we continued to achieve strong sales for our existing inventory, despite the absence of a new residential launch. Together with our joint-venture (JV) partners, CDL sold a total of 1,171 units, including Executive Condominiums (EC), with a total sales value of over $1.93 billion, again emerging as one of the top-selling private sector developers in Singapore. By comparison, in 2016, CDL and JV partners sold 1,017 units with a sales value of about $1.25 billion.

Gramercy Park, our 174-unit luxury freehold development on Grange Road, has been well received. To date, 97% of the total units have been sold, with only six units remaining. Sales for our JV projects have also progressed well, encompassing the 519-unit Forest Woods condominium (93% sold), the 944-unit Coco Palms (99% sold), the 638-unit The Brownstone EC (99% sold), and the 505-unit The Criterion EC (98% sold).

In 2017, we continued to shore up our Singapore land bank with two key acquisitions. The first was a Government Land Sales (GLS) site at Tampines Avenue 10 for $370.1 million in May, followed by the Amber Park collective sale site for $906.7 million in October.

The 99-year leasehold residential site at Tampines Avenue 10 is located just minutes to the established Tampines Regional Centre and newly completed Our Tampines Hub. The 233,769 square feet (sq ft) site will be redeveloped into a 861-unit condominium called The Tapestry, and will be launched in March 2018.

Along with our 20% joint venture (JV) partner we placed a successful bid for the Amber Park collective sale site. The site is one of the largest collective sale sites in the coveted Amber Road enclave in the East Coast, with an area of 213,675 sq ft. The Group has obtained the Provisional Permission (PP) in February 2018, and plans to redevelop the site into a luxury condominium comprising three 21-storey towers with over 600 units. The transaction is expected to be completed by Q2 2018 and to be ready for launch by 1H 2019.

The Group has always been careful and prudent in our land banking approach and will continue to do so with cautious optimism. We will remain highly disciplined, selective and strategic when participating in GLS sites and en bloc tenders.

On the commercial front, CDL's office portfolio, which comprises 16 properties with a Net Lettable Area (NLA) of about 2.3 million sq ft, continued to enjoy healthy occupancy at 94.8% as at 31 December 2017, compared with the island-wide occupancy rate of 87.4%.

The office portfolio is a key component in our recurring income stream of the Group, and we have embarked on strategic Asset Enhancement Initiatives (AEI) to reposition some of our existing properties.

In 2017, we announced a $70 million AEI plan for Republic Plaza, our flagship commercial property located in the heart of Singapore's Central Business District (CBD). Catering to the evolving business landscape, the phased enhancement works will increase space efficiency and inject fresh vibrancy to this prime office development. The phased AEI works will commence in 1H 2018, with expected completion by 1H 2019. Apart from a revamp of the main lobby, lift lobbies, driveway and frontage, the AEI plan includes lift modernisation incorporating Destination Control System and upgrading of lift interiors. Additionally, Republic Plaza's retail space will be enhanced to provide better pedestrian flow and visibility, achieve a more efficient layout, as well as to incorporate M&E infrastructure to facilitate more F&B offerings. The building's office space will also be enhanced with the upgrading and expansion of bathrooms, as well as the conversion of GFA into more efficient and higher value uses.

Another property where AEI works are ongoing is the Group's wholly-owned Le Grove Serviced Apartments located at Orange Grove Road. The $30 million AEI exercise will increase the number of apartments from its current 97 to 173, to cater to evolving needs and growing demand. Works are on track for completion by Q2 2018.

CHARTING NEW GROWTH AVENUES

With fingers on the pulse of its home market, CDL is cognisant of the importance of diversification into overseas markets and has continued to grow our real estate development platforms overseas. Since 2010, the Group had expanded into China, UK / Europe, Japan and Australia and we continue to seek opportunities in these markets.

China

CDL China Limited (CDL China), the Group's wholly-owned subsidiary, continued to see strong sales for its launched projects in Shanghai and Suzhou. In 2017, it also made several strategic acquisitions and divestments.

Comprising 85 luxury villas, the Hongqiao Royal Lake project is located in the high-end residential enclave of Qingpu District in Shanghai. To date, the Group has sold 38 villas with total sales value of RMB 810 million, sufficiently covering the Group's invested capital in the project.

Hong Leong City Center (HLCC), the Group's mixed-use waterfront development in Suzhou Industrial Park, has registered strong revenue for the Group. To date, 1,185 units (86%) of the Phase 1 launch have been sold with sales value of RMB 2.6 billion, while 375 units (87%) of the Phase 2 residential tower have been sold with a sales value of RMB 928 million. Total sales generated by HLCC to date is RMB 3.53 billion.

In February, CDL China acquired Hong Leong Plaza Hongqiao (formerly known as Meidao Business Plaza) in Shanghai for RMB 900 million. Located in Shanghai's fast-developing Hongqiao Central CBD, the commercial property, which has a total gross floor area (GFA) of 32,182 square metres (sqm), is well-positioned to benefit from growth prospects of the up-and-coming area. Hong Leong Plaza Hongqiao obtained its construction completion certificate in Q4 2017.

On the divestments front, CDL China entered into a strategic partnership with China Vanke Co., Ltd (Vanke) in September. The collaboration involved a partial divestment of CDL China's interests in two projects located in the Yuzhong District of Chongqing to Vanke: 70% of Huang Huayuan, and 50% of Eling Residences. The transaction is valued at RMB 986 million. CDL China continues to retain a 30% and 50% equity stake in Huang Huayuan and Eling Residences respectively and expects to benefit positively from its retained interest in these projects. This strategic partnership will enable the Group to tap on Vanke's expertise in residential developments in China and pave the way for future collaborations and business expansion opportunities in both China and Singapore.

UK / Europe

In 2017, apart from a new strategic site acquisition, the Group continued to make progress on some of its other UK development sites.

In February, CDL acquired the Ransomes Wharf site in Battersea, London, for £58 million. The 0.65 hectare (1.6 acres) site will be developed into a luxury residential project with an estimated gross development value of £222 million. The site is located just to the west of Albert Bridge in Battersea's creative quarter on the River Thames, with occupiers including Foster + Partners Architects, Royal College of Art and Vivienne Westwood. It is also a minute's walk to Battersea Park, one of London's best kept riverside open spaces. The Group is moving quickly to implement the existing planning consent for 118 apartments, eight commercial units and 103 car park spaces, and make certain planning improvements to the scheme.

In late October 2017, the Group's 240-unit Teddington Riverside development in the Borough of Richmond, was soft-launched with the opening of an on-site sales centre. Phase 1 (Block A), comprising 57 units, is expected to be completed by Q4 2018 and the entire development is on track.

For its 22-acre site at the former Stag Brewery at Mortlake, a £1.25 billion scheme was unveiled following extensive consultations with all local stakeholders. As the master developer for this mega mixed-use township, the project will include a traditional commercial high street comprising shops, bars, restaurants, gym, hotel, cinema and rowing club; nine acres of green space and a new green link connecting the existing Mortlake Green with the River Thames; a new secondary school for 1,200 pupils together with a full-sized football pitch, as well as indoor multi-use gym, play and sports space; 3,000 sqm of office space for existing and new local small businesses. Additionally, 667 homes to be built across the site will comprise one, two, three and four bedroom private and affordable units with underground parking. The scheme also proposes a care village, containing up to 150 assisted living units and an additional care home with dementia care. Determination for the scheme's planning application is targeted for Q4 2018.

Japan

Park Court Aoyama The Tower, the Group's JV residential project in the sought-after Aoyama district in Tokyo, is expected to be completed in March 2018. Launched in October 2016, the prime freehold 160-unit residence is over 80% sold to date.

Australia

In 2017, the Group made its foray into the burgeoning luxury senior housing sector, which has strong unmet demand from a growing demographic of well-heeled retirees.

The Group entered into collaborations with Waterbrook Lifestyle Resorts to develop two luxury five-star retirement villages in New South Wales. The first, Waterbrook Bayview, is located in Sydney, an exclusive location within the Northern Beaches that houses a large and growing ageing population, and is a short distance from Mona Vale Beach and the Mona Vale shopping and retail precinct. The other, Waterbrook Bowral, is located in Bowral, New South Wales, approximately 118 km to the southwest of Sydney.

For both projects, Waterbrook will provide resort-style facilities and a vast array of services catered to retirees including 24/7

Waterbrook Bayview will provide facilities and services including 24/7 concierge service, restaurants, library, cinema, indoor pool/spa, wellness and spiritual centre, games centre, putting green, walking track, interactive gardens, hair and beauty salons, chauffeured courtesy vehicles, as well as in-house nurses.

concierge service, a variety of wellness and recreational spaces, chauffeured courtesy vehicles, as well as in-house nurses. The product differentiates itself from the traditional retirement village model through its high-end hospitality experience.

The Group's JV residential project, the 476-unit Ivy and Eve in Brisbane is almost fully sold with 13 remaining units. Completion is expected in 1H 2018.

ENHANCING HOSPITALITY PORTFOLIO

On the hospitality front, Millennium & Copthorne Hotels plc (M&C) continued to expand its global portfolio with the opening of new hotels. M&C opened its second M Social branded hotel, targeted at contemporary, tech-savvy travellers, in Auckland. The 190-room M Social Auckland has enjoyed keen demand due to its innovative design, social spaces and service ethos, as well as its multi award-winning restaurant, Beast and Butterflies, since its soft opening in October.

Over in the Middle East, M&C Middle East & Africa officially opened the 171-room Millennium Ramallah Palestine, the brand's first property in Palestine.

The year was also marked by several property acquisitions by M&C's REIT associate, CDL Hospitality Trusts (CDLHT). CDLHT expanded its European footprint with the acquisition of the 165-room The Lowry Hotel in Manchester, UK for £52.5 million and the 337-room Pullman Hotel Munich, which comprises office and retail components, for a total consideration of €100.6 million – marking its foray into Germany.

In addition, the Group partnered M&C's listed associate, First Sponsor Group Limited, and Tai Tak Estates Sendirian Berhad, in the acquisition of the 300-room Le Méridien Frankfurt Hotel in Germany, for €85.0 million including transaction costs.

STRATEGIC INVESTMENTS IN NEW ECONOMY BUSINESSES

Since 2016, CDL began investing in synergistic sharing economy sectors, beginning with the acquisition of a 20% equity stake for RMB 100 million in mamahome — China's fast-growing online apartment rental platform – through CDL China.

In February, CDL invested RMB 72 million for a 24% equity stake investment in Distrii – China's leading co-working space operator.

CDL continued to support the Series A funding round of both platforms. To date, the Group has invested RMB 110 million in mamahome and a total of RMB 102 million in Distrii, making it Distrii's second largest shareholder after its founder.

The Group's strategic investment into these platforms allows it immediate exposure to business segments with significant potential growth and future synergies. Both mamahome and Distrii provide scalability and can effectively complement CDL's asset portfolio.

Distrii will open its first international outpost at Republic Plaza in 1H 2018, leasing over 60,000 sq ft and is anticipated to be one of Singapore's largest co-working facilities.

FUND MANAGEMENT

Another strategic transformative focus is the creation of a sustainable fund management business to generate attractive long-term, risk-adjusted returns for our investors and shareholders. The fund management business will also help the Group to diversify our earnings, enhance our recurring income streams and widen our investor base. This strategy will enable the Group to tap on the growing appetite of institutional investors for unlisted real estate funds and concurrently deliver a higher return on equity to our shareholders.

In line with the Group's aspirations to be a leading global real estate manager, we target to achieve Assets Under Management (AUM) of US$5 billion by 2023. To this end, we plan to launch our first series of close-ended, co-mingled funds focusing on core, core plus and opportunistic real estate investments in Asia Pacific by 2019.

RENEWAL AND TRANSFORMATION

In this era of the digital economy, technology and database are very important tools. Every organisation must continually renew and transform itself with fresh perspectives, achieve greater product differentiation in the marketplace, raise the bar with innovative offerings and embrace technology to reinvent itself.

Looking ahead, the Group will focus on the themes of growth, enhancement and transformation to reposition its business for the future.

Beyond strategic and selective bids to bolster our local land bank, we will focus on boosting our recurring income streams for growth. We also seek to deploy our robust balance sheet through acquisitions and investment opportunities that are accretive to our portfolio. To enhance the performance of its existing portfolio, the Group will analyse and implement new AEIs, redevelopments, repositionings and better leasing strategies. To transform our business, we will build capacity in internal innovation, while simultaneously seek investments in new economy or technology ventures that will transform our key product offerings and services.

MARKET REVIEW

The Group's strategic growth focus is led by its diversification into overseas markets. Since 2010, it has expanded into China, UK, Australia and Japan on the property development front. The Group continues to seek opportunities in these markets, to complement its Singapore property development business.

SINGAPORE

Against the backdrop of upswing in global growth, Singapore's economy expanded by 3.6% in 2017, an increase from the 2.4% growth in 2016. The Ministry of Trade and Industry expects GDP growth for 2018 to come in slightly above the middle of the forecast range of 1.5% to 3.5%.

Residential

The residential property sector has been an above-average performer in 2017, underpinned by a confluence of improved optimism from stronger-than-expected performance of the Singapore economy and more attractive supply-demand dynamics. The positive confidence of the market contributed to the "bottoming out" of the private home market in Q3 2017, registering its first uptick of private residential property index (PPI) after four years. Based on URA data, prices increased by 1.1% for the whole of 2017, compared with the 3.1% decline in 2016.

For the whole of 2017, rentals of landed and non-landed properties declined by 3.1% and 1.7% respectively.

The government continued to review conditions in the residential property market, by making calibrated adjustments to the Seller's Stamp Duty (SSD) and Total Debt Servicing Ratio (TDSR), while retaining current Additional Buyer's Stamp Duties (ABSD) and Loan to Value (LTV) limits. The persistence of various Government cooling measures have adversely impacted both sales volumes and prices of residential units. Despite this, the overall property market sentiments in 2017 have been positive, underpinned by an upturn in demand and robust residential sales momentum given the steady pipeline from Government Land Sales (GLS) sites and a revival of the collective sale market. In the recent Singapore Budget 2018, the government announced a hike to the Buyers' Stamp Duty (BSD) for residential properties worth more than $1 million, which is expected to have minimal impact for genuine homebuyers and aspiring upgraders.

Sales volume of residential properties continued to rise in Q4, with the number of new homes sold outweighing the number launched from new projects for the past three quarters. According to URA, a total of 10,566 private residential units (excluding ECs) were sold in 2017, far surpassing the average of 7,576 units sold in the past three years from 2014 till 2016. With this, prime non-landed residential prices are projected to increase, with the market direction in terms of prices and volume hanging in balance.

Overall, the market sentiments have risen and developers are keen to capitalise on this improved buyers' sentiments by holding back their launches to better reflect their value while replenishing their land banks.

This momentum is expected to continue into 2018. While prices of homes may see an upswing with about 20,000 new units coming on stream in 2018 from GLS and en-bloc sites, prices will not rise too steeply.

According to MTI, the economic growth for 2018 is expected to be between 1.5% and 3.5%, bolstered by the global growth led by the United States, as well as some emerging markets and developing economies.

Office

URA statistics showed that in 2017, prices of office space dropped by 2.4%, compared with the decline of 2.8% in 2016; while rentals of office space increased slightly by 0.4%, compared with the decline of 8.2% in 2016.

The island-wide occupancy rate of office space moderated slightly to 87.4%, from 88.9% year-on-year. Total vacant office space as at end of 2017 was approximately 10.7 million square feet. In a report by JLL, office net take-up grew 1.5% in 2017 year-on-year. Notable sectors were from the co-working and technology firms, who were once again most active in terms of expansion. This strong close helped island wide vacancy drop quarter-on-quarter from 7.6% to 6.1%.

On a rental front, JLL expects prime office rents to rise 20-25% in 2018 to 2020, of which 12-16% growth will be in 2018. It is also notable that there have been no office sales sites provided in the GLS programme in 2H 2017 and 1H 2018 – a first since 2003. This will keep office supply in CBD low in 2023. The reason for this move can be attributable to URA's masterplan to develop Jurong Lake District as Singapore's second CBD, which will span 360 hectares in total and is expected to inject a demand of up to 9 million sq ft of office space.

Retail

Supported by a strong economy and tourist arrivals, retail space in Singapore has drawn interest from international brands. Existing retailers in Singapore are also active in seeking expansion.

In 2017, prices of retail space dropped by 8.8%, compared with the decline of 5.4% in 2016. This mirrors the rentals of retail space which dropped by 4.7%, compared with the decline of 8.3% in 2016.

While headwinds encountered includes more volatility in consumer spending habits, the current low unemployment rate and an expected increase in tourists' arrivals are expected to contribute to an increased demand for retail space. Coupled with a limited supply, this could possibly bring about a firming of rents in 2018.

Hotel

The Singapore tourism industry achieved a record high in tourist arrivals and spending for the second year in a row last year, with China overtaking Indonesia as the top source of visitors for the first time. According to preliminary estimates from the Singapore Tourism Board (STB), the nation's visitors grew by 6.2% year-on-year to 17.4 million, while tourism receipts rose by 3.9% to S$26.8 billion for 2017. With the favourable global economic outlook and Asia-Pacific tourism poised for further expansion, the STB is generally optimistic about tourism prospects for the year ahead. For 2018, the STB forecasts tourism receipts to grow by between 1% and 3%, and visitor arrivals to be in the range of 17.6 million to 18.1 million, an increase of 1% to 4%.

On a supply end, despite an increase in new supply, the Singapore Hotel market managed to attain a modest improvement with Total Room Revenue registering a 3.9% year-on-year change for 2017.

While Singapore faces increasing competition from regional attractions in Asia and growing labour costs, its positioning as a leading MICE destination will continue to attract both tourists and business travellers. CDL remains positive on the outlook for the hotel sector while maintaining discipline in its strategic investment approach for hotel acquisitions in Singapore as well as abroad.

OVERSEAS MARKETS

China

China's economy expanded 6.9% year-on-year, helped by a rebound in the industrial sector, a resilient property market and healthy export growth – a slight improvement from 6.8% in 2016. Chinese policymakers have been trying to contain financial risks and slow and tremendous build-up in debt. The property sales are moderately affected by the cooling measures, such as price cap restrictions, increased down payment and tightening financing for both developers and buyers. In a shift of the real estate economic model, the apartment rental market is encouraged by the Chinese government's strong initiatives to enable young working professionals to have suitable living spaces across the country.

Making strategic investments into disruptors with potential to transform the real estate landscape, CDL has invested RMB 102 million to-date into Distrii, one of China's leading operators of co-working spaces. Distrii's flagship facility at Suhe Center in Jing'an, Shanghai, features an in-house café, a gymnasium, interior green landscaping, an indoor event space and 500 square metres of outdoor event space with lush surroundings.

In 2018, CDL remains cautiously optimistic about the mid- to long-term economy of China. The Group will continue to explore new property acquisitions and strategic investments to drive long-term portfolio growth in China.

UK / Europe

2017 was a challenging year for the UK economy which, on top of concerns around Brexit negotiations, experienced stagnant growth while stronger inflationary pressures prompted the Bank of England to raise rates to 50 basis points. Despite this challenging environment, the UK real estate markets displayed strong resilience amidst the weaker economy. The residential market continues to be attractive and demand from international buyers remains especially robust. The Central London office market experienced above trend take-up in 2017 and tourism in the UK remains strong with the hospitality sector experiencing continued growth in room revenue despite the increase in supply.

CDL continues to be diligent in assessing new investments and remains optimistic about the long-term outlook for the UK.

Japan

The Japan Cabinet Office reported that the Japanese economy is on a moderate recovery. Strong global economic dynamics and accommodative monetary conditions led the economy to expand for the eighth consecutive quarter in Q4, marking the longest period of uninterrupted growth since 1980s. The economy is expected to recover gradually, supported by the effects of government policies and resilient global growth.

The Japanese real estate market has performed well in the recent years due to the favourable monetary policy of the Bank of Japan, which generated a positive financing environment and helped to maintain strong investors' appetite for real estate.

The Group will continue to seek attractive investment opportunities in the residential, office and hospitality segments to grow its presence in Japan.

Australia

The Australian economy continued to grow at its trend rate and with strong employment growth. This allowed the Reserve Bank of Australia to hold interest rates stable throughout the year. The Australian government continued to keep a close eye on the housing market with a focus on rising indebtedness and maintained supervisory measures to tighten credit. Increased stamp duties on foreign buyers have also helped to stabilise the overall housing market.

Against this backdrop, the Group remains cautiously optimistic and opportunistic, and will continue to explore new property acquisitions, strategic investments and partnerships to grow its presence in these markets. The Group is highly nimble and well-funded and can swiftly seize available opportunities.

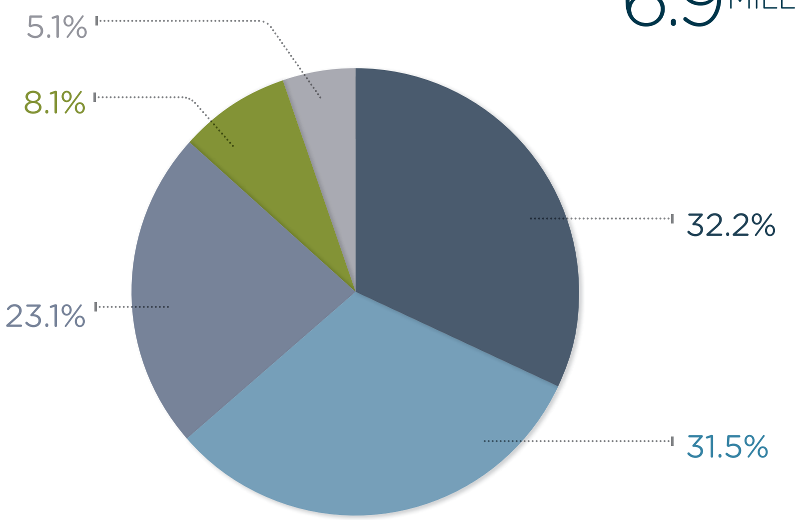
PROPERTY PORTFOLIO ANALYSIS

CDL GROUP'S ATTRIBUTABLE SHARE
AS AT 31 DECEMBER 2017

- Office
- Hotel/Others
- Industrial
- Retail
- Residential

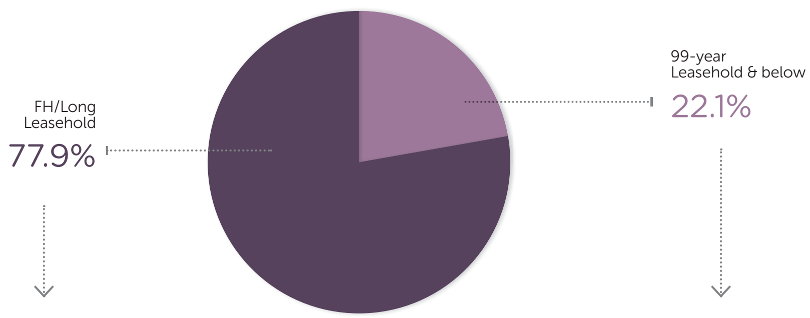
ANALYSIS BY SECTOR

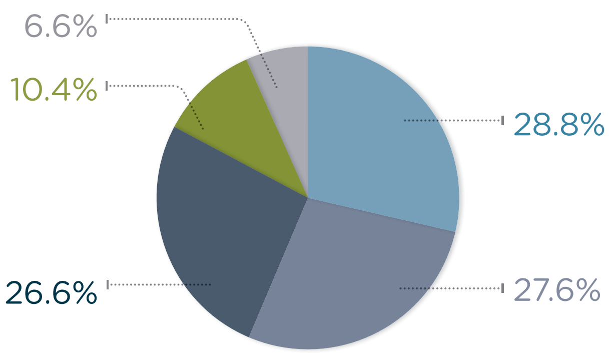
Total lettable/gross floor area:
6.9 MILLION SQ FT



ANALYSIS BY TENURE

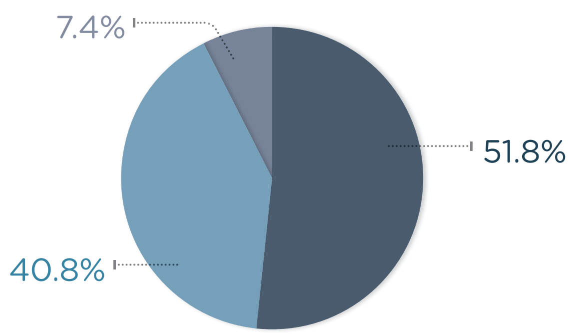
Total lettable/gross floor area:
6.9 MILLION SQ FT





FH/Long Leasehold Breakdown by Sector

Total lettable area/gross floor area:
5.4 MILLION SQ FT



99-year Leashold & below Breakdown by Sector

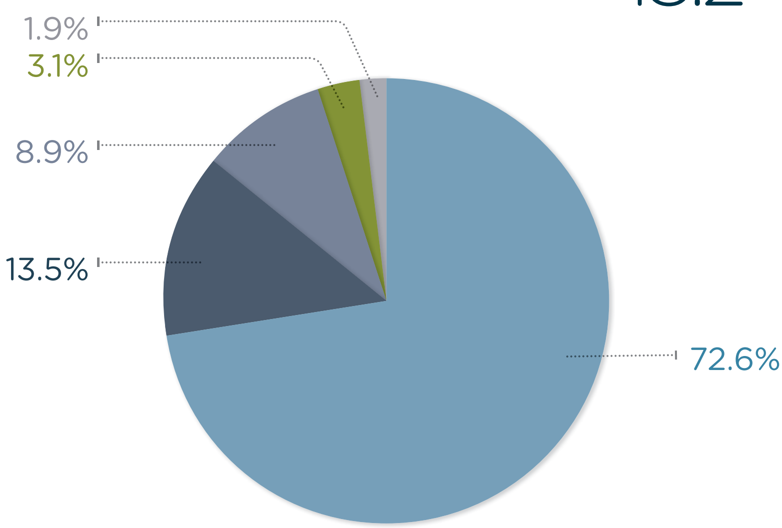
Total lettable area/gross floor area:
1.5 MILLION SQ FT

PROPERTY PORTFOLIO ANALYSIS

CDL GROUP'S ATTRIBUTABLE SHARE
AS AT 31 DECEMBER 2017 (INCLUSIVE OF M&C PROPERTIES)

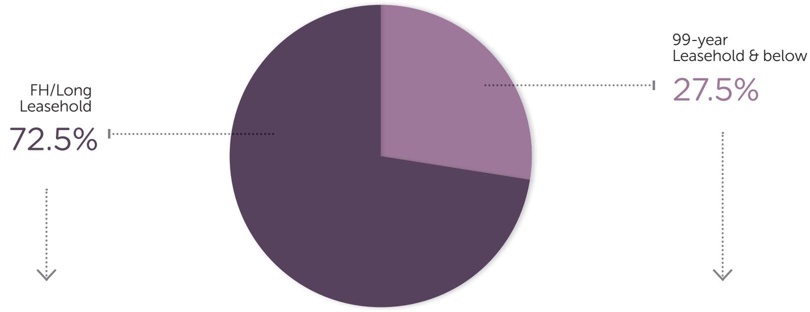
ANALYSIS BY SECTOR

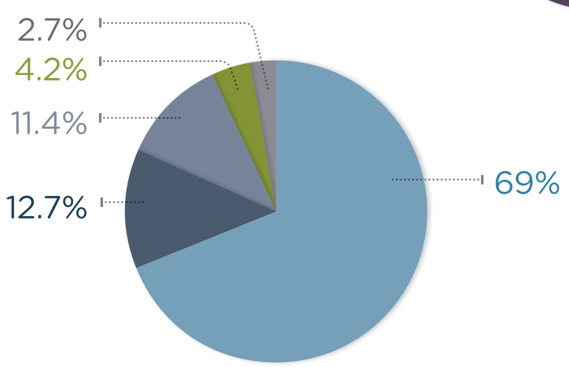
Total lettable/gross floor area:
18.2 MILLION SQ FT



ANALYSIS BY TENURE

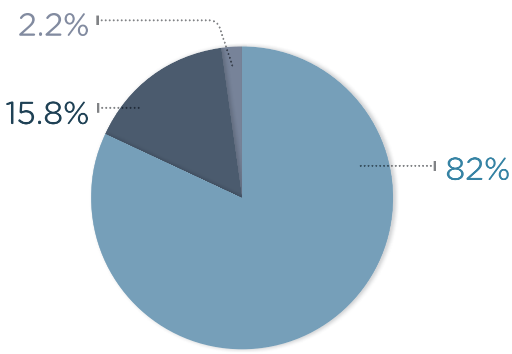
Total lettable/gross floor area:
18.2 MILLION SQ FT





FH/Long Leasehold Breakdown by Sector

Total lettable area/gross floor area:
13.2 MILLION SQ FT



99-year Leashold & below Breakdown by Sector

Total lettable area/gross floor area:
5.0 MILLION SQ FT

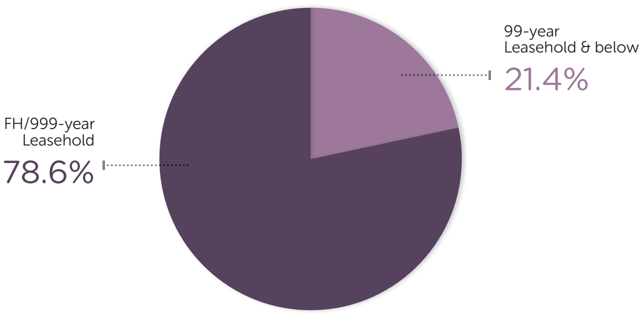
PROPERTY PORTFOLIO ANALYSIS – LAND BANK

CDL GROUP'S ATTRIBUTABLE SHARE
AS AT 31 DECEMBER 2017

- Residential
- Residential – Overseas
- Commercial and Hotel Projects
- Commercial and Hotel Projects – Overseas

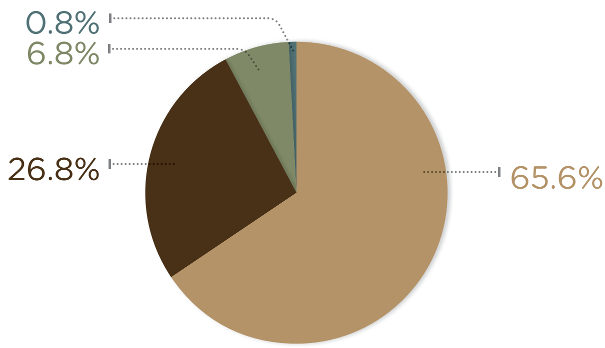
ANALYSIS BY TENURE

Total:
2.77 MILLION SQ FT



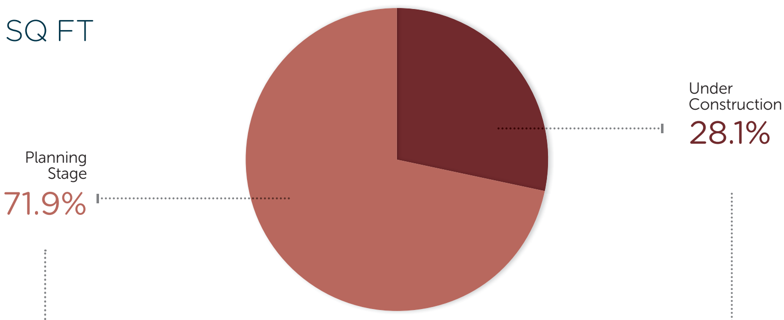
ANALYSIS BY SECTOR

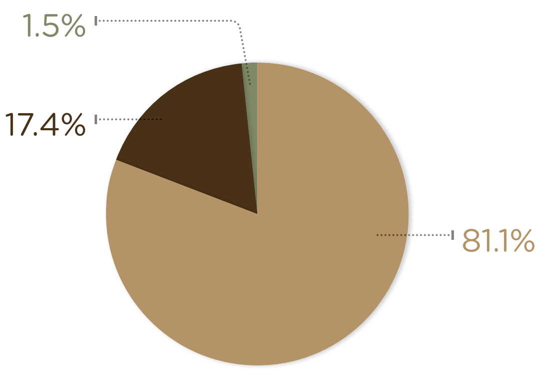
Total:
2.77 MILLION SQ FT



ANALYSIS BY DEVELOPMENT STAGE

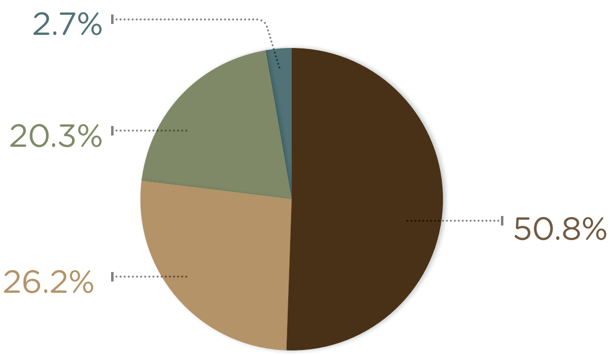
Total:
2.77 MILLION SQ FT





Planning Stage Breakdown by Sector

Total:
1.99 MILLION SQ FT



Under Construction Breakdown by Sector

Total:
0.78 MILLION SQ FT

MAJOR PROPERTIES
AS AT 31 DECEMBER 2017

SINGAPORE PROPERTIES	Tenure	Site Area (Sq. Metres)	Approximate Lettable/ Strata/ Gross Floor Area (Sq. Metres)	Effective Group Interest[1] (%)
Commercial Properties				
Republic Plaza, the flagship of CDL, is a 66-storey state-of-the-art intelligent office tower at Raffles Place, in the heart of Singapore's financial district.	999-year lease	6,765	72,549	100
Central Mall comprises a cluster of conservation shophouses at Havelock Road/Magazine Road.	99-year lease wef 15.05.1993	4,806	5,092	100
Central Mall (Office Tower) is a 7-storey office-cum-retail building located at Havelock Road/Magazine Road.	Freehold reversionary interest[2]	2,800	12,213	100
	99-year lease wef 22.12.2015			80[3]
New Tech Park is a high-technology industrial park at Lorong Chuan, off Braddell Road.	999-year lease reversionary interest[4]	39,798	56,040	42.8
City House is a 23-storey office building situated at Robinson Road/Cross Street within the Central Business District.	999-year lease	1,272	14,523	100
City Square Mall is an 11-storey shopping mall located at the junction of Serangoon and Kitchener Roads.	Freehold	14,920	41,194	100
Fuji Xerox Towers is a part 15-storey/part 38-storey commercial office building situated at the intersection of Anson Road, Keppel Road, Tanjong Pagar Road and Bernam Street, near the western fringe of the Central Business District.	Freehold	5,394	32,848	100
Manulife Centre is an 11-storey commercial building located at 51 Bras Basah Road.	999-year lease reversionary interest[2]	4,972	22,444	100
	99-year lease wef 22.12.2015			80[3]
Palais Renaissance is a 16-storey retail-cum-office complex with 3 basements located at Orchard Road.	Freehold	2,709	10,283	100
Delfi Orchard is an 11-storey commercial-cum-residential complex located at Orchard Road. The Group owns 124 out of 150 strata-titled units.	Freehold	1,882	6,293	100
Citilink Warehouse Complex is an 8-storey warehouse located at Pasir Panjang Road. The Group owns 62 out of 180 strata-titled units.	Freehold	14,152	9,597	100
Cideco Industrial Complex is an 8-storey industrial building located at Genting Lane.	Freehold	5,478	12,567	100
City Industrial Building is an 11-storey flatted factory building at Tannery Lane.	Freehold	3,150	11,824	100
Tanglin Shopping Centre is an office-cum-shopping complex situated at Tanglin Road, within the Orchard Road tourist district. The Group owns 83 out of 362 strata-titled units and 325 carpark lots.	Freehold	6,365	6,029	65

Notes:
(1) For strata-titled properties, this % refers to the Group's effective interest in the strata-titled units owned by the Group.
(2) The Group has reversionary interest of the property at the expiry of the 99-year lease sold to an associate.
(3) Although the Group owns 80% of the equity interests in the property holding company, it does not have control over the company as described in footnote @@ under Note 42 of the Notes to the Financial Statements.
(4) The Group has reversionary interest of the property at the expiry of the 45-year lease sold to a third party.

MAJOR PROPERTIES
AS AT 31 DECEMBER 2017

SINGAPORE PROPERTIES	Tenure	Site Area (Sq. Metres)	Approximate Lettable/ Strata/ Gross Floor Area (Sq. Metres)	Effective Group Interest[1] (%)
Commercial Properties				
The Arcade is a 20-storey office-cum-shopping complex situated at Collyer Quay within the Central Business District. The Group owns 19 out of 127 strata-titled units.	999-year lease	2,035	4,037	100
Katong Shopping Centre is a 7-storey office-cum-shopping complex situated along Mountbatten Road. The Group owns 60 out of 425 strata-titled units and 323 carpark lots.	Freehold	8,167	7,865	100
Tagore 23 Warehouse is a 4-storey warehouse located at Tagore Lane.	Freehold	7,418	12,066	100
King's Centre is an 8-storey office-cum-retail waterfront development located at Havelock Road, along the Singapore River.	99-year lease wef 09.02.1984	5,186	8,335	100
7 & 9 Tampines Grande is a pair of 8-storey new generation green office buildings located at Tampines Regional Centre.	99-year lease wef 20.08.2007[2]	8,000	26,718	80[4]
11 Tampines Concourse is a 3-storey office building located at Tampines Ave 5. It is the first CarbonNeutral® development in Singapore and Asia Pacific.	15-year lease wef 18.02.2008	11,521	9,692	100
Quayside Isle is a 2-storey F&B and retail waterfront development located next to W Singapore – Sentosa Cove.	99-year lease	8,332	4,099	42[5]
Mixed Development				
South Beach is a mixed-use development that is located on Beach Road, comprising a 34-storey office tower and a 45-storey hotel-cum-residential tower, along with retail.	99-year lease	34,959	47,151 (Office) 52,048 (Hotel) 2,915 (Retail)	50.1
Hotels				
Grand Copthorne Waterfront is a 30-storey, 574-room hotel-cum-retail waterfront development, located at Havelock Road/Kim Seng Road, along the Singapore River.	Freehold (Retail) Freehold reversionary interest (Hotel)[3]	10,860	3,006 (Retail) 51,726 (Hotel)	100
The St. Regis Singapore is a 20-storey, 299-room luxury hotel that is located at Tanglin Road/Tomlinson Road.	999 years	6,678	30,850	33
W Singapore – Sentosa Cove is a 7-storey, 240-room luxury hotel that is located at Ocean Way.	99-year lease	17,016	23,805	42[5]
M Social Singapore is a 10-storey, 293-room designer hotel that is located at Robertson Quay.	99-year lease	4,518	8,000	100
Serviced Apartments				
Le Grove is the Group's first serviced apartments project located at Orange Grove Road, off Orchard Road.	Freehold	5,891	12,372	100

Notes:

(1) For strata-titled properties, this % refers to the Group's effective interest in the strata-titled units owned by the Group.
(2) The Group sold the remaining lease wef 22.12.2015 to an associate.
(3) The Group has reversionary interest of the property at the expiry of the 75-year lease sold to CDL Hospitality Trusts.
(4) Although the Group owns 80% of the equity interests in the property holding company, it does not have control over the company as described in footnote @@ under Note 42 of the Notes to the Financial Statements.
(5) Property is held by Cityview Place Holdings Pte. Ltd. (Cityview). Although the Group is the legal owner of the entire equity interests in Cityview, management has determined that it does not have control over Cityview upon the sale of cash flows in Cityview. The Group has significant influence in Cityview through Sunbright Holdings Limited.

OVERSEAS PROPERTIES	Tenure	Site Area (Sq. Metres)	Approximate Lettable/ Strata/ Gross Floor Area (Sq. Metres)	Effective Group Interest (%)
Commercial Properties				
Jungceylon Shopping Mall and **Millennium Resort Patong Phuket** is a mixed development comprising a 4-storey retail mall and a 418-room hotel, located in the commercial area of Patong, Phuket Island, Thailand.	Freehold	84,115	73,578 (Retail) 44,741 (Hotel)	49
Mille Malle is a 4-storey retail mall located in the prime residential and commercial district at Sukhumvit Road, Bangkok, Thailand.	Freehold	1,920	3,068	49
Biltmore Court & Tower is located at 500/520 South Grand Avenue, Los Angeles, CA 90071, comprising the Court which has 22,133 sq. metres of Class "B" lettable office space within the Biltmore hotel structure and the Tower which has 12,116 sq. metres of Class "A" office space.	Freehold	4,951	34,249	65
Chengdu Cityspring is located in Gaoxin District, Chengdu, Sichuan Province, China, comprising 21,875 sq. metres of commercial space in the same building as M Hotel Chengdu (levels 3 -17), and 1,487 sq. metres of commercial and retail spaces.	Leasehold to year 2049	Not Applicable	23,362	23
Zuiderhof I is located in the South Axis, Amsterdam, the Netherlands, comprising office space, archive space and 111 carpark lots.	Perpetual Leasehold. Ground rent paid until 2050	4,294	12,538	8
Hotels				
Millennium Hilton Bangkok is a 32-storey, 544-room hotel-cum-retail waterfront development located at Charoen Nakorn Road, along the Chao Phraya River in Bangkok, Thailand.	Freehold	10,104	86,831	17
Holiday Inn Moscow - Seligerskaya comprises an 8-storey, 201-room hotel and a 9-storey, 44-unit apartment building located at Korovinskoe Chausee, Moscow, Russia.	Leasehold to year 2055	26,714	27,254	50
Millennium Mitsui Garden Hotel Tokyo, a 329-room hotel located at 5-11-1 Ginza, Chuo-Ku, Tokyo 104-0061, Japan.	Freehold/ Leasehold - 30 years from 25.03.2009	Not Applicable	13,428 1,040/130 (site area)	76
Arena Towers (Holiday Inn/Holiday Inn Express Hotels) is located in Amsterdam Southeast, the Netherlands, comprising 443 hotel rooms and 509 carpark lots.	Perpetual Leasehold. Ground rent paid until 2053	15,650	17,396	23
M Hotel Chengdu is located in Gaoxin District, Chengdu, Sichuan Province, China, comprising 196 hotel rooms and suites.	Leasehold to year 2049	Not Applicable	19,228	23
Crowne Plaza Chengdu Wenjiang Hotel & Holiday Inn Express Chengdu is located at No. 619 A/B North Phoenix Street, Wenjiang District, Chengdu, Sichuan Province, China, comprising 608 hotel rooms and suites and a hotspring facility.	Leasehold to year 2051	Not Applicable	81,041	23
Poortgebouw Hoog Catharijne is located at Catharijne Esplanade 13, 3511WK Utrecht, The Netherlands	Leasehold to year 2069	Not Applicable	11,604	23

MAJOR PROPERTIES FOR DEVELOPMENT AND/OR RESALE

AS AT 31 DECEMBER 2017

Description & Location	Site Area (Sq. Metres)	Tenure	Effective Group Interest (%)
Residential			
Jalan Kolam Ayer, Johor Bahru, Malaysia	24,739	Freehold	100
Jalan Waspada, Johor Bahru, Malaysia	6,368	Freehold	100
15, 19 & 21 Swiss Club Road	20,014	Freehold	100
Tampines Road/Upper Changi Road North	22,534	99 years	33
	14,013	Freehold	33
28 Pavilion Road, Knightsbridge, London, UK	1,160	Freehold	100
The Stag Brewery, Mortlake, London, UK	89,031	Freehold	100
Ransomes Wharf, Battersea, London, UK	6,250	Freehold	100
Prime freehold site in Shirokane, Tokyo, Japan	16,815	Freehold	100
Commercial			
Development House, Leonard Street, Shoreditch, London, UK	1,240	Freehold	100
Mixed Development			
Chongqing Huang Huayuan, Yuzhong District, China	23,512	Residential - 50 years Commercial - 40 years	30
Hotel			
Land Site at Chung-gu, Namdaeumro, Seoul, South Korea	1,564	Freehold	65
Land Site at Sunnyvale, California, United States of America	35,717	Freehold	65

MAJOR PROPERTIES IN THE COURSE OF DEVELOPMENT

AS AT 31 DECEMBER 2017

Description	Location	Site Area (Sq. Metres)	Gross Floor Area (Sq. Metres)	Tenure	Effective Group Interest (%)	Approximate Percentage Completion (%)	Expected Completion
Residential							
Ivy and Eve	Merivale Street, Brisbane, Australia	2,733	55,228	Freehold	33	99	2018
Coco Palms	Pasir Ris Grove/ Pasir Ris Drive 1	41,514	87,179	99 years	51	96	2018
Belgravia	31-35 Chesham Street, Belgravia, London, UK	183	1,150	Freehold	100	92	2018
Knightsbridge	32 Hans Road, Knightsbridge, London, UK	175	482	Freehold	100	92	2018
The Criterion	Yishun Street 51	17,940	50,232	99 years	70	92	2018
Park Court Aoyama The Tower	Minami Aoyama, Minato-ku, Tokyo, Japan	3,910	27,787	Freehold	20	99	2018
Teddington Riverside	Broom Road, Teddington, London, UK	18,211	22,297	Freehold	100	35	2019
Chelsea	90-100 Sydney Street, Chelsea, London, UK	351	1,500	Freehold	100	*	2019
Forest Woods	Lorong Lew Lian	14,001	46,206	99 years	50	16	2020
The Tapestry	Tampines Ave 10	21,718	60,810	99 years	100	*	2021
Mixed Development							
Hong Leong City Center (Phase 2)^	Suzhou Jinji Lake, SIP District, China	45,455	164,253	Residential - 70 years Commercial - 40 years	100	80	2018
Boulevard Hotel Site	Cuscaden Road/ Orchard Boulevard	12,127	56,050	Freehold	40	*	2021

* Work is less than 10% completed.
^ Phase 1 (Towers 1 & 3) completed in Q4 2016.

MAJOR PROPERTIES
AS AT 31 DECEMBER 2017

HOTELS	Tenure	Approximate Site Area (Sq. Metres)	Number of Rooms	Effective Group Interest (%)
Owned by MILLENNIUM & COPTHORNE HOTELS PLC				
Asia				
Grand Millennium Beijing Fortune Plaza, 7 Dongsanhuan Middle Road, Chaoyang District, Beijing 100020 China	Leasehold to year 2046 (hotel) Leasehold to year 2056 (underground carpark)	9,268	514	46
Grand Millennium Kuala Lumpur 160 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia	Freehold	7,670	459	65
JW Marriott Hotel Hong Kong Pacific Place, 88 Queensway, Hong Kong	75-year term from 18.04.1985 and may be renewable for a further term of 75 years	10,690	602	17
Millennium Hotel Sirih Jakarta Jalan Fachrudin 3, Jakarta 10250, Indonesia	The title is held under a Hak Guna Bangunan (i.e. Right to Build) and a 40-year lease wef 14.04.1984 and 22.01.1986 for approximate site area of 7,137 sq. metres and 212 sq. metres respectively	7,349	401	65
Millennium Seoul Hilton 50 Sowol-ro, Jung-gu, Seoul, South Korea 100-802	Freehold	18,787	680	65
Copthorne Orchid Hotel Penang Jalan Tanjung Bungah, 11200 Penang, Malaysia	Freehold	10,329	307	65
The Heritage Hotel Manila Roxas Boulevard at corner of EDSA Pasay City, Metropolitan Manila, Philippines	Fee Simple	9,888	450	43
Grand Hyatt Taipei 2, Songshou Road Taipei, Taiwan, 11051	50 years starting from 07.03.1990. The lease agreement is extendable for another 30 years.	14,193	853	54
New World Millennium Hong Kong Hotel 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong	75-year term from 28.11.1984 and may be renewable for a further term of 75 years	2,850	464	33

HOTELS	Tenure	Approximate Site Area (Sq. Metres)	Number of Rooms	Effective Group Interest (%)
Europe				
The Chelsea Harbour Hotel Chelsea Harbour, London, SW10 0XG, England	Leasehold to year 2112	2,561	158	65
Copthorne Hotel Aberdeen 122 Huntly Street, Aberdeen AB10 1SU, Scotland	Freehold	1,302	87	54
Copthorne Hotel Birmingham Paradise Circus, Birmingham B3 3HJ, England	Freehold	2,188	211	65
Copthorne Hotel Cardiff-Caerdydd Copthorne Way, Culverhouse Cross, Cardiff CF5 6DH, Wales	Freehold	26,305	135	65
Copthorne Hotel Effingham Gatwick West Park Road, Copthorne, West Sussex RH10 3EU, England	Freehold	161,878	122	65
Copthorne Hotel London Gatwick Copthorne Way, Copthorne, West Sussex RH10 3PG, England	Freehold	404,694	227	65
Copthorne Hotel Manchester Clippers Quay, Salford Quays, Manchester M50 3SN, England	Leasehold to year 2135	9,800	166	65
Copthorne Hotel Merry Hill-Dudley The Waterfront, Level Street, Brierley Hill, Dudley, West Midlands DY5 1UR, England	Freehold	13,734	138	65
Copthorne Hotel Newcastle The Close, Quayside, Newcastle upon Tyne NE1 3RT, England	Freehold	9,200	156	62
Copthorne Hotel Plymouth Armada Way, Plymouth PL1 1AR, England	Leasehold to year 2110	1,853	135	65
Copthorne Hotel Slough-Windsor Cippenham Lane, Slough, Berkshire SL1 2YE, England	Freehold	6,880	219	65
Copthorne Tara Hotel London Kensington Scarsdale Place, Kensington, London W8 5SR, England	Freehold	7,535	833	65
Hard Days Night Hotel Liverpool Central Buildings North John Street Liverpool, L2 6RR, England	Leasehold to year 2129	5,275	110	65
The Bailey's Hotel London 140 Gloucester Road, London SW7 4LH, England	Freehold	1,923	212	65
Millennium Gloucester Hotel London Kensington Harrington Gardens, London SW7 4LH, England	Freehold	6,348	610	65

HOTELS	Tenure	Approximate Site Area (Sq. Metres)	Number of Rooms	Effective Group Interest (%)
Europe (Continued)				
Millennium Hotel Glasgow George Square, Glasgow G2 1DS, Scotland	Leasehold to year 2109	5,926	61	65
Millennium Hotel London Knightsbridge 17 Sloane Street, Knightsbridge, London SW1X 9NU, England	Leasehold to year 2091	809	222	65
Millennium Hotel London Mayfair 44 Grosvenor Square, Mayfair, London W1K 2HP, England	Leasehold to year 2096	4,260	336	65
Millennium Hotel Paris Opéra 12 Boulevard Haussmann, 75009 Paris, France	Freehold	1,093	163	65
Millennium Hotel Paris Charles de Gaulle Zone Hoteliere, Allée du Verger, 95700 Roissy-en-France, France	Freehold	11,657	239	65
Grand Hotel Palace Rome Via Veneto, 70, Rome, 00187, Italy	Freehold	801	86	65
North America				
The Lakefront Anchorage 4800 Spenard Road, Anchorage, AK 99517, USA	Freehold	14,159	248	65
Millennium Biltmore Hotel Los Angeles 506 South Grand Avenue, Los Angeles, CA 90071, USA	Freehold	11,305	683	65
The Bostonian Boston 26 North Street, At Faneuil Hall Marketplace, Boston, MA 02109, USA	Freehold	2,769	204	65
Millennium Harvest House Boulder 1345 28th Street, Boulder, CO 80302, USA	Freehold	64,019	269	65
Millennium Buffalo 2040 Walden Avenue, Buffalo, NY 14225, USA	Leasehold to year 2022 (with one 10-year option)	31,726	301	65
Millennium Knickerbocker Hotel Chicago 163 East Walton Place, Chicago, IL 60611, USA	Freehold	2,007	306	65
Millennium Hotel Cincinnati 150 West Fifth Street, Cincinnati, OH 45202, USA	Freehold	6,839	872	65
Millennium Hotel Durham 2800 Campus Walk Avenue, Durham, NC 27705, USA	Freehold	42,814	316	65

HOTELS	Tenure	Approximate Site Area (Sq. Metres)	Number of Rooms	Effective Group Interest (%)
North America (Continued)				
Millennium Hotel Minneapolis 1313 Nicollet Mall, Minneapolis, MN 55403, USA	Leasehold to year 2030	4,537	321	65
Millennium Maxwell House Nashville 2025 Rosa L. Parks Boulevard, Nashville, TN 37228, USA	Leasehold to year 2030 (with two 10-year options)	17,140	287	65
Millennium Broadway Hotel New York 145 West 44th Street, New York, NY 10036, USA	Freehold	1,762	626	65
The Premier Hotel New York 133 West 44th Street, New York NY 10036, USA	Freehold	360	124	65
Millennium Hilton New York ONE UN Plaza 1 UN Plaza, 44th Street at 1st Avenue, New York, NY 10017, USA	East tower freehold/ West tower leasehold to year 2079	4,554	439	65
Millennium Hotel St. Louis (Closed) 200 South 4th Street, St. Louis, MO 63102, USA	Freehold	17,033	780	65
The McCormick Scottsdale 7401 North Scottsdale Road, Scottsdale, AZ 85208, USA	Leasehold to year 2033 (with two 10-year options)	32,819	125	65
Millennium Hilton New York 55 Church Street, New York, NY 10007, USA	Freehold	1,680	569	65
Novotel New York Times Square 226W 52nd Street, New York, NY 10019, USA	Fee simple estate, a leasehold interest, and a leased fee interest	1,977	480	65
Maingate Lakeside Resort 7769 W Irlo Bronson Memorial Highway, Kissimmee, FL 34747, USA	Freehold	93,796	475	65
Novotel Penthouse 1651-65 Broadway, New York, NY10019, USA	Leasehold to year 2080	307	–	65
Comfort Inn Near Vail Beaver Creek 161 West Beaver Creek Boulevard, Avon, CO 81620, USA	Freehold	11,209	146	65
Pine Lake Trout Club 17021 Chillicothe Road, Chagrin Falls, OH 44023, USA	Freehold	331,074	6	65

MAJOR PROPERTIES

AS AT 31 DECEMBER 2017

HOTELS	Tenure	Approximate Site Area (Sq. Metres)	Number of Rooms	Effective Group Interest (%)
New Zealand				
Copthorne Hotel Auckland City 150 Anzac Avenue, Auckland, New Zealand	Perpetual/Leasehold land	2,495	110	49
M Social Hotel Auckland 196-200 Quay Street, Auckland, New Zealand	Freehold	2,407	190	49
Copthorne Hotel & Resort Bay of Islands Tau Henare Drive, Paihia, New Zealand	Leasehold land to year 2021 (with a 30-year option)	62,834	180	24
Copthorne Hotel & Resort Queenstown Lakefront Corner Adelaide Street & Frankton Road, Queenstown, New Zealand	Freehold	18,709	240	49
Copthorne Hotel Wellington Oriental Bay 100 Oriental Parade, Wellington, New Zealand	Freehold	3,904	118	49
Kingsgate Hotel Dunedin 10 Smith Street, Dunedin, New Zealand	Freehold	2,193	55	49
Kingsgate Hotel Greymouth 32 Mawhera Quay, Greymouth, New Zealand	Freehold/ Perpetual leasehold land	2,807	98	49
Copthorne Hotel Palmerston North 110 Fitzherbert Avenue, Palmerston North, New Zealand	Freehold	15,514	89	49
Copthorne Hotel Rotorua Fenton Street, Rotorua, New Zealand	Freehold	35,935	110	49
Copthorne Hotel & Apartments Queenstown Lakeview 88 Frankton Road, Queenstown, New Zealand	Freehold/ Strata title	4,713	85	49
Kingsgate Hotel Te Anau 20 Lakefront Drive, Te Anau, New Zealand	Freehold	8,819	94	49
Millennium Hotel Queenstown Corner Frankton Road & Stanley Street, Queenstown, New Zealand	Freehold	7,453	220	49
Millennium Hotel Rotorua Corner Eruera & Hinemaru Streets, Rotorua, New Zealand	Freehold/ Perpetual leasehold land	10,109	227	49

HOTELS	Tenure	Approximate Site Area (Sq. Metres)	Number of Rooms	Effective Group Interest (%)
Owned by CDL HOSPITALITY TRUSTS				
Singapore				
Copthorne King's Hotel 403 Havelock Road, Singapore	99-year leasehold interest commencing from 01.02.1968	5,637	310	24
Grand Copthorne Waterfront Hotel# 392 Havelock Road, Singapore	75-year leasehold interest commencing from 19.07.2006	10,860+	574	24
M Hotel# 81 Anson Road, Singapore	75-year leasehold interest commencing from 19.07.2006	2,134	415	24
Novotel Singapore Clarke Quay 177A River Valley Road, Singapore	97 years and 30 days leasehold interest commencing from 02.04.1980	12,925	403	24
Orchard Hotel# 442 Orchard Road, Singapore	75-year leasehold interest commencing from 19.07.2006	8,588@	656	24
Claymore Connect# 442 Orchard Road, Singapore	75-year leasehold interest commencing from 19.07.2006	7,300	N.A.	24
Studio M Hotel 3 Nanson Road, Singapore	99-year leasehold interest commencing from 26.02.2007	2,932	360	24

Notes:

The Group has freehold reversionary interest of the property at the expiry of the 75-year lease.
+ Including adjoining Waterfront Plaza.
@ Including Claymore Connect.

MAJOR PROPERTIES
AS AT 31 DECEMBER 2017

HOTELS	Tenure	Approximate Site Area (Sq. Metres)	Number of Rooms	Effective Group Interest (%)
Australia				
Novotel Brisbane 200 Creek Street, Brisbane, Queensland, Australia	Strata volumetric freehold	6,235	296	24
Mercure & Ibis Brisbane[(1)] 85-87 North Quay/27-35 Turbot Street, Brisbane, Queensland, Australia	Freehold	3,847	194/218	24
Mercure Perth 10 Irwin Street, Perth, Western Australia, Australia	Strata freehold	757	239	24
Ibis Perth 334 Murray Street, Perth, Western Australia, Australia	Freehold	1,480	192	24
New Zealand				
Grand Millennium Auckland 71-87 Mayoral Drive, Auckland, New Zealand	Freehold	5,910	452	24
Maldives				
Angsana Velavaru Velavaru Island, South Nilandhe Atoll, Republic of Maldives	50-year leasehold interest commencing from 26.08.1997	67,717	113	24
Dhevanafushi Maldives Luxury Resort (formerly known as Jumeirah Dhevanafushi) Meradhoo Island, Gaafu Alifu Atoll, Republic of Maldives	50-year leasehold interest commencing from 15.06.2006	53,576	37	24
Japan				
Hotel MyStays Asakusabashi 1-5-5, Asakusabashi, Taito-ku, Tokyo, Japan	Freehold	564	139	24
Hotel MyStays Kamata 5-46-5, Kamata, Ota-ku, Tokyo, Japan	Freehold	497	116	24
United Kingdom				
Hilton Cambridge City Centre 20 Downing Street, Cambridge, United Kingdom	125-year leasehold interest commencing from 25.12.1990 and extendable for a further 50 years	3,600	198	24
The Lowry Hotel 50 Dearmans Place, Salford, Manchester, United Kingdom	150-year leasehold interest commencing from 18.03.1997	2,200	165	24
Germany				
Pullman Hotel Munich Theodor-Dombart-Strasse 4, Munich, 80805, Germany	Freehold	8,189	337	23

Note:
(1) The divestment of Mercure & Ibis Brisbane was completed on 11 January 2018.

STATUTORY REPORTS AND ACCOUNTS

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DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members of City Developments Limited (the "Company") together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2017.

In our opinion:

(a) the financial statements set out on pages 113 to 246 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore 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.

DIRECTORS

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

Kwek Leng Beng (Executive Chairman)
Kwek Leng Peck
Philip Yeo Liat Kok
Tan Poay Seng
Chan Soon Hee Eric
Tan Yee Peng
Koh Thiam Hock

DIRECTORS' INTERESTS

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants and/or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial year. The directors of the Company consider Hong Leong Investment Holdings Pte. Ltd. to be the immediate and ultimate holding company of the Company.

DIRECTORS' INTERESTS (CONT'D)

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

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year	At end of the year
The Company		
Ordinary Shares		
Kwek Leng Beng	397,226	397,226
Kwek Leng Peck	43,758	43,758
Preference Shares		
Kwek Leng Beng	144,445	144,445
Immediate and Ultimate Holding Company		
Hong Leong Investment Holdings Pte. Ltd. Ordinary Shares		
Kwek Leng Beng	2,320	2,320
Kwek Leng Peck	10,921	10,921
Subsidiary Corporations		
Millennium & Copthorne Hotels New Zealand Limited Ordinary Shares		
Kwek Leng Beng	906,000	906,000
Redeemable Non-voting Preference Shares		
Kwek Leng Beng	453,000	453,000

DIRECTORS' INTERESTS (CONT'D)

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year	At end of the year
Related Corporations		
Hong Leong Finance Limited		
Ordinary Shares		
Kwek Leng Beng	5,603,567	5,603,567
Kwek Leng Peck	517,359	517,359
Options to subscribe for the following number of ordinary shares under the Hong Leong Finance Share Option Scheme 2001		
Kwek Leng Beng	2,740,000	2,477,000
Hong Leong Holdings Limited		
Ordinary Shares		
Kwek Leng Beng	259,000	259,000
Kwek Leng Peck	381,428	381,428
Hong Leong Asia Ltd.		
Ordinary Shares		
Kwek Leng Beng	660,000	660,000
Kwek Leng Peck	1,913,300	1,913,300
Options to subscribe for the following number of ordinary shares under the Hong Leong Asia Share Option Scheme 2000		
Kwek Leng Peck	470,000	470,000
Hong Realty (Private) Limited		
Ordinary Shares		
Kwek Leng Beng	1,110	1,110
Kwek Leng Peck	150	150

DIRECTORS' INTERESTS (CONT'D)

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year	At end of the year
Related Corporations (cont'd)		
Sun Yuan Holdings Pte Ltd		
Ordinary Shares		
Kwek Leng Beng	15,000,000	15,000,000

	Other holdings in which the director is deemed to have an interest	
	At beginning of the year	At end of the year
Immediate and Ultimate Holding Company		
Hong Leong Investment Holdings Pte. Ltd.		
Ordinary Shares		
Kwek Leng Beng	40,744	40,744

The directors' interests in the Company as disclosed above remained unchanged as at 21 January 2018.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangements 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

By the Company

During the financial year, there were:

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

(b) no shares issued by virtue of any exercise of options 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.

SHARE OPTIONS (CONT'D)

By Subsidiary Corporations

Millennium & Copthorne Hotels plc (M&C)

The following share option schemes of M&C continue to be in operation:

(i) Millennium & Copthorne Hotels plc 2006 and 2016 Sharesave Schemes;
(ii) Millennium & Copthorne Hotels plc 2006 and 2016 Long-Term Incentive Plan;
(iii) Millennium & Copthorne Hotels plc Annual Bonus Plan; and
(iv) Millennium & Copthorne Hotels plc Executive Share Plan.

(i) Millennium & Copthorne Hotels plc 2006 and 2016 Sharesave Schemes

(a) The Millennium & Copthorne Hotels plc 2006 Sharesave Scheme which was renewed on substantially the same terms through the adoption of the 2016 Sharesave Scheme (together the "M&C Sharesave Scheme") is the United Kingdom Inland Revenue approved scheme under which the M&C Group employees are eligible to participate.

(b) Under the terms of the M&C Sharesave Scheme, M&C Group employees are eligible to participate in a 3-year or 5-year savings contract. The M&C 2006 Sharesave Scheme expired on 3 May 2016, therefore a replacement scheme was approved by shareholders at M&C's Annual General Meeting on 5 May 2016. However, options remain exercisable under the M&C 2006 Sharesave Scheme.

(c) No payment is required for the grant of an option.

(d) The options may be exercised upon maturity provided that the monies agreed under the savings contract are fully paid and the participant continues to be employed by M&C. The M&C Sharesave Scheme provides that shares in M&C can be purchased at the option price up to the value of the accrued savings and interests in the event of retirement, redundancy, injury, disability or by the employees' estate in the event of their death.

(e) M&C may grant options up to the value of a savings contract at maturity. Participants cannot enter into contracts where their savings, in aggregate, would exceed £500 per month.

(f) During the financial year under review, (i) 57,776 options were granted to subscribe for ordinary shares of £0.30 each in M&C; and (ii) 21,500 ordinary shares of £0.30 each in M&C were issued under the M&C 2006 Sharesave Scheme.

SHARE OPTIONS (CONT'D)

By Subsidiary Corporations (cont'd)

Millennium & Copthorne Hotels plc (M&C) (cont'd)

(i) *Millennium & Copthorne Hotels plc 2006 and 2016 Sharesave Schemes (cont'd)*

As at the end of the financial year, there were 208,732 unissued shares under options pursuant to the M&C Sharesave Scheme. All future awards will be granted under the 2016 Sharesave Scheme. Details of the options to subscribe for ordinary shares in M&C are set out below:

Date granted	Balance at beginning of year	Granted during the year	Exercised during the year	Expired/ Forfeited during the year	Balance at end of year	Exercise price per share £	Exercise period
19.04.2011	1,284	–	–	(1,284)	–	4.1800	01.08.2016 – 31.01.2017
19.04.2012	5,178	–	(5,178)	–	–	3.8800	01.08.2017 – 31.01.2018
19.04.2013	26,533	–	(1,446)	(25,087)	–	4.4800	01.08.2016 – 31.01.2017
19.04.2013	2,677	–	–	–	2,677	4.4800	01.08.2018 – 31.01.2019
06.05.2014	35,053	–	(12,907)	(6,415)	15,731	4.4600	01.08.2017 – 31.01.2018
06.05.2014	3,631	–	–	(2,690)	941	4.4600	01.08.2019 – 31.01.2020
14.04.2015	30,410	–	–	(689)	29,721	4.6900	01.08.2018 – 31.01.2019
14.04.2015	6,649	–	–	(1,278)	5,371	4.6900	01.08.2020 – 31.01.2021
12.04.2016	122,311	–	(1,969)	(13,625)	106,717	3.3000	01.08.2019 – 31.01.2020
12.04.2016	4,545	–	–	(3,636)	909	3.3000	01.08.2021 – 31.01.2022
11.04.2017	–	46,550	–	(2,752)	43,798	3.6600	01.08.2020 – 31.01.2021
11.04.2017	–	11,226	–	(8,359)	2,867	3.6600	01.08.2022 – 31.01.2023
	238,271	57,776	(21,500)	(65,815)	208,732		

(ii) *Millennium & Copthorne Hotels plc 2006 and 2016 Long-Term Incentive Plan (LTIP)*

The Millennium & Copthorne Hotels plc 2006 Long-Term Incentive Plan (2006 LTIP) was approved at M&C's Annual General Meeting held on 4 May 2006 and expired on 3 May 2016. The 2016 Long-Term Incentive Plan (2016 LTIP) was approved by the shareholders at M&C's Annual General Meeting on 5 May 2016. The key change to the 2016 LTIP was to introduce a discretion to impose an additional holding period following the vesting of an award, a "post-vesting holding period". A decision as to whether a post-vesting holding period will be imposed is to be taken on a grant-by-grant basis. Under the terms of the 2006 LTIP and going forward, the 2016 LTIP, M&C is permitted to make both Performance Share Awards and Deferred Share Bonus Awards to an employee (including an executive director) of M&C or its subsidiaries. The level of awards made under the terms of the LTIP is determined by M&C's Remuneration Committee.

The Executive Share Plan was approved by M&C on 18 February 2016 to replace participation in the LTIP by senior executive management.

Vesting of Performance Share Awards is subject to the achievement of stretching performance targets. Awards will not be subject to re-testing. For awards made in 2006 to 2010, earnings per share (EPS) targets were chosen so that participants are incentivised to deliver significant earnings growth.

In 2011, the Remuneration Committee amended the performance conditions so that half of the awards are subject to EPS growth targets and half are subject to Total Shareholder Return (TSR) targets. The revised performance targets are designed to incentivise management to deliver significant earnings growth and align the interests of management with shareholders.

SHARE OPTIONS (CONT'D)

By Subsidiary Corporations (cont'd)

Millennium & Copthorne Hotels plc (M&C) (cont'd)

(ii) Millennium & Copthorne Hotels plc 2006 and 2016 Long-Term Incentive Plan (LTIP) (cont'd)

The performance condition applying to Performance Share Awards require M&C's EPS to grow, in real terms, over a period of three consecutive financial years from the date of grant of award. Performance Share Awards will vest on the third anniversary of the award being made, subject to the EPS growth targets being met. TSR targets measure M&C's relative TSR performance over a three-year period against a comparator group comprising companies in the FTSE 250 index participating companies (excluding investment trusts).

In 2014, the Remuneration Committee further amended the performance conditions so that 50% of the awards are subject to EPS growth targets, 30% are subject to TSR target measures comparing performance against a relevant benchmark which for 2015 will be split equally between the FTSE 250 market index and an index of peer companies, and 20% being subject to net asset value (plus dividends) (NAV).

In 2015, the Remuneration Committee retained the same performance measures as had been used for the 2014 award with a minor amendment made to the percentage weighting associated with each so that 60% of the awards are subject to EPS growth targets, 20% are subject to TSR targets split equally across two peer groups and the remaining 20% subject to NAV.

In 2016, the Remuneration Committee retained the same performance conditions as had been used for the 2015 awards.

During the financial year under review, no Performance Share Awards were made pursuant to the M&C LTIP. Details of the outstanding Performance Share Awards are set out below:

Date of award	Balance at beginning of year	Awards made during the year	Awards vested during the year	Awards expired/ forfeited during the year	Balance at end of year	Vesting date
04.04.2014	450,688	–	–	(450,688)	–	04.04.2017
03.08.2015	232,086	–	–	(12,724)	219,362	03.08.2018
10.09.2015	11,867	–	–	–	11,867	10.09.2018
29.03.2016	185,643	–	–	–	185,643	29.03.2019
	880,284	–	–	(463,412)	416,872	

SHARE OPTIONS (CONT'D)

By Subsidiary Corporations (cont'd)

Millennium & Copthorne Hotels plc (M&C) (cont'd)

(iii) Millennium & Copthorne Hotels plc Annual Bonus Plan

In 2013, M&C approved an Annual Bonus Plan. Under the terms of the plan, an annual bonus in the form of a cash payment of up to 150% of a participant's base salary could be awarded, subject to performance targets.

The rules of the plan were amended in 2014 to include a deferred element whereby up to 100% of the total bonus due could be deferred into M&C shares for three years in the form of an option or conditional share award (Deferred Share Awards). No performance conditions are attached to the share award.

In 2016, the Remuneration Committee amended the vesting schedule of the plan so that instead of vesting in full on the third anniversary of grant, future Deferred Share Awards vest over a three year period, and more specifically:

- as to 25% of the award shares on the first anniversary of grant;
- as to 25% of the award shares on the second anniversary of grant; and
- as to 50% of the award shares on the third anniversary of grant.

No shares may be issued or treasury shares transferred to satisfy any award.

During the financial year under review, bonus payments were made in the form of conditional share awards on 14 June 2017. A total of 55,750 ordinary shares of £0.30 each in M&C were granted and allocated to be held on behalf of the participants, subject to the plan rules and continued employment.

Details of the Deferred Share Awards under the Annual Bonus Plan are set out below:

Date of award	Balance at beginning of year	Awards made during the year	Awards vested during the year	Awards expired/ forfeited during the year	Balance at end of year	Vesting date
08.09.2015	56,352	–	–	(10,278)	46,074	08.09.2018
06.11.2015	4,325	–	–	–	4,325	06.11.2018
13.05.2016	60,939	–	(13,030)	(12,005)	35,904	13.05.2017/18/19
12.08.2016	2,377	–	(595)	–	1,782	12.08.2017/18/19
09.11.2016	977	–	(245)	–	732	09.11.2017/18/19
14.06.2017	–	55,750	–	(8,772)	46,978	14.06.2018/19/20
	124,970	55,750	(13,870)	(31,055)	135,795	

SHARE OPTIONS (CONT'D)

By Subsidiary Corporations (cont'd)

Millennium & Copthorne Hotels plc (M&C) (cont'd)

(iv) Millennium & Copthorne Hotels plc Executive Share Plan

In 2016, M&C approved an Executive Share Plan. Under the terms of the plan, members of the executive management committee who are below board level would be eligible to be granted awards but executive directors of M&C would be excluded from participating. The plan instead provides the M&C board of directors with the flexibility to make conditional awards not subject to future financial performance but to take into account recent performance based on the metrics used under the LTIP and importantly to also take into consideration strategic achievements. In addition, a notable difference to the LTIP would be that conditional awards will automatically vest, subject to the plan rules which includes continued employment, over a three year period, and more specifically:

- as to 25% of the award shares on the first anniversary of grant;
- as to 25% of the award shares on the second anniversary of grant; and
- as to 50% of the award shares on the third anniversary of grant.

No shares may be issued or treasury shares transferred to satisfy any award.

During the financial year under review, conditional awards were made over 56,838 ordinary shares of £0.30 each in M&C pursuant to the Executive Share Plan.

Details of the conditional awards under the Executive Share Plan are set out below:

Date of award	Balance at beginning of year	Awards made during the year	Awards vested during the year	Awards expired/ forfeited during the year	Balance at end of year	Vesting date
29.03.2016	37,572	–	(8,158)	(4,950)	24,464	29.03.2017/18/19
15.08.2017	–	56,838	–	–	56,838	15.08.2018/19/20
	37,572	56,838	(8,158)	(4,950)	81,302	

AUDIT & RISK COMMITTEE

The Audit & Risk Committee comprises three non-executive members of the Board, all of whom are independent. The members of the Audit & Risk Committee at the date of this statement are:

Chan Soon Hee Eric (Chairman)
Tan Yee Peng
Koh Thiam Hock

The Audit & Risk Committee performs the functions of an audit & risk committee under its terms of reference including those specified in Section 201B of the Act, the Listing Manual of the Singapore Exchange Securities Trading Limited ("Listing Manual") and the Code of Corporate Governance 2012.

The Audit & Risk Committee met six times during the financial year ended 31 December 2017. In performing its functions, the Audit & Risk Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and their evaluation of the Group's systems of internal controls.

The Audit & Risk Committee also reviewed, *inter alia*, the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly and annual consolidated financial statements of the Group prior to their submission to the Board of Directors of the Company for approval; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual).

The Audit & 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 or third party advisor to attend its meetings. The Audit & Risk Committee also recommends the appointment of the external auditors and reviews the nature and level of audit and non-audit fees.

The Audit & Risk Committee further reviewed the independence of the auditors, KPMG LLP, as required under Section 206(1A) of the Act, and determined that the auditors were independent in carrying out their audit of the financial statements. Accordingly, they have recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing the auditors for the Company, its subsidiaries and significant associates and joint ventures, the Company has complied with Rules 712 and 715 of the Listing Manual.

AUDITORS

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

On behalf of the Board of Directors

Kwek Leng Beng
Executive Chairman

Chan Soon Hee Eric
Director

9 March 2018

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
CITY DEVELOPMENTS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of City Developments 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 2017, 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 113 to 246.

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 provisions of the Singapore Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 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 development properties
(Refer to note 10 to the financial statements)

RISK:

The Group has significant residential development properties held for sale in Singapore, China, the United Kingdom (UK) and Japan. Development properties held for sale are stated at the lower of cost and net realisable values. The determination of the estimated net realisable value is highly dependent on the Group's expectations of future selling prices of unsold development properties.

The uncertain global economic outlook, government policies and market sentiments might exert downward pressure on property prices in those countries where the Group holds development properties for sale. This could lead to future trends in these markets departing from known trends from past experience, thereby resulting in a significant impact on the future selling price estimates. Consequently, there is a risk that the carrying values of unsold development properties exceed the actual selling prices, resulting in unforeseen losses when these properties are sold.

OUR RESPONSE:

We focused our work on development properties with low margins. In assessing the reasonableness of the Group's estimated future selling prices for its development projects, we considered recently transacted prices of units sold under development, prices of comparable properties located in the vicinity of these development projects and research analysts' expectations of price movements.

OUR FINDINGS:

In making its estimates of future selling prices, the Group takes into account the macroeconomic factors and real estate price trends of the markets in which the properties are located, and its sales strategy. The Group performs a regular review of these estimates and revises them when necessary.

We found the Group's estimated future selling prices used in determining the net realisable values and the resultant allowance for foreseeable losses on its development projects, to be comparable to market data.

Valuation of hotel assets
(Refer to note 3 to the financial statements)

RISK:

The Group has significant hotel assets which are carried at cost and are subject to an annual review to assess whether or not they are impaired. The Group first identifies properties which are at risk of being impaired, i.e. those where there is an indication of impairment. In identifying the properties at risk, the Group takes into consideration those properties which were subjected to impairment in previous years (and therefore any decline in performance compared to the projections used to determine the previous impairment may result in a further impairment being recorded) as well as those properties which have experienced a difficult trading environment in 2017. The properties at risk are then subjected to a detailed impairment review whereby their recoverable amounts are estimated.

The Group uses a combination of internal and external valuations to estimate the recoverable amount of its properties identified as at risk of being impaired, which is determined to be the higher of the fair value less cost to sell and value-in-use of these properties. The valuations are sensitive to key assumptions applied and a change in the assumptions may have an impact on the recoverable amounts.

OUR RESPONSE:

Our procedures included challenging the Group's initial risk assessment process by which properties were selected for further assessment of their recoverable amounts. These include comparing the actual asset performance to previous forecasts and to the market data, and assessing the quantum of available headroom. For those properties selected for a detailed impairment review, we used our valuation specialists to assist us in evaluating the methodologies and assumptions used in the valuations, particularly those relating to forecasted cash flows, as well as discount rates, occupancy rates and average room rate growth. We compared the valuation assumptions used to externally derived data as well as data derived from our own assessment.

OUR FINDINGS:

The Group has a structured and comprehensive process in identifying hotel assets with impairment indicators. We found that the methodologies used in the valuations were consistent with market practice. We also found the assumptions used in the valuations to be comparable to market data.

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 all other information prior to the date of the auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

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

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

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 contents 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 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 law or regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditors' report is Tay Puay Cheng.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
9 March 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current assets					
Property, plant and equipment	3	**5,013,767**	5,135,688	**7,735**	8,368
Investment properties	4	**2,448,901**	2,346,114	**453,365**	444,682
Lease premium prepayment		**106,288**	113,587	**–**	–
Investments in:					
– subsidiaries	5	**–**	–	**2,131,243**	2,132,213
– associates	6	**389,360**	371,370	**–**	–
– joint ventures	7	**1,168,450**	1,090,142	**37,360**	37,360
Financial assets	8	**432,923**	398,603	**30,561**	28,329
Other non-current assets	9	**483,740**	261,353	**2,540,071**	1,861,215
		10,043,429	9,716,857	**5,200,335**	4,512,167
Current assets					
Lease premium prepayment		**3,793**	3,913	**–**	–
Development properties	10	**4,560,819**	5,208,900	**359,703**	497,674
Consumable stocks		**11,018**	11,823	**–**	–
Financial assets	8	**15,770**	16,399	**–**	–
Assets classified as held for sale	4	**56,618**	–	**–**	–
Trade and other receivables	11	**1,035,936**	1,166,493	**4,352,813**	4,335,835
Cash and cash equivalents	14	**3,775,909**	3,673,037	**1,384,157**	2,043,714
		9,459,863	10,080,565	**6,096,673**	6,877,223
Total assets		**19,503,292**	19,797,422	**11,297,008**	11,389,390
Equity attributable to owners of the Company					
Share capital	15	**1,991,397**	1,991,397	**1,991,397**	1,991,397
Reserves	16	**7,592,177**	7,302,411	**4,470,390**	4,522,002
		9,583,574	9,293,808	**6,461,787**	6,513,399
Non-controlling interests		**2,257,576**	2,114,876	**–**	–
Total equity		**11,841,150**	11,408,684	**6,461,787**	6,513,399
Non-current liabilities					
Interest-bearing borrowings	18	**3,755,650**	3,954,937	**1,780,524**	1,808,330
Employee benefits	22	**34,387**	42,837	**–**	–
Other liabilities	23	**356,222**	375,646	**119,311**	170,137
Provisions	24	**75,198**	84,917	**–**	–
Deferred tax liabilities	25	**179,179**	271,013	**49,027**	66,333
		4,400,636	4,729,350	**1,948,862**	2,044,800
Current liabilities					
Trade and other payables	26	**1,604,302**	1,575,230	**2,164,002**	1,809,538
Interest-bearing borrowings	18	**1,266,032**	1,782,830	**672,176**	998,216
Employee benefits	22	**24,560**	24,544	**2,205**	2,282
Provision for taxation		**318,033**	251,629	**47,976**	21,155
Provisions	24	**48,579**	25,155	**–**	–
		3,261,506	3,659,388	**2,886,359**	2,831,191
Total liabilities		**7,662,142**	8,388,738	**4,835,221**	4,875,991
Total equity and liabilities		**19,503,292**	19,797,422	**11,297,008**	11,389,390

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000
Revenue	27	**3,828,621**	3,905,453
Cost of sales		**(2,143,672)**	(2,147,534)
Gross profit		**1,684,949**	1,757,919
Other operating income	28	**121,145**	174,909
Administrative expenses		**(529,703)**	(536,033)
Other operating expenses		**(476,565)**	(473,170)
Profit from operating activities		**799,826**	923,625
Finance income		**52,789**	43,499
Finance costs		**(117,703)**	(123,635)
Net finance costs	28	**(64,914)**	(80,136)
Share of after-tax profit of associates		**29,648**	41,226
Share of after-tax profit of joint ventures		**15,886**	29,274
Profit before tax		**780,446**	913,989
Tax expense	29	**(105,486)**	(151,430)
Profit for the year	28	**674,960**	762,559
Profit attributable to owners of the Company:			
– Ordinary shareholders		**525,318**	640,302
– Preference shareholders		**12,904**	12,922
		538,222	653,224
Non-controlling interests		**136,738**	109,335
Profit for the year		**674,960**	762,559
Earnings per share			
– Basic	30	**57.8 cents**	70.4 cents
– Diluted	30	**56.4 cents**	68.5 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000
Profit for the year		**674,960**	762,559
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Defined benefit plan remeasurements		**6,391**	(15,477)
Items that are or may be reclassified subsequently to profit or loss:			
Changes in fair value of available-for-sale equity investments		**2,171**	2,172
Effective portion of changes in fair value of cash flow hedges		**2,606**	–
Exchange differences on hedges of net investment in foreign operations		**22,452**	(61,028)
Exchange differences on monetary items forming part of net investments in foreign operations		**(37,580)**	(4,745)
Exchange differences reclassified to profit or loss on loss of control in/ liquidation of foreign operations		**(15,802)**	(7,898)
Translation differences arising on consolidation of foreign operations		**(111,136)**	(79,006)
		(137,289)	(150,505)
Total other comprehensive income for the year, net of tax	29	**(130,898)**	(165,982)
Total comprehensive income for the year		**544,062**	596,577
Total comprehensive income attributable to:			
Owners of the Company		**440,848**	495,307
Non-controlling interests		**103,214**	101,270
Total comprehensive income for the year		**544,062**	596,577

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000
Group				
At 1 January 2017		1,991,397	175,512	13,578
Total comprehensive income for the year				
Profit for the year		–	–	–
Other comprehensive income				
Defined benefit plan remeasurements		–	–	–
Changes in fair value of available-for-sale equity investments		–	–	2,663
Effective portion of changes in fair value of cash flow hedges		–	–	–
Exchange differences on hedges of net investment in foreign operations		–	–	–
Exchange differences on monetary items forming part of net investments in foreign operations		–	–	–
Exchange differences reclassified to profit or loss on loss of control in/liquidation of foreign operations		–	7	–
Translation differences arising on consolidation of foreign operations		–	–	–
Total other comprehensive income		–	7	2,663
Total comprehensive income for the year		–	7	2,663
Transactions with owners, recorded directly in equity				
<u>**Contributions by and distributions to owners**</u>				
Capital contribution by non-controlling interests (net)		–	–	–
Dividends paid to owners of the Company	31	–	–	–
Dividends paid to non-controlling interests		–	–	–
Issue expenses of a subsidiary		–	(978)	–
Liquidation of a subsidiary		–	–	–
Transfer to statutory reserve		–	–	–
Share-based payment transactions		–	–	–
Total contributions by and distributions to owners		–	(978)	–
<u>**Changes in ownership interests in subsidiaries**</u>				
Acquisition of subsidiaries with non-controlling interests	34	–	–	–
Changes in interests in subsidiaries without loss of control	34	–	6,510	–
Expiry of put option granted to non-controlling interests		–	1,101	–
Total changes in ownership interests in subsidiaries		–	7,611	–
Total transactions with owners		–	6,633	–
At 31 December 2017		1,991,397	182,152	16,241

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

Hedging reserve $'000	Other reserve $'000	Share option reserve $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
–	1,462	14,723	(478,948)	7,576,084	9,293,808	2,114,876	11,408,684
–	–	–	–	538,222	538,222	136,738	674,960
–	–	–	–	4,225	4,225	2,166	6,391
–	–	–	–	–	2,663	(492)	2,171
1,699	–	–	–	–	1,699	907	2,606
–	–	–	11,838	–	11,838	10,614	22,452
–	–	–	(39,360)	–	(39,360)	1,780	(37,580)
–	–	–	(15,845)	(7)	(15,845)	43	(15,802)
–	–	–	(62,594)	–	(62,594)	(48,542)	(111,136)
1,699	–	–	(105,961)	4,218	(97,374)	(33,524)	(130,898)
1,699	–	–	(105,961)	542,440	440,848	103,214	544,062
–	–	–	–	–	–	154,108	154,108
–	–	–	–	(158,392)	(158,392)	–	(158,392)
–	–	–	–	–	–	(85,903)	(85,903)
–	–	–	–	–	(978)	(3,077)	(4,055)
–	–	–	–	–	–	(427)	(427)
–	7,735	–	–	(7,735)	–	–	–
–	–	320	–	–	320	170	490
–	7,735	320	–	(166,127)	(159,050)	64,871	(94,179)
–	–	–	–	–	–	5,027	5,027
–	–	–	150	207	6,867	(30,412)	(23,545)
–	–	–	–	–	1,101	–	1,101
–	–	–	150	207	7,968	(25,385)	(17,417)
–	7,735	320	150	(165,920)	(151,082)	39,486	(111,596)
1,699	9,197	15,043	(584,759)	7,952,604	9,583,574	2,257,576	11,841,150

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000
Group				
At 1 January 2016		1,991,397	138,660	11,406
Total comprehensive income for the year				
Profit for the year		–	–	–
Other comprehensive income				
Defined benefit plan remeasurements		–	–	–
Changes in fair value of available-for-sale equity investments		–	–	2,172
Exchange differences on hedges of net investment in foreign operations		–	–	–
Exchange differences on monetary items forming part of net investments in foreign operations		–	–	–
Exchange differences reclassified to profit or loss on loss of control in/liquidation of foreign operations		–	–	–
Translation differences arising on consolidation of foreign operations		–	–	–
Total other comprehensive income		–	–	2,172
Total comprehensive income for the year		–	–	2,172
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Capital distribution to non-controlling interests		–	–	–
Dividends paid to owners of the Company	31	–	–	–
Dividends paid to non-controlling interests		–	–	–
Transfer to statutory reserve		–	–	–
Share-based payment transactions		–	–	–
Total contributions by and distributions to owners		–	–	–
Changes in ownership interests in subsidiaries				
Changes in interests in subsidiaries with loss of control		–	75,460	–
Changes in interests in subsidiaries without loss of control	34	–	(40,141)	–
Expiry of put option granted to non-controlling interests		–	1,533	–
Total changes in ownership interests in subsidiaries		–	36,852	–
Total transactions with owners		–	36,852	–
At 31 December 2016		1,991,397	175,512	13,578

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

	Other reserve $'000	Share option reserve $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
	1,372	14,980	(328,825)	7,166,802	8,995,792	2,217,223	11,213,015
	–	–	–	653,224	653,224	109,335	762,559
	–	–	–	(9,966)	(9,966)	(5,511)	(15,477)
	–	–	–	–	2,172	–	2,172
	–	–	(38,587)	–	(38,587)	(22,441)	(61,028)
	–	–	(10,045)	–	(10,045)	5,300	(4,745)
	–	–	(3,874)	–	(3,874)	(4,024)	(7,898)
	–	–	(97,617)	–	(97,617)	18,611	(79,006)
	–	–	(150,123)	(9,966)	(157,917)	(8,065)	(165,982)
	–	–	(150,123)	643,258	495,307	101,270	596,577
	–	–	–	–	–	(656)	(656)
	–	–	–	(158,410)	(158,410)	–	(158,410)
	–	–	–	–	–	(79,530)	(79,530)
	105	–	–	(105)	–	–	–
	–	(257)	–	–	(257)	(139)	(396)
	105	(257)	–	(158,515)	(158,667)	(80,325)	(238,992)
	(15)	–	–	(75,460)	(15)	(46,741)	(46,756)
	–	–	–	(1)	(40,142)	(76,551)	(116,693)
	–	–	–	–	1,533	–	1,533
	(15)	–	–	(75,461)	(38,624)	(123,292)	(161,916)
	90	(257)	–	(233,976)	(197,291)	(203,617)	(400,908)
	1,462	14,723	(478,948)	7,576,084	9,293,808	2,114,876	11,408,684

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000
Cash flows from operating activities			
Profit for the year		**674,960**	762,559
Adjustments for:			
Depreciation and amortisation		**215,970**	221,883
Dividend income		**(7,366)**	(9,184)
Equity settled share-based transactions		**216**	(411)
Finance costs		**117,703**	123,635
Finance income		**(52,789)**	(43,499)
Gain on insurance claim		**–**	(4,227)
Gain on loss of control in/liquidation of subsidiaries (net)		**(55,938)**	(148,598)
Negative goodwill on acquisition of interest in an associate		**–**	(521)
Impairment losses (reversed)/recognised on amounts owing by joint ventures		**(22,320)**	1,759
Impairment losses on lease premium prepayment, investment properties and property, plant and equipment		**52,233**	38,818
Impairment loss on goodwill arising from acquisition of a subsidiary		**6,874**	–
Profit on realisation/sale of investments (net)		**(3,339)**	(18,415)
(Profit)/Loss on sale of property, plant and equipment and an investment property		**(38,943)**	702
Loss on disposal/liquidation of a joint venture		**124**	14
Property, plant and equipment and investment properties written off		**4,471**	2,546
Share of after-tax profit of associates		**(29,648)**	(41,226)
Share of after-tax profit of joint ventures		**(15,886)**	(29,274)
Tax expense		**105,486**	151,430
		951,808	1,007,991
Changes in working capital:			
Development properties		**300,028**	214,591
Consumable stocks and trade and other receivables		**(58,960)**	140,076
Trade and other payables		**43,760**	(48,792)
Employee benefits		**1,434**	23,811
Cash generated from operations		**1,238,070**	1,337,677
Tax paid		**(161,781)**	(156,745)
Net cash from operating activities		**1,076,289**	1,180,932
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)	34	**(248,507)**	(410,451)
Dividends received:			
– an associate		**4,229**	4,228
– financial investments		**7,366**	9,184
– joint ventures		**88,000**	40,500
Increase in intangible assets		**(231)**	(502)
Increase in investments in associates		**–**	(1,622)
Increase in investments in joint ventures		**(58,565)**	(111,779)
Increase in lease premium prepayment		**–**	(263)
Increase in amounts owing by equity-accounted investees (non-trade)		**(2,082)**	–
Interest received		**41,163**	33,609
Payments for capital expenditure on investment properties		**(44,874)**	(22,087)
Payments for purchase of property, plant and equipment		**(109,305)**	(204,926)
Purchase of financial assets (net)		**(48,332)**	(136,420)
Proceeds from insurance claims		**–**	4,227
Proceeds from settlement of amounts owing by a joint venture		**22,811**	–
Proceeds from loss of control in subsidiaries (net of cash disposed of)	34	**193,150**	1,113,244
Proceeds from sale of property, plant and equipment and investment properties		**64,226**	1,120
Net cash (used in)/from investing activities		**(90,951)**	318,062

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Note	Group	
		2017 $'000	2016 $'000
Cash flows from financing activities			
Acquisition of non-controlling interests, without a change in control	34	**(23,545)**	(116,693)
Capital contribution by/(distribution to) non-controlling interests (net)		**153,653**	(1,156)
(Increase)/Decrease in deposits pledged to financial institutions		**(79,266)**	11,543
Deposits charged to financial institutions		**–**	(186,866)
Dividends paid		**(243,840)**	(237,440)
Finance lease payments		**(355)**	(553)
Interest paid (including amounts capitalised as investment properties, property, plant and equipment and development properties)		**(124,596)**	(136,960)
Net increase in amounts owing by related parties (non-trade)		**–**	(9,411)
Net repayment of revolving credit facilities and short-term bank borrowings		**(137,186)**	(465,650)
Increase in other long-term liabilities		**3,659**	–
Decrease/(Increase) in restricted cash (net)		**183**	(11)
Payment of financing transaction costs		**(8,595)**	(4,738)
Payment of issue expenses by a subsidiary		**(4,055)**	–
Proceeds from bank borrowings		**449,680**	227,143
Proceeds from issuance of bonds and notes		**100,000**	411,623
Repayment of bank borrowings		**(757,766)**	(484,662)
Repayment of bonds and notes		**(250,000)**	(347,340)
Net cash used in financing activities		**(922,029)**	(1,341,171)
Net increase in cash and cash equivalents		**63,309**	157,823
Cash and cash equivalents at beginning of the year		**3,566,757**	3,415,567
Effect of exchange rate changes on balances held in foreign currencies		**(31,022)**	(6,633)
Cash and cash equivalents at end of the year	14	**3,599,044**	3,566,757

Non-cash transaction

Dividends amounting to $455,000 (2016: $500,000) were paid by a subsidiary to its non-controlling interests in the form of additional shares in that subsidiary.

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 9 March 2018.

1 DOMICILE AND ACTIVITIES

City Developments Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at 36 Robinson Road, #04-01 City House, Singapore 068877.

The principal activities of the Company are those of a property developer and owner, and investment holding.

The principal activities of the subsidiaries are those of property developers and owners, hotel owners and operators, a club operator and owner, investment in properties and in shares, property management, project management and provision of consultancy services, procurement services and provision of laundry services.

The consolidated financial statements for the year ended 31 December 2017 relate to the Company and its subsidiaries (together referred to as the Group and individually as Group entities) and the Group's interests in associates and joint ventures.

The directors consider the immediate and ultimate holding company to be Hong Leong Investment Holdings Pte. Ltd., a company incorporated in the Republic of Singapore.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below. The financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information has been rounded to the nearest thousand, unless otherwise stated.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the following notes:

Notes 2.2, 41 and 42	Assessment of ability to control or exert significant influence over partly owned investments

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

Note 2.20	Measurement of profit attributable to properties under development
Note 2.23	Estimation of provisions for current and deferred taxation
Notes 3 and 4	Measurement of recoverable amounts of property, plant and equipment, and investment properties
Note 5	Measurement of recoverable amounts of investments in and balances with subsidiaries
Note 10	Measurement of realisable amounts of development properties
Note 22	Valuation of defined benefit obligations

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.

Revised standards

The Group has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- Disclosure Initiative (Amendments to FRS 7);
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 12); and
- Clarification of the scope of FRS 112 (Improvements to FRSs 2016).

Other than the amendments to FRS 7, the adoption of these amendments did not have any impact on the current or prior period and is not likely to affect future periods.

Disclosure Initiative (Amendments to FRS 7)

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosures in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see note 35).

2.2 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

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 payable is recognised at fair value at the acquisition date. If the contingent consideration that meets the definition of a financial instrument is classified as equity, 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 to the fair value of the contingent consideration are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of consolidation (cont'd)

Business combinations (cont'd)

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, 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 value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the adjustment to non-controlling interests and the fair value of consideration paid is recognised directly in equity and presented as part of equity attributable to owners of the Company.

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.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of consolidation (cont'd)

Associates and joint ventures (equity-accounted investee)

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. Joint ventures are arrangements 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.

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, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest (including any long-term interests that, in substance, form part of the Group's net investment in the equity-accounted investee) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Joint operations

A joint operation is an arrangement in which the Group has joint control whereby the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement. The Group accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

The Group is a 51% (2016: 51%) partner in Hong Realty (Private) Limited – Pasir Ris Joint Venture (the Pasir Ris Joint Venture), a joint arrangement formed with two fellow subsidiaries, whose principal activity is that of a property developer and the place of business is in Singapore. The Group has classified the Pasir Ris Joint Venture as a joint operation as the joint venture partners control the Pasir Ris Joint Venture collectively and the Pasir Ris Joint Venture is not structured through a separate legal vehicle.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investee 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.

Accounting for subsidiaries and joint ventures by the Company

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to 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 at the reporting date are retranslated to the functional currencies at the exchange rates at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currencies at the exchange rates at the dates that their fair values were determined. Non-monetary items in foreign currencies that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the dates of the transactions. Foreign currency differences arising on translation are recognised in profit or loss, except for (a) differences arising on the translation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below), (b) available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss), (c) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see below) or (d) qualifying cash flow hedges to the extent that the hedge is effective which are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are translated at the exchange rates at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of 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. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, 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 joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Net investment in a foreign operation

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of the Group's net investment in the foreign operation are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve. When the foreign operation is disposed of, the cumulative amount in the foreign currency translation reserve is transferred to profit or loss as part of gain or loss on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Foreign currencies (cont'd)

Hedge of net investment in a foreign operation

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of the Group's net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the cumulative amount in the foreign currency translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

2.4 Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost 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 asset to a working condition for its intended use, when the Group has an obligation to remove the asset or restore the site, the cost of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

Where 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 is determined by comparing the net proceeds from disposal with the carrying amount of the item and is recognised net in profit or loss.

Subsequent expenditure

Subsequent expenditure 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 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. All other subsequent expenditure are recognised in profit or loss when incurred.

Depreciation

No depreciation is provided on freehold and 999-year leasehold land. For freehold and leasehold properties under development and renovation-in-progress, no depreciation is provided until these items have been completed.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives (or lease term, if shorter, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term) of each part of an item of property, plant and equipment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Property, plant and equipment (cont'd)

Depreciation (cont'd)

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

Freehold and leasehold land and buildings		
• Core component of hotel buildings	–	50 years, or lease term if shorter
• Surface, finishes and services of hotel buildings	–	30 years, or lease term if shorter
• Leasehold land (other than 999-year leasehold land)	–	Lease term
Furniture, fittings, plant and equipment and improvements	–	3 to 20 years

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

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

2.5 Intangible assets

Goodwill

Goodwill and negative goodwill arise on the acquisition of subsidiaries, associates and joint ventures.

Acquisitions prior to 1 January 2001

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquiree.

Goodwill and negative goodwill on acquisitions were written off against reserves in the year of acquisition.

Goodwill and negative goodwill that had previously been taken to reserves are not taken to profit or loss when (a) the business is disposed of or (b) the goodwill is impaired.

Acquisitions occurring between 1 January 2001 and 1 January 2005

There was no goodwill arising from acquisition of subsidiaries occurring between 1 January 2001 and 1 January 2005.

Acquisitions occurring between 1 January 2005 and 31 December 2009

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill arising on the acquisition of subsidiaries is presented in intangible assets. Goodwill arising on the acquisition of associates and joint ventures is presented together with investments in associates and joint ventures.

Goodwill is measured at cost less accumulated impairment losses, and tested annually for impairment (note 2.13). Negative goodwill is recognised immediately in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Intangible assets (cont'd)

Acquisitions on or after 1 January 2010

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Goodwill arising on the acquisition of subsidiaries is presented in intangible assets. Goodwill arising on the acquisition of associates and joint ventures is presented together with investments in associates and joint ventures.

Goodwill is measured at cost less accumulated impairment losses, and tested annually for impairment (note 2.13).

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets (comprising mainly technology, trade name, franchise application, trademarks, customer relations and customer contracts) are amortised in profit or loss on a straight-line basis over their estimated useful lives ranging from 1 to 15 years, from the date on which they are available for use.

2.6 Investment properties

Investment properties are properties held either to earn rental income or 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 stated at cost less accumulated depreciation and accumulated impairment losses.

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

Gains and losses on disposal of investment properties are determined by comparing the net proceeds from disposal with the carrying amounts of the investment properties, and are recognised net in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Investment properties (cont'd)

Depreciation

No depreciation is provided on freehold and 999-year leasehold land included in the investment properties.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives (or lease terms, if shorter unless it is reasonably certain that the Group will obtain ownership by the end of the lease term) of each component of the investment properties.

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

Freehold and leasehold properties	–	50 years, or lease term if shorter
Leasehold land (other than 999-year leasehold land)	–	Lease term ranging from 50 to 96 years
Furniture, fittings, plant and equipment and improvements	–	3 to 20 years

Depreciation methods and useful lives are reviewed, and adjusted as appropriate, at each reporting date.

Transfers

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

- commencement of owner-occupation, for a transfer from investment properties to property, plant and equipment;
- commencement of development with a view to sell, for a transfer from investment properties to development properties; and
- end of owner-occupation, for a transfer from property, plant and equipment to investment properties.

2.7 Leased assets

Leases in terms of which the Group assumes substantially all risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases, and the leased assets are not recognised in the statement of financial position.

2.8 Lease premium prepayment

Lease premium prepayment relates to upfront premium paid in respect of long leasehold land where substantially all risks and rewards of ownership are not anticipated to be passed to the Group. It is classified appropriately between current and non-current assets and is charged to profit or loss on a straight-line basis over the term of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

The Group has the following categories of non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity and debt securities that otherwise would have been classified as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables (excluding prepayments and tax recoverable), other non-current assets (excluding deferred tax assets, prepayments and intangible assets) and certain financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial instruments (cont'd)

Loans and receivables (cont'd)

Cash and cash equivalents comprise cash balances and bank deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair values, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits, deposits charged and restricted cash are excluded whilst bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included in cash and cash equivalents.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. The Group's investments in certain equity securities and certain debt securities are classified as available-for-sale financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 2.13) and foreign currency differences on available-for-sale monetary items (see note 2.3), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss.

Where an investment in equity securities classified as available for sale does not have a quoted market price in an active market and other methods of determining fair value do not result in a reasonable estimate, the investment is measured at cost less accumulated impairment losses.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or when they expire.

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

The Group has the following non-derivative financial liabilities: borrowings, other liabilities and trade and other payables (excluding deferred income, progress billings and derivative financial liabilities).

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Derivative financial instruments, including hedging activities

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial instruments (cont'd)

Derivative financial instruments, including hedging activities (cont'd)

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 - 125%.

Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified to the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (i.e. when interest income or expense is recognised).

For cash flow hedges, other than those covered by the above policy, the associated cumulative gain or loss is removed from equity and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in profit or loss.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

2.10 Intercompany loans

Loans to subsidiaries

Intercompany loans to subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future and are, in substance, a part of the Company's net investment in those subsidiaries, are stated at cost less accumulated impairment losses.

Such balances are eliminated in full in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Development properties

Development properties 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 net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

The cost of properties under development comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

Properties under development, the sales of which are recognised using the percentage of completion method

The aggregated costs incurred together with attributable profits and net of progress billings are presented as development properties in the statement of financial position.

Other properties under development

The aggregated costs incurred are presented as development properties while progress billings are presented separately within trade and other payables.

2.12 Consumable stocks

Consumable stocks comprise principally food and beverage and other hotel related consumable supplies. Stocks are valued at the lower of cost and net realisable value. Cost is determined based on the weighted average cost method and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated cost of completion and cost necessary to make the sale.

2.13 Impairment

(i) Impairment of non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including interest in an associate and joint venture, is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Impairment (cont'd)

(i) *Impairment of non-derivative financial assets (cont'd)*

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Impairment losses on available-for-sale financial asset are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, an impairment loss once recognised in profit or loss is not reversed through profit or loss. Any subsequent increase in fair value of such assets is recognised in other comprehensive income.

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2.13 (ii). 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.

(ii) *Impairment of non-financial assets*

The carrying amounts of the Group's non-financial assets, other than development properties, consumable stocks 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 assets' recoverable amounts are estimated. For goodwill, the recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified.

The recoverable amount of an asset or cash-generating unit 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 cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Impairment (cont'd)

(ii) *Impairment of non-financial assets (cont'd)*

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 a 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 a joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or a joint venture may be impaired.

2.14 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 generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to consumable stocks, financial assets, deferred tax assets and investment properties, 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 the income statement. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment and investment property once classified as held for sale are not depreciated.

2.15 Share capital

Ordinary shares

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

Preference shares

Preference shares are classified as equity if they are non-redeemable, or are redeemable only at the option of the Company and dividend payments are discretionary. Dividends thereon are recognised as distributions within equity.

Dividends on ordinary and preference shares are recognised as a liability in the period in which they are declared.

2.16 Employee benefits

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. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Employee benefits (cont'd)

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit post-employment plans, including pension plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised immediately as an expense in profit or loss.

The Group recognises remeasurement gains or losses within the consolidated statement of comprehensive income in the period in which they occur.

The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Other long-term service benefits

The Group's net obligation in respect of long-term service benefits, other than post employment plans is the amount of future benefit that employees have earned in return for their service in current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any plan assets is deducted.

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.

Share-based payment transactions

The grant date fair value of equity-settled 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 do 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.

Share-based payment arrangements in which the Group receives goods or services as consideration for its equity instruments of the Group entities are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Employee benefits (cont'd)

Share-based payment transactions (cont'd)

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employees as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

2.17 Provisions

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.

2.18 Financial guarantee contracts

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 guarantee contracts are accounted for as insurance contracts. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

2.19 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Revenue recognition

Development properties for sale

Revenue from sales of development properties is recognised using the percentage of completion method when the Group determines that (a) control and the significant risks and rewards of ownership of the work-in-progress transfer to the buyer in its current state as construction progresses, (b) sales price is fixed and collectible, (c) the percentage of completion can be measured reliably, (d) there is no significant uncertainty as to the ability of the Group to complete the development, and (e) costs incurred or to be incurred can be measured reliably.

In all other instances, revenue from sales of development properties is only recognised upon the transfer of control and significant risks and rewards of ownership of the property to the buyer. This generally coincides with the point in time when the development unit is delivered to the buyer. No revenue is recognised when there is significant uncertainty as to the collectability of consideration due or the possible return of units sold.

The percentage of completion is measured by reference to the work performed, based on the stage of completion certified by quantity surveyors. Profits are recognised only in respect of finalised sales contracts to the extent that such profits relate to the progress of the construction work.

Rental income

Rental income (net of any lease incentives) is recognised on a straight-line basis over the lease term. Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period on a receipt basis in which they are earned and the amount can be reliably measured.

Hotel income

Revenue from hotel operations is recognised on an accrual basis, upon rendering of the relevant services.

Dividends

Dividend income is recognised in profit or loss when the shareholder's right to receive payment is established.

Management services, consultancy services and laundry services

The Group recognises income when the services are rendered.

2.21 Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Finance income and costs

Finance income comprises mainly interest income on funds invested and fair value gains on financial derivatives and financial assets designated at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise mainly interest expense on borrowings and financial derivatives, amortisation of transaction costs capitalised, impairment loss on available-for-sale financial assets, fair value losses on financial assets designated at fair value through profit or loss and loss on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

2.23 Tax

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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 related to income taxes, if any.

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 arrangements 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.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Tax (cont'd)

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

In determining the amount of current and deferred tax, the 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.

2.24 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, for the dilutive effect arising from the conversion of the non-redeemable convertible non-cumulative preference shares.

2.25 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3 PROPERTY, PLANT AND EQUIPMENT

	Note	Freehold land and buildings $'000	Leasehold land and buildings $'000	Freehold and leasehold properties under development $'000	Furniture, fittings, plant and equipment and improvements $'000	Renovation-in-progress $'000	Total $'000
Group							
Cost							
At 1 January 2016		4,163,161	1,263,478	130,919	1,557,916	50,618	7,166,092
Additions		5,183	8,745	1,877	83,744	105,840	205,389
Excess accruals written back		(9,666)	(3,760)	–	–	–	(13,426)
Loss of control in subsidiaries	34	(7,045)	–	–	(8,761)	–	(15,806)
Disposals		(4)	(223)	–	(7,919)	–	(8,146)
Written off during the year		(21)	(14)	–	(32,800)	–	(32,835)
Reclassifications and transfers		(23,222)	126,443	(103,038)	17,809	(17,992)	–
Transfers from investment properties	4	76,824	–	–	29,571	–	106,395
Translation differences on consolidation		(55,890)	(100,850)	(1,010)	(6,316)	2,812	(161,254)
At 31 December 2016		4,149,320	1,293,819	28,748	1,633,244	141,278	7,246,409
Additions		24,737	2,505	4,464	70,777	6,822	109,305
Excess accruals written back		–	–	–	(238)	(3,081)	(3,319)
Acquisition of subsidiaries	34	–	84,604	13	9,810	–	94,427
Loss of control in subsidiaries	34	–	–	–	(840)	–	(840)
Disposals		(5)	(33)	–	(9,150)	(453)	(9,641)
Written off during the year		(258)	(32)	(3,926)	(20,098)	–	(24,314)
Reclassifications and transfers		77,157	(322)	(3,992)	28,923	(101,766)	–
Translation differences on consolidation		(104,450)	(16,594)	(875)	(27,090)	(5,485)	(154,494)
At 31 December 2017		4,146,501	1,363,947	24,432	1,685,338	37,315	7,257,533

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Note	Freehold land and buildings $'000	Leasehold land and buildings $'000	Freehold and leasehold properties under development $'000	Furniture, fittings, plant and equipment and improvements $'000	Renovation-in-progress $'000	Total $'000
Group							
Accumulated depreciation and impairment losses							
At 1 January 2016		756,087	271,442	6,455	957,235	–	1,991,219
Charge for the year		34,369	21,535	312	93,702	–	149,918
Disposals		(4)	(223)	–	(6,843)	–	(7,070)
Written off during the year		(8)	(2)	–	(31,959)	–	(31,969)
Loss of control in subsidiaries	34	(846)	–	–	(4,759)	–	(5,605)
Reclassifications		(68)	68	–	–	–	–
Transfers from investment properties	4	1,270	–	–	9,426	–	10,696
Impairment losses		31,489	4,046	–	2,805	–	38,340
Translation differences on consolidation		(18,522)	11,171	(286)	(27,171)	–	(34,808)
At 31 December 2016		803,767	308,037	6,481	992,436	–	2,110,721
Charge for the year		26,803	21,477	–	98,166	–	146,446
Disposals		–	–	–	(8,184)	–	(8,184)
Written off during the year		(114)	–	–	(19,821)	–	(19,935)
Loss of control in subsidiaries	34	–	–	–	(754)	–	(754)
Reclassifications		3	–	–	(3)	–	–
Impairment losses		39,009	5,638	–	4,573	–	49,220
Translation differences on consolidation		(19,923)	(5,400)	(593)	(7,832)	–	(33,748)
At 31 December 2017		849,545	329,752	5,888	1,058,581	–	2,243,766
Carrying amounts							
At 1 January 2016		3,407,074	992,036	124,464	600,681	50,618	5,174,873
At 31 December 2016		3,345,553	985,782	22,267	640,808	141,278	5,135,688
At 31 December 2017		3,296,956	1,034,195	18,544	626,757	37,315	5,013,767

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land $'000	Furniture, fittings and equipment $'000	Total $'000
Company			
Cost			
At 1 January 2016	2,570	29,322	31,892
Additions	–	1,233	1,233
Disposals	–	(36)	(36)
Written off during the year	–	(1,455)	(1,455)
At 31 December 2016	2,570	29,064	31,634
Additions	–	1,967	1,967
Disposals	–	(2,337)	(2,337)
Written off during the year	–	(685)	(685)
At 31 December 2017	2,570	28,009	30,579
Accumulated depreciation			
At 1 January 2016	–	22,211	22,211
Charge for the year	–	2,526	2,526
Disposals	–	(35)	(35)
Written off during the year	–	(1,436)	(1,436)
At 31 December 2016	–	23,266	23,266
Charge for the year	–	2,156	2,156
Disposals	–	(1,993)	(1,993)
Written off during the year	–	(585)	(585)
At 31 December 2017	–	22,844	22,844
Carrying amounts			
At 1 January 2016	2,570	7,111	9,681
At 31 December 2016	2,570	5,798	8,368
At 31 December 2017	2,570	5,165	7,735

Included in property, plant and equipment are certain hotel properties of the Group with carrying amount totalling $437,823,000 (2016: $452,201,000) which are mortgaged to certain financial institutions to secure credit facilities (refer to notes 19 and 20 for more details of the facilities).

The management undertook their annual review of the carrying amounts of hotels and property assets for indicators of impairment. Where indicators of impairment were identified, the recoverable amounts were estimated based on internal or external valuations undertaken. The cash generating units (CGU) are individual hotels.

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The recoverable amounts of the individual hotels, being the higher of the fair value less costs to sell and the value-in-use, were predominantly determined using the fair value less costs to sell approach, and were estimated using discounted cash flow method. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

During the year, an impairment loss of $49,220,000 (2016: $38,340,000) was recognised in relation to two hotels in the United States of America (US), one hotel in Maldives, one hotel in Europe and one hotel in the Philippines (2016: two hotels located in the US and one hotel in Maldives), all of which are held by certain subsidiaries of M&C.

The impairment losses were a result of the challenging hospitality market in these regions, affecting the operating performance of these hotels. In particular, the room rates achieved by these hotels were lower than expected.

Impairment losses recognised were included in "other operating expenses".

The estimated total recoverable amounts of the said impaired properties were $745,583,000 (2016: $399,613,000) and were estimated using the following key assumptions:

	US	Europe	Asia
Discount rate			
2017	6.0% to 12.0%	8.0% to 12.0%	10.0%
2016	8.0% to 12.0%	–	8.0% to 9.0%
Occupancy growth rate			
2017	2.0% to 13.0%	1.0% to 17.0%	3.0% to 9.0%
2016	0.0% to 7.0%	–	0.0% to 3.0%
Average room rate growth			
2017	2.0% to 6.0%	1.0% to 25.0%	1.0% to 12.0%
2016	0.0% to 5.0%	–	0.0% to 8.0%

Sensitivity analysis

The Group's impairment review is sensitive to changes in the key assumptions used, most notably the discount rate and average room rate growth assumptions. A significant increase in discount rate in isolation would result in a significantly lower recoverable amount. Conversely, a significant increase in average room rate growth in isolation would result in a significantly higher recoverable amount.

4 INVESTMENT PROPERTIES

	Note	Group $'000	Company $'000
Cost			
At 1 January 2016		3,509,299	568,032
Capital expenditure		21,445	3,461
Loss of control in subsidiaries	34	(146,586)	–
Disposals		(749)	–
Written off during the year		(3,368)	(155)
Transfers to property, plant and equipment	3	(106,395)	–
Translation differences on consolidation		27,654	–
At 31 December 2016		3,301,300	571,338
Acquisition of subsidiaries	34	167,744	–
Capital expenditure		42,544	19,997
Disposals		(92,435)	–
Written off during the year		(1,051)	(1,050)
Transfers from development properties		57,206	–
Transfers to assets classified as held for sale		(59,443)	–
Translation differences on consolidation		(9,024)	–
At 31 December 2017		3,406,841	590,285
Accumulated depreciation and impairment losses			
At 1 January 2016		925,624	115,789
Charge for the year		67,089	11,021
Loss of control in subsidiaries	34	(28,724)	–
Disposals		(3)	–
Written off during the year		(1,688)	(154)
Transfers to property, plant and equipment	3	(10,696)	–
Translation differences on consolidation		3,584	–
At 31 December 2016		955,186	126,656
Charge for the year		64,960	11,222
Disposals		(59,656)	–
Written off during the year		(959)	(958)
Transfers to assets classified as held for sale		(2,825)	–
Impairment losses		3,013	–
Translation differences on consolidation		(1,779)	–
At 31 December 2017		957,940	136,920
Carrying amounts			
At 1 January 2016		2,583,675	452,243
At 31 December 2016		2,346,114	444,682
At 31 December 2017		2,448,901	453,365
Fair value			
At 31 December 2016		6,215,075	1,088,722
At 31 December 2017		6,301,274	1,089,822

4 INVESTMENT PROPERTIES (CONT'D)

Investment properties comprise commercial, residential, hotel and industrial properties that are leased to external customers. Generally, each of the leases is fixed for a period of 1 to 19 years, and subsequent renewals are negotiated at prevailing market rates and terms.

On 22 December 2017, the Group's indirect wholly owned subsidiary, CDL Hospitality Trust (CDLHT) announced its proposed divestment of Mercure Brisbane and Ibis Brisbane for A$77 million (approximately $80 million). Accordingly, these two investment properties have been reclassified to assets held for sale as at 31 December 2017. The sale was subsequently completed on 11 January 2018.

During the year, the Group's transfers from development properties to investment properties related mainly to the reclassification of a warehouse in Singapore as the Group has ceased its plan to sell the warehouse and will hold the property to earn rental income.

In 2016, the Group reclassified a hotel located in New Zealand held under CDLHT to property, plant and equipment as the Group's subsidiary, M&C, has assumed the lease of this hotel. In prior years, the Group leased the hotel out to an external operator and held the hotel for capital appreciation purposes.

As at 31 December 2017, investment properties of the Group with a total carrying amount of $763,000,000 (2016: $Nil) were mortgaged to certain financial institutions to secure credit facilities (refer to note 20 for more details of the facilities).

The management undertook their annual review of the carrying amounts of investment properties for indicators of impairment. Where indicators of impairment were identified, the recoverable amounts were estimated based on internal or external valuations undertaken.

The recoverable amounts of the investment properties, being the higher of the fair value less costs to sell and value-in-use, were predominantly determined using fair value less costs to sell approach, and were estimated using discounted cash flow and income capitalisation methods. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

Based on the independent professional valuations undertaken in 2017, an impairment loss of $3,013,000 (2016: $Nil) was recognised which is mainly related to a hotel in Maldives held by a subsidiary of M&C. The impairment loss was mainly due to the challenging hospitality market in Maldives, affecting the operating performance of the hotel.

Impairment losses recognised were included in "other operating expenses".

The estimated total recoverable amount of the hotel in Maldives was $53,458,000 as at 31 December 2017 and was determined by the professional appraiser using the following key assumptions:

Discount rate	10.00%
Terminal yield	8.00%
Capitalisation rate	7.50%

Sensitivity analysis

The Group's impairment review is sensitive to changes in the key assumptions used, most notably the discount rate, terminal yield and capitalisation rate assumptions. A significant increase in discount rate, terminal yield and capitalisation rate in isolation would result in a lower fair value. Conversely, a significant increase in discount rate, terminal yield and capitalisation rate in isolation would result in a significantly higher recoverable amount.

5 INVESTMENTS IN AND BALANCES WITH SUBSIDIARIES

	Note	Company 2017 $'000	Company 2016 $'000
Investments in subsidiaries			
Unquoted shares, at cost		**2,181,913**	2,182,883
Impairment losses		**(50,670)**	(50,670)
		2,131,243	2,132,213
Balances with subsidiaries			
Amounts owing by subsidiaries:			
– trade, interest-free		**12,840**	12,735
– non-trade, interest-free		**3,445,277**	2,328,124
– non-trade, interest-bearing		**3,286,203**	3,751,781
		6,744,320	6,092,640
Impairment losses		**(104,656)**	(135,360)
		6,639,664	5,957,280
Receivable:			
– Within 1 year	11	**4,099,593**	4,096,065
– After 1 year	9	**2,540,071**	1,861,215
		6,639,664	5,957,280
Amounts owing to subsidiaries:			
– trade, interest-free		**1,340**	919
– non-trade, interest-free		**1,959,667**	1,653,659
– non-trade, interest-bearing		**150,810**	150,753
		2,111,817	1,805,331
Repayable:			
– Within 1 year	26	**2,011,817**	1,655,331
– After 1 year	23	**100,000**	150,000
		2,111,817	1,805,331

In 2016, the Company assessed the carrying amount of its investments in subsidiaries for indicators of impairment. Based on this assessment, the Company recognised a net impairment loss of $4,443,000 on its investments in two wholly-owned subsidiaries. An impairment loss of $9,881,000 was recognised in respect of a subsidiary, following the disposal of its underlying property. An impairment loss of $5,438,000 was reversed on another subsidiary, following an improvement in its financial position. The recoverable amounts of the subsidiaries were estimated taking into consideration the fair values of the underlying assets of the companies and the liabilities to be settled. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

The non-trade amounts owing by and to subsidiaries are unsecured. In respect of interest-bearing amounts owing by and to subsidiaries, interest was charged at rates ranging from 0.49% to 20.63% (2016: 0.45% to 10.46%) per annum and at rates ranging from 2.74% to 3.25% (2016: 2.00% to 3.25%) per annum respectively. The non-trade balances with subsidiaries that are presented as receivable or repayable within one year are receivable or repayable on demand.

Included in amounts owing by subsidiaries receivable after one year are loans to subsidiaries with carrying amounts of $2,540,071,000 (2016: $1,861,215,000) for which settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are in substance a part of the Company's net investments in subsidiaries, they are stated at cost less accumulated impairment losses.

5 INVESTMENTS IN AND BALANCES WITH SUBSIDIARIES (CONT'D)

Impairment losses

The movements in impairment losses in respect of amounts owing by subsidiaries during the year are as follows:

	Company	
	2017 $'000	**2016 $'000**
At 1 January	**135,360**	135,053
Impairment losses (reversed)/made	**(30,704)**	307
At 31 December	**104,656**	135,360

Further details regarding subsidiaries are set out in note 41.

6 INVESTMENTS IN AND BALANCES WITH ASSOCIATES

		Group		Company	
	Note	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Investments in associates		**389,360**	371,370	**–**	–
Balances with associates					
Amounts owing by associates receivable within 1 year:					
– trade, interest-free	11	**450**	395	**29**	32

Included in the Group's investments in associates is an investment in an associate which is listed on the Mainboard of Singapore Exchange Securities Trading Limited. As at the reporting date, the carrying amount of the investment in the associate was $372.5 million (2016: $354.5 million) and the fair value based on the published price quotation (Level 1 in the fair value hierarchy) was $298.2 million (2016: $282.3 million).

Immaterial associates

The Group has interests in a number of individually immaterial associates. The following table summarises, in aggregate, the Group's share of profit and other comprehensive income of these immaterial associates that are accounted for using the equity method:

	Group	
	2017 $'000	**2016 $'000**
Carrying amount of interest in individually immaterial associates	**389,360**	371,370
Group's share of:		
– profit from continuing operation	**29,648**	41,226
– other comprehensive income	**(7,565)**	(18,471)
– total comprehensive income	**22,083**	22,755

7 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES

		Group		Company	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Investments in joint ventures					
Investments in joint ventures		**1,168,450**	1,090,142	**37,360**	37,360
Balances with joint ventures					
Amounts owing by joint ventures:					
– trade, interest-free		**1,328**	7,230	**34**	14
– non-trade, interest-bearing		**29,788**	151,962	**10,214**	10,061
– non-trade, interest-free		**601,765**	506,776	**217,886**	215,805
		632,881	665,968	**228,134**	225,880
Impairment losses		**(13,181)**	(41,228)	**(14,372)**	(15,593)
		619,700	624,740	**213,762**	210,287
Receivable:					
– Within 1 year	11	**416,791**	624,740	**213,762**	210,287
– After 1 year	9	**202,909**	–	**–**	–
		619,700	624,740	**213,762**	210,287
Amounts owing to joint ventures payable within 1 year:					
– trade, interest-free		**12**	1	**10**	1
– non-trade, interest-free		**22,737**	22,727	**22,727**	22,727
	26	**22,749**	22,728	**22,737**	22,728

The non-trade amounts owing by and to joint ventures are unsecured. In respect of interest-bearing amounts owing by joint ventures, interest at rates ranging from 1.50% to 2.00% (2016: 1.50% to 6.75%) per annum and 1.50% (2016: 1.50% to 2.00%) per annum were charged by the Group and the Company respectively.

The non-trade amounts presented as receivable or repayable within one year are receivable or repayable on demand.

The amount owing by joint venture receivable after one year comprises a loan to a joint venture for which settlement is neither planned nor likely to occur in the foreseeable future. As the amount is in substance a part of the Group's net investment in the joint venture, it is stated at cost less accumulated impairment losses.

Included in the Group's carrying amount of its investments in joint ventures is goodwill amounting to $18.3 million (2016: $Nil) relating to the Group's interests in two (2016: Nil) joint ventures.

7 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (CONT'D)

The movements in impairment losses in respect of balances with joint ventures are as follows:

	Note	Group		Company	
		2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
At 1 January		**41,228**	39,800	**15,593**	15,593
Impairment losses (reversed)/made		**(22,320)**	1,759	**(1,221)**	–
Impairment losses utilised		**(1,163)**	(119)	**–**	–
Translation differences on consolidation		**(4,564)**	(212)	**–**	–
At 31 December		**13,181**	41,228	**14,372**	15,593

Impairment losses (reversed)/made were included in "other operating expenses".

Immaterial joint ventures

The Group has interests in a number of individually immaterial joint ventures. The following table summarises, in aggregate, the share of profit and other comprehensive income of these immaterial joint ventures that are accounted for using the equity method:

	Group	
	2017 $'000	**2016 $'000**
Carrying amount of interest in individually immaterial joint ventures	**1,168,450**	1,090,142
Group's share of:		
– profit from continuing operations/total comprehensive income	**15,886**	29,274

The Group's share of the joint ventures' commitments is as follows:

	Group	
	2017 $'000	**2016 $'000**
Commitments		
Development expenditure contracted but not provided for in the financial statements	**225,304**	104,819
Capital expenditure contracted but not provided for in the financial statements	**10,610**	12,340
Non-cancellable operating lease payables	**42,704**	85
Non-cancellable operating lease receivables	**72,466**	101,201

8 FINANCIAL ASSETS

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Non-current financial assets				
Available-for-sale financial assets:				
Unquoted equity investments				
– fellow subsidiaries	**3,290**	3,290	**3,290**	3,290
– other related parties	**29,617**	21,983	**–**	–
– non-related companies	**30,332**	16,764	**–**	–
	63,239	42,037	**3,290**	3,290
Impairment losses	**(3,339)**	(3,339)	**–**	–
	59,900	38,698	**3,290**	3,290
Quoted equity investments				
– fellow subsidiaries	**29,705**	23,286	**24,979**	19,580
– non-related companies	**12,633**	15,466	**2,292**	5,459
	42,338	38,752	**27,271**	25,039
Financial assets designated at fair value through profit or loss:				
Unquoted debt instruments				
– non-related companies	**30,186**	–	**–**	–
Loans and receivables:				
Unquoted debt instruments				
– non-related companies	**272,500**	272,500	**–**	–
Other financial asset	**27,999**	48,653	**–**	–
	300,499	321,153	**–**	–
Total non-current financial assets	**432,923**	398,603	**30,561**	28,329
Current financial assets				
Financial assets classified as held for trading:				
Quoted equity investments	**15,770**	16,399	**–**	–
Total financial assets	**448,693**	415,002	**30,561**	28,329

Included in unquoted equity investments available for sale of the Group and the Company are investments with total carrying amount of $59,900,000 (2016: $38,698,000) and $3,290,000 (2016: $3,290,000) respectively, which are measured at cost less accumulated impairment losses as the fair values cannot be determined reliably given that the variability in the range of reasonable fair value estimates derived from valuation techniques is expected to be significant.

Unquoted debt instruments with carrying amounts of $272,500,000 (2016: $272,500,000) at 31 December 2017 bear interest at rates ranging from 2.46% to 5.00% (2016: 2.46% to 5.00%) per annum and mature within 3 to 6 years (2016: 4 to 7 years).

Unquoted debt instruments designated at fair value through profit or loss relates to the Group's investment in property-linked notes issued for the development of two luxury retirement villages in New South Wales.

Other financial asset relates to a balance arising from the accounting of the Group's continuing involvement in the third Profit Participation Securities (note 34).

9 OTHER NON-CURRENT ASSETS

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Intangible assets		**2,388**	2,846	**–**	–
Amounts owing by subsidiaries	5	**–**	–	**2,540,071**	1,861,215
Amounts owing by a joint venture	7	**202,909**	–	**–**	–
Deposits and prepayments		**8,043**	6,478	**–**	–
Other receivables		**2,495**	2,348	**–**	–
Restricted bank deposits	14	**213,531**	213,531	**–**	–
Deferred tax assets	25	**54,374**	36,150	**–**	–
		483,740	261,353	**2,540,071**	1,861,215

10 DEVELOPMENT PROPERTIES

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Properties under development, sold units for which revenue is recognised using percentage of completion method, at cost	**410,748**	902,003	**–**	–
Attributable profits	**–**	25,321	**–**	–
	410,748	927,324	**–**	–
Progress billings	**–**	(146,660)	**–**	–
	410,748	780,664	**–**	–
Other properties under development	**2,285,756**	2,530,895	**–**	–
Completed units	**1,711,065**	1,640,321	**191,678**	190,695
	4,407,569	4,951,880	**191,678**	190,695
Allowance for foreseeable losses	**(14,674)**	(49,306)	**–**	–
	4,392,895	4,902,574	**191,678**	190,695
Share of joint operations				
Properties under development, sold units for which revenue is recognised using percentage of completion method, at cost	**216,753**	419,261	**216,854**	419,914
Attributable profits	**232,106**	334,314	**232,106**	334,314
	448,859	753,575	**448,960**	754,228
Progress billings	**(280,935)**	(447,249)	**(280,935)**	(447,249)
	167,924	306,326	**168,025**	306,979
Total development properties	**4,560,819**	5,208,900	**359,703**	497,674

10 DEVELOPMENT PROPERTIES (CONT'D)

The movements in allowance for foreseeable losses in respect of development properties during the year are as follows:

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
At 1 January		**49,306**	55,157	**–**	–
Allowance written back (net)	28	**(19,516)**	(5,744)	**–**	–
Allowance utilised		**(3,247)**	(116)	**–**	–
Transfer to investment properties		**(11,638)**	–	**–**	–
Translation differences on consolidation		**(231)**	9	**–**	–
At 31 December		**14,674**	49,306	**–**	–

The allowance for foreseeable losses is estimated taking into account estimated selling prices and estimated total construction costs. The estimated selling prices are based on recent selling prices for the development project or comparable projects and prevailing property market conditions. The estimated total construction costs are based on contracted amounts and, in respect of amounts not contracted for, management's estimates of the amounts to be incurred taking into consideration historical trends of the amounts incurred. The allowance for foreseeable losses is included in "cost of sales".

Development properties of the Group recognised as cost of sales, excluding foreseeable losses, amounted to $1,157,832,000 (2016: $1,178,811,000) for the year.

Development properties of the Group with carrying amounts of $527,500,000 (2016: $1,360,848,000) are mortgaged to financial institutions to secure credit facilities (refer to note 19).

11 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade receivables		**171,397**	129,134	**24,688**	13,466
Impairment losses		**(6,176)**	(4,890)	**(395)**	(389)
		165,221	124,244	**24,293**	13,077
Other receivables		**105,415**	99,829	**3,052**	3,184
Impairment losses		**(5,306)**	(2)	**(1,155)**	(1,117)
		100,109	99,827	**1,897**	2,067
Deposits and prepayments		**201,630**	84,259	**1,464**	1,336
Tax recoverable		**199**	10	**–**	–
Accrued receivables	12	**150,144**	231,196	**10,715**	11,512
Derivative financial assets		**1,296**	171	**1,044**	–
Amounts owing by:					
– subsidiaries	5	**–**	–	**4,099,593**	4,096,065
– associates	6	**450**	395	**29**	32
– joint ventures	7	**416,791**	624,740	**213,762**	210,287
– fellow subsidiaries	13	**96**	1,651	**16**	1,459
		1,035,936	1,166,493	**4,352,813**	4,335,835

The maximum exposure to credit risk for trade receivables, other receivables, deposits, accrued receivables, derivative financial assets and amounts owing by subsidiaries, associates, joint ventures and fellow subsidiaries at the reporting date by business segment is set out below:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Property development	**710,640**	732,993	**2,849,095**	3,058,346
Hotel operations	**107,437**	179,152	**159,586**	154,312
Rental properties	**59,185**	122,234	**94,646**	283,932
Others	**60,754**	60,740	**1,248,776**	838,632
	938,016	1,095,119	**4,352,103**	4,335,222

11 TRADE AND OTHER RECEIVABLES (CONT'D)

Impairment losses

The ageing of trade receivables at the reporting date is as follows:

	Gross 2017 $'000	Impairment losses 2017 $'000	Gross 2016 $'000	Impairment losses 2016 $'000
Group				
Not past due	**114,899**	**288**	78,318	13
Past due 1 – 30 days	**36,442**	**1**	24,794	11
Past due 31 – 60 days	**8,890**	**496**	8,353	85
Past due 61 – 90 days	**1,904**	**337**	6,503	511
More than 90 days	**9,262**	**5,054**	11,166	4,270
	171,397	**6,176**	129,134	4,890
Company				
Not past due	**22,019**	**–**	11,043	–
Past due 1 – 30 days	**1,153**	**1**	677	5
Past due 31 – 60 days	**274**	**–**	173	7
Past due 61 – 90 days	**332**	**11**	11	8
More than 90 days	**910**	**383**	1,562	369
	24,688	**395**	13,466	389

The movements in impairment losses in respect of trade and other receivables during the year are as follows:

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
At 1 January		**4,892**	14,103	**1,506**	1,641
Acquisition of subsidiaries		**20**	–	–	–
Impairment losses recognised/(reversed)	28	**7,671**	4,389	**48**	(118)
Impairment losses utilised		**(809)**	(13,560)	**(19)**	–
Translation differences		**(292)**	(40)	**15**	(17)
At 31 December		**11,482**	4,892	**1,550**	1,506

Impairment losses recognised/(reversed) were included in "other operating expenses".

The Group believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade and other receivables, having considered the historical payment trends of its customers and the deposits collected as collateral.

Trade receivables that were not past due relate to a wide range of customers for whom there has not been a significant change in the credit quality.

12 ACCRUED RECEIVABLES

Accrued receivables represent mainly the remaining balances of sales consideration for development properties to be billed. In accordance with the Group's accounting policy, income is recognised on the sale of development properties based on accounting policy set out in note 2.20. Upon receipt of the Temporary Occupation Permit, the balance of sales consideration to be billed is recognised as accrued receivables.

13 AMOUNTS OWING BY AND TO FELLOW SUBSIDIARIES

	Note	Group		Company	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
Amounts owing by fellow subsidiaries:					
– trade, interest-free	11	**96**	1,651	**16**	1,459
Amounts owing to fellow subsidiaries					
– trade, interest-free		**–**	16	**–**	–
– non-trade, interest-bearing		**123,838**	137,884	**–**	–
	26	**123,838**	137,900	**–**	–

Fellow subsidiaries are subsidiaries of the immediate holding company which are subject to common control. The non-trade amounts owing to fellow subsidiaries are unsecured and repayable on demand. In respect of interest-bearing amounts owing to fellow subsidiaries, interest is charged at 2.00% to 2.50% (2016: 2.00% to 2.50%) per annum.

14 CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
Fixed deposits		**2,131,535**	2,864,743	**1,157,674**	1,819,931
Cash at banks and in hand*		**1,644,374**	808,294	**226,483**	223,783
Cash and cash equivalents in the statements of financial position		**3,775,909**	3,673,037	**1,384,157**	2,043,714
Restricted deposits included in other non-current assets	9	**213,531**	213,531		
	15	**3,989,440**	3,886,568		
Restricted deposits		**(389,175)**	(318,353)		
Restricted cash		**(1,221)**	(1,454)		
Bank overdrafts	18	**–**	(4)		
Cash and cash equivalents in the consolidated statement of cash flows		**3,599,044**	3,566,757		

* Includes cash pool overdrafts.

14 CASH AND CASH EQUIVALENTS (CONT'D)

As at 31 December 2017, cash and cash equivalents of $168,460,000 (2016: $241,847,000) and $42,493,000 (2016: $145,626,000) of the Group and the Company respectively were held under project accounts and withdrawals from which are restricted to payments for expenditure incurred on projects.

As at 31 December 2017, cash and cash equivalents of the Group included an amount of $44,748,000 (2016: $57,859,000) which was held in escrow accounts for payments to third party investors.

	Note	Group 2017 $'000	Group 2016 $'000
Restricted deposits:			
– Current		**175,644**	104,822
– Non-current	9	**213,531**	213,531
		389,175	318,353

Restricted deposits comprise deposits pledged to financial institutions as collateral for credit facilities granted (see note 19) and guarantees given in connection with the Group's continuing involvement in various Profit Participation Securities (notes 34 and 42).

15 SHARE CAPITAL

	Company 2017 Number of shares	Company 2017 $'000	Company 2016 Number of shares	Company 2016 $'000
Issued and fully paid ordinary share capital with no par value:				
At 1 January and 31 December	**909,301,330**	**1,661,179**	909,301,330	1,661,179
Issued and fully paid non-redeemable convertible non-cumulative preference share capital with no par value:				
At 1 January and 31 December	**330,874,257**	**330,218**	330,874,257	330,218
Total share capital		**1,991,397**		1,991,397

15 SHARE CAPITAL (CONT'D)

Ordinary share capital

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

Preference share capital

The Company has in issue 330,874,257 non-redeemable convertible non-cumulative preference shares (Preference Shares), listed on the Official List of Singapore Exchange Securities Trading Limited. The Preference Shares are convertible only at the option of the Company, into fully-paid ordinary shares of the Company at the conversion ratio of 0.136 ordinary share for each Preference Share.

In the event the Company exercises its right of conversion, the Company shall pay to preference shareholders a one-off preference cash dividend at the fixed rate of 64% (net) of the issue price for each Preference Share (Additional Preference Dividend) and any preference dividend accrued but unpaid.

As at 31 December 2017, a maximum number of 44,998,898 (2016: 44,998,898) ordinary shares are issuable upon full conversion at the sole option of the Company of all the Preference Shares.

Holders of Preference Shares have no voting rights, except under certain circumstances provided for in the Singapore Companies Act and as set out in the Company's Constitution.

The Preference Shares rank:

(i) *pari passu* without any preference or priority among themselves; and

(ii) in priority over the ordinary shares in respect of (a) payment of the preference dividend (when, as and if declared) and the Additional Preference Dividend; and (b) in the event of a winding-up of or return of capital by the Company, payment of any preference dividend that has accrued to holders of Preference Shares and is unpaid, the Additional Preference Dividend (whether or not then due) as well as the amount paid up on the Preference Shares (including the premium paid thereon).

Capital management policy

The Group's primary objective in capital management is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to continue to maintain the future development and growth of the business.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. For this purpose, the Group defines "capital" as including all components of equity, including non-controlling interests. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares or other financial instruments.

15 SHARE CAPITAL (CONT'D)

Capital management policy (cont'd)

The Group monitors capital using a net debt equity ratio, which is defined as net borrowings divided by total capital employed.

	Note	Group 2017 $'000	Group 2016 $'000
Gross borrowings		**5,036,233**	5,751,856
Cash and bank balances (including restricted deposits classified as other non-current assets)	14	**(3,989,440)**	(3,886,568)
Net debt		**1,046,793**	1,865,288
Total capital employed		**11,841,150**	11,408,684
Net debt equity ratio		**0.09**	0.16

No changes were made to the above objectives, policies and processes during the years ended 31 December 2017 and 2016.

CDL Hospitality Real Estate Investment Trust (H-REIT), which is part of CDL Hospitality Trusts (CDLHT), a stapled group comprising H-REIT and CDL Hospitality Business Trust (HBT), a business trust, is subject to the aggregate leverage limit as defined in the Property Funds Appendix of the Code on Collective Investment Schemes (CIS Code) issued by the Monetary Authority of Singapore (MAS). The CIS Code stipulates that the total borrowings and deferred payments (together the Aggregate Leverage) of a property fund should not exceed 45.0% under a single-tier leverage limit.

For this financial year, H-REIT has a credit rating of BBB- (2016: BBB-) from Fitch Inc. The Aggregate Leverage of H-REIT as at 31 December 2017 was 32.6% (2016: 36.8%) of H-REIT's Deposited Property. This complied with the aggregate leverage limit as described above.

HBT, H-REIT and CDLHT are in compliance with the borrowing limit requirements imposed by the relevant Trust Deeds for the financial years ended 31 December 2017 and 2016.

Except for the above, neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

16 RESERVES

	Group		Company	
	2017 **$'000**	**2016** **$'000**	**2017** **$'000**	**2016** **$'000**
Capital reserve	**182,152**	175,512	**63,743**	63,743
Fair value reserve	**16,241**	13,578	**14,526**	12,294
Hedging reserve	**1,699**	–	**–**	–
Other reserve	**9,197**	1,462	**–**	–
Share option reserve	**15,043**	14,723	**–**	–
Foreign currency translation reserve	**(584,759)**	(478,948)	**–**	–
Accumulated profits	**7,952,604**	7,576,084	**4,392,121**	4,445,965
	7,592,177	7,302,411	**4,470,390**	4,522,002

The capital reserve comprises mainly negative goodwill on the consolidation of subsidiaries and issue expenses.

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised.

The hedging reserve comprises the effective portion of the cumulative net changes in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (net of tax).

Other reserve comprises mainly reserves set aside by certain subsidiaries in compliance with the relevant regulations in the People's Republic of China and share of other reserves of associates and joint ventures.

The share option reserve comprises the cumulative value of employee services received for the issue of share options of a subsidiary.

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 presentation currency of the Company;

(b) the gain or loss on instruments used to hedge the Group's net investment in foreign operations that are determined to be effective hedges; and

(c) exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

17 EQUITY COMPENSATION BENEFITS

By Subsidiaries

Millennium & Copthorne Hotels plc

As at 31 December 2017, Millennium & Copthorne Hotels plc (M&C) has the following share option schemes:

(i) Millennium & Copthorne Hotels plc 2006 and 2016 Sharesave Schemes;

(ii) Millennium & Copthorne Hotels plc 2006 and 2016 Long-Term Incentive Plan;

(iii) Millennium & Copthorne Hotels plc Annual Bonus Plan; and

(iv) Millennium & Copthorne Hotels plc Executive Share Plan.

17 EQUITY COMPENSATION BENEFITS (CONT'D)

By Subsidiaries (cont'd)

(i) Millennium & Copthorne Hotels plc 2006 and 2016 Sharesave Schemes

(a) The Millennium & Copthorne Hotels plc 2006 Sharesave Scheme which was renewed on substantially the same terms through the adoption of the 2016 Sharesave Scheme (together the M&C Sharesave Scheme) is the United Kingdom Inland Revenue approved scheme under which the M&C Group employees are eligible to participate.

(b) Under the terms of the M&C Sharesave Scheme, M&C Group employees are eligible to participate in a 3-year or 5-year savings contract. The M&C 2006 Sharesave Scheme expired on 3 May 2016, therefore a replacement scheme was approved by shareholders at M&C's Annual General Meeting on 5 May 2016. However, options remain exercisable under the M&C 2006 Sharesave Scheme.

(c) No payment is required for the grant of an option.

(d) The options may be exercised upon maturity provided that the monies agreed under the savings contract are fully paid and the participant continues to be employed by M&C. The M&C Sharesave Scheme provides that shares in M&C can be purchased at the option price up to the value of the accrued savings and interests in the event of retirement, redundancy, injury, disability or by the employees' estate in the event of their death.

(e) M&C may grant options up to the value of a savings contract at maturity. Participants cannot enter into contracts where their savings, in aggregate, would exceed £500 per month.

(ii) Millennium & Copthorne Hotels plc 2006 and 2016 Long-Term Incentive Plan (LTIP)

The Millennium & Copthorne Hotels plc 2006 Long-Term Incentive Plan (2006 LTIP) was approved at M&C's Annual General Meeting held on 4 May 2006 and expired on 3 May 2016. The 2016 Long-Term Incentive Plan (2016 LTIP) was approved by the shareholders at M&C's Annual General Meeting on 5 May 2016. The key change to the 2016 LTIP was to introduce a discretion to impose an additional holding period following the vesting of an award, a "post-vesting holding period". A decision as to whether a post-vesting holding period will be imposed is to be taken on a grant-by-grant basis. Under the terms of the 2006 LTIP and going forward, the 2016 LTIP, M&C is permitted to make both Performance Share Awards and Deferred Share Bonus Awards to an employee (including an executive director) of M&C or its subsidiaries. The level of awards to be made under the terms of the LTIP is determined by M&C's Remuneration Committee.

The Executive Share Plan (ESP) was approved by M&C on 18 February 2016 to replace participation in the LTIP by senior executive management.

Vesting of Performance Share Awards is subject to the achievement of stretching performance targets. Awards will not be subject to re-testing. For awards made in 2006 to 2010, earnings per share (EPS) targets were chosen so that participants are incentivised to deliver significant earnings growth.

In 2011, the Remuneration Committee amended the performance conditions so that half of the awards are subject to EPS growth targets and half are subject to Total Shareholder Return (TSR) targets. The revised performance targets are designed to incentivise management to deliver significant earnings growth and align the interests of management with shareholders.

The performance condition applying to Performance Share Awards require M&C's EPS to grow, in real terms, over a period of three consecutive financial years from the date of grant of award. Performance Share Awards will vest on the third anniversary of the award being made, subject to the EPS growth targets being met. TSR targets measure M&C's relative TSR performance over a three-year period against a comparator group comprising companies in the FTSE 250 index participating companies (excluding investment trusts).

17 EQUITY COMPENSATION BENEFITS (CONT'D)

By Subsidiaries (cont'd)

(ii) Millennium & Copthorne Hotels plc 2006 and 2016 Long-Term Incentive Plan (LTIP) (cont'd)

In 2014, the Remuneration Committee further amended the performance conditions so that 50% of the awards are subject to EPS growth targets, 30% are subject to TSR target measures comparing performance against a relevant benchmark which for 2015 will be split equally between the FTSE 250 market index and an index of peer companies, and 20% being subject to net asset value (plus dividends) (NAV).

In 2015, the Remuneration Committee retained the same performance measures as had been used for the 2014 award with a minor amendment made to the percentage weighting associated with each so that 60% of the awards are subject to EPS growth targets, 20% are subject to TSR targets split equally across two peer groups and the remaining 20% subject to NAV.

In 2016, the Remuneration Committee retained the same performance conditions as had been used for the 2015 awards.

(iii) Millennium & Copthorne Hotels plc Annual Bonus Plan

In 2013, M&C approved an Annual Bonus Plan. Under the terms of the plan, an annual bonus in the form of a cash payment of up to 150% of a participant's base salary could be awarded, subject to performance targets.

The rules of the plan were amended in 2014 to include a deferred element whereby up to 100% of the total bonus due could be deferred into M&C shares for three years in the form of an option or conditional share award (Deferred Share Awards). No performance conditions are attached to the share award.

In 2016, the Remuneration Committee amended the vesting schedule of the plan so that instead of vesting in full on the third anniversary of grant, future Deferred Share Awards vest over a three-year period, and more specifically:

- as to 25% of the award shares on the first anniversary of grant;
- as to 25% of the award shares on the second anniversary of grant; and
- as to 50% of the award shares on the third anniversary of grant.

No shares may be issued or treasury shares transferred to satisfy any award.

(iv) Millennium & Copthorne Hotels plc Executive Share Plan

In 2016, M&C approved an Executive Share Plan. Under the terms of the plan, members of the executive management committee who are below board level would be eligible to be granted awards but executive directors of M&C would be excluded from participating. The plan instead provides the M&C board of directors with the flexibility to make conditional awards not subject to future financial performance but to take into account recent performance based on the metrics used under the LTIP and importantly to also take into consideration strategic achievements. In addition, a notable difference to the LTIP would be that conditional awards will automatically vest, subject to the plan rules which includes continued employment, over a three year period, and more specifically:

- as to 25% of the award shares on the first anniversary of grant;
- as to 25% of the award shares on the second anniversary of grant; and
- as to 50% of the award shares on the third anniversary of grant.

No shares may be issued or treasury shares transferred to satisfy any award.

17 EQUITY COMPENSATION BENEFITS (CONT'D)

Details of the options granted under the M&C option schemes on the unissued ordinary shares of £0.30 each in M&C, as at the end of the financial year, presented in Sterling Pound, are as follows:

(i) Millennium & Copthorne Hotels plc 2006 and 2016 Sharesave Scheme

Date of grant of options	Exercise price per share £	Options outstanding as at 1 January 2016	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options expired during the year	Options outstanding as at 31 December 2016	Options exercisable as at 31 December 2016	Exercise period
2016									
19.04.2011	4.1800	7,040	–	(4,397)	(1,328)	(31)	1,284	1,284	01.08.2016 – 31.01.2017
19.04.2012	3.8800	2,503	–	(2,132)	(371)	–	–	–	01.08.2015 – 31.01.2016
19.04.2012	3.8800	9,816	–	(618)	(4,020)	–	5,178	–	01.08.2017 – 31.01.2018
19.04.2013	4.4800	35,686	–	(1,807)	(7,346)	–	26,533	26,533	01.08.2016 – 31.01.2017
19.04.2013	4.4800	3,346	–	–	(669)	–	2,677	–	01.08.2018 – 31.01.2019
06.05.2014	4.4600	63,108	–	–	(28,055)	–	35,053	–	01.08.2017 – 31.01.2018
06.05.2014	4.4600	6,321	–	–	(2,690)	–	3,631	–	01.08.2019 – 31.01.2020
14.04.2015	4.6900	58,885	–	–	(28,475)	–	30,410	–	01.08.2018 – 31.01.2019
14.04.2015	4.6900	6,649	–	–	–	–	6,649	–	01.08.2020 – 31.01.2021
12.04.2016	3.3000	–	125,036	–	(2,725)	–	122,311	–	01.08.2019 – 31.01.2020
12.04.2016	3.3000	–	4,545	–	–	–	4,545	–	01.08.2021 – 31.01.2022
		193,354	129,581	(8,954)	(75,679)	(31)	238,271	27,817	

17 EQUITY COMPENSATION BENEFITS (CONT'D)

(i) Millennium & Copthorne Hotels plc 2006 and 2016 Sharesave Scheme (cont'd)

Date of grant of options	Exercise price per share £	Options outstanding as at 1 January 2017	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options expired during the year	Options outstanding as at 31 December 2017	Options exercisable as at 31 December 2017	Exercise period
2017									
19.04.2011	4.1800	1,284	–	–	–	(1,284)	–	–	01.08.2016 – 31.01.2017
19.04.2012	3.8800	5,178	–	(5,178)	–	–	–	–	01.08.2017 – 31.01.2018
19.04.2013	4.4800	26,533	–	(1,446)	(25,087)	–	–	–	01.08.2016 – 31.01.2017
19.04.2013	4.4800	2,677	–	–	–	–	2,677	–	01.08.2018 – 31.01.2019
06.05.2014	4.4600	35,053	–	(12,907)	(6,415)	–	15,731	15,731	01.08.2017 – 31.01.2018
06.05.2014	4.4600	3,631	–	–	(2,690)	–	941	–	01.08.2019 – 31.01.2020
14.04.2015	4.6900	30,410	–	–	(689)	–	29,721	–	01.08.2018 – 31.01.2019
14.04.2015	4.6900	6,649	–	–	(1,278)	–	5,371	–	01.08.2020 – 31.01.2021
12.04.2016	3.3000	122,311	–	(1,969)	(13,625)	–	106,717	–	01.08.2019 – 31.01.2020
12.04.2016	3.3000	4,545	–	–	(3,636)	–	909	–	01.08.2021 – 31.01.2022
11.04.2017	3.6600	–	46,550	–	(2,752)	–	43,798	–	01.08.2020 – 31.01.2021
11.04.2017	3.6600	–	11,226	–	(8,359)	–	2,867	–	01.08.2022 – 31.01.2023
		238,271	57,776	(21,500)	(64,531)	(1,284)	208,732	15,731	

17 EQUITY COMPENSATION BENEFITS (CONT'D)

(ii) Millennium & Copthorne Hotels plc 2006 and 2016 Long-Term Incentive Plan

Date of award	Balance at beginning of year	Awards awarded during the year	Awards forfeited during the year	Balance at end of year	Vesting date
2016					
11.09.2013	362,965	–	(362,965)	–	11.09.2016
21.11.2013	21,055	–	(21,055)	–	21.11.2016
04.04.2014	525,785	–	(75,097)	450,688	04.04.2017
03.08.2015	251,122	–	(19,036)	232,086	03.08.2018
10.09.2015	11,867	–	–	11,867	10.09.2018
29.03.2016	–	185,643	–	185,643	29.03.2019
	1,172,794	185,643	(478,153)	880,284	
2017					
04.04.2014	450,688	–	(450,688)	–	04.04.2017
03.08.2015	232,086	–	(12,724)	219,362	03.08.2018
10.09.2015	11,867	–	–	11,867	10.09.2018
29.03.2016	185,643	–	–	185,643	29.03.2019
	880,284	–	(463,412)	416,872	

For options exercised during 2017, the weighted average share price at the date of exercise of share options is £5.59 (2016: £4.26). The options outstanding as at 31 December 2017 had an exercise price in the range of £3.30 to £4.69 (2016: £3.30 to £4.69) and a weighted average contractual life of 2.07 years (2016: 2.4 years).

The LTIP and Sharesave awards, which are subject to an EPS performance condition, were valued using the Black-Scholes valuation method. The LTIP awards which are subject to a share price related performance condition (i.e. TSR) were valued using the Monte Carlo valuation method.

The option pricing model involves six variables, namely the exercise price, share price at grant date, expected term, expected volatility of share price, risk-free interest rate and expected dividend yield.

17 EQUITY COMPENSATION BENEFITS (CONT'D)

(iii) *Millennium & Copthorne Hotels plc Annual Bonus Plan*

Date of award	Balance at beginning of year	Awards made during the year	Awards vested during the year	Awards forfeited during the year	Balance at end of year	Share price prevailing on date of grant £	Fair value £	Vesting date
2016								
08.09.2015	76,868	–	(1,480)	(19,036)	56,352	5.55	5.55	08.09.2018
06.11.2015	4,325	–	–	–	4,325	4.76	4.76	06.11.2018
13.05.2016	–	76,798	(2,034)	(13,825)	60,939	4.40	4.40	13.05.2017/18/19
12.08.2016	–	2,377	–	–	2,377	4.21	4.21	12.08.2017/18/19
09.11.2016	–	977	–	–	977	4.40	4.40	09.11.2017/18/19
	81,193	80,152	(3,514)	(32,861)	124,970			
2017								
08.09.2015	56,352	–	–	(10,278)	46,074	5.55	5.55	08.09.2018
06.11.2015	4,325	–	–	–	4,325	4.76	4.76	06.11.2018
13.05.2016	60,939	–	(13,030)	(12,005)	35,904	4.40	4.40	13.05.2017/18/19
12.08.2016	2,377	–	(595)	–	1,782	4.21	4.21	12.08.2017/18/19
09.11.2016	977	–	(245)	–	732	4.40	4.40	09.11.2017/18/19
14.06.2017	–	55,750	–	(8,772)	46,978	4.62	4.62	14.06.2018/19/20
	124,970	55,750	(13,870)	(31,055)	135,795			

Under the Annual Bonus Plan (ABP), deferred share awards are granted annually to selected employees of M&C Group. Shares in M&C are transferred to participants over three years (25% after years one and two, 50% after year three) if they continue to be employed.

The fair values for the deferred share awards were determined using the market price of the shares at the date of grant.

The weighted average share price for deferred share awards granted in 2017 was £4.62 (2016: £4.39).

(iv) *Millennium & Copthorne Hotels plc Executive Share Plan*

Date of award	Balance at beginning of year	Awards made during the year	Awards vested during the year	Awards forfeited during the year	Balance at end of year	Share price prevailing on date of grant £	Fair value £	Vesting date
2016								
29.03.2016	–	63,124	–	(25,552)	37,572	4.13	3.94 to 4.07	29.03.2017/18/19
2017								
29.03.2016	37,572	–	(8,158)	(4,950)	24,464	4.13	3.94 to 4.07	29.03.2017/18/19
15.08.2017	–	56,838	–	–	56,838	4.65	4.42 to 4.57	15.08.2018/19/20
	37,572	56,838	(8,158)	(4,950)	81,302			

The Executive Share Plan (ESP) was approved by M&C on 18 February 2016 to replace participation in the LTIP by its senior executive management. This is the first award under the ESP. These awards will vest over three years (25% after years one and two, 50% after year three), subject to the rules of the ESP.

The fair values for the awards were determined using the market price of the shares at the date of grant of £4.65 (2016: £4.13).

17 EQUITY COMPENSATION BENEFITS (CONT'D)

The variables used in estimating the fair value of options and awards granted under the M&C option schemes, presented in Sterling Pound, are as follows:

	Date of grant	Awards/ options granted - Directors	Awards/ options granted – Non-directors	Share price prevailing on date of grant £	Exercise price £	Fair value £	Expected term (years)	Expected volatility	Expected dividend yield	Risk-free interest rate
2016										
LTIP – EPS	29.03.2016	111,386	–	4.13	–	3.94	3.00	–	1.6%	–
LTIP – TSR (FTSE 250)	29.03.2016	18,564	–	4.13	–	1.14	2.63	22.6%	1.6%	0.5%
LTIP – TSR (hotels)	29.03.2016	18,564	–	4.13	–	1.41	2.63	15.5% to 52.4%	1.6%	0.5%
LTIP – NAV	29.03.2016	37,129	–	4.13	–	3.94	3.00	–	1.6%	–
Executive Share Plan	29.03.2016	–	15,781	4.13	–	4.07	3.00	–	1.6%	–
Executive Share Plan	29.03.2016	–	15,781	4.13	–	4.00	3.00	–	1.6%	–
Executive Share Plan	29.03.2016	–	31,562	4.13	–	3.94	3.00	–	1.6%	–
Sharesave Scheme (3 year)	12.04.2016	–	125,036	4.26	3.30	1.08	3.55	22.1%	1.5%	0.6%
Sharesave Scheme (5 year)	12.04.2016	–	4,545	4.26	3.30	1.21	5.55	23.1%	1.5%	0.9%
Deferred Share Awards	13.05.2016	–	76,798	4.40	–	4.40	3.00	–	–	–
Deferred Share Awards	12.08.2016	–	2,377	4.21	–	4.21	3.00	–	–	–
Deferred Share Awards	09.11.2016	–	977	4.40	–	4.40	3.00	–	–	–
2017										
Executive Share Plan	15.08.2017	–	14,210	4.65	–	4.57	1.00	–	1.7%	–
Executive Share Plan	15.08.2017	–	14,210	4.65	–	4.50	2.00	–	1.7%	–
Executive Share Plan	15.08.2017	–	28,418	4.65	–	4.42	3.00	–	1.7%	–
Sharesave Scheme (3 year)	11.04.2017	–	46,550	4.47	3.66	1.05	3.31	26.0%	1.7%	0.2%
Sharesave Scheme (5 year)	11.04.2017	–	11,226	4.47	3.66	1.09	5.31	24.0%	1.7%	0.4%
Deferred Share Awards	14.06.2017	–	55,750	4.62	–	4.62	3.00	–	1.7%	–

18 INTEREST-BEARING BORROWINGS

		Group		Company	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Term loans	19	**2,598,063**	3,178,837	**939,924**	1,019,224
Finance lease creditors		**169**	524	**–**	–
Bonds and notes	20	**2,011,359**	2,188,867	**1,213,392**	1,462,902
Bank loans	21	**412,091**	369,535	**299,384**	324,420
Bank overdrafts	14	**–**	4	**–**	–
		5,021,682	5,737,767	**2,452,700**	2,806,546
Repayable:					
– Within 1 year		**1,266,032**	1,782,830	**672,176**	998,216
– After 1 year but within 5 years		**3,216,705**	3,316,317	**1,241,579**	1,169,710
– After 5 years		**538,945**	638,620	**538,945**	638,620
		5,021,682	5,737,767	**2,452,700**	2,806,546

19 TERM LOANS

		Group		Company	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Secured		**342,281**	745,513	**–**	–
Unsecured		**2,255,782**	2,433,324	**939,924**	1,019,224
	18	**2,598,063**	3,178,837	**939,924**	1,019,224
Repayable:					
– Within 1 year		**533,866**	1,163,014	**222,813**	423,874
– After 1 year but within 5 years		**2,064,197**	2,015,823	**717,111**	595,350
		2,598,063	3,178,837	**939,924**	1,019,224

The term loans are obtained from banks and financial institutions.

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Secured term loans				
Repayable:				
– Within 1 year	**162,447**	320,982	**–**	–
– After 1 year but within 5 years	**179,834**	424,531	**–**	–
	342,281	745,513	**–**	–

19 TERM LOANS (CONT'D)

The secured term loans are generally secured by:

- mortgages on the borrowing subsidiaries' hotels and development properties (see notes 3 and 10);
- assignment of all rights and benefits to sale, lease and insurance proceeds in respect of hotels, investment and development properties;
- pledge on cash deposits of $175.6 million (2016: $104.8 million) (see note 14); and
- pledge of shares in a wholly-owned subsidiary.

The Group's secured term loans bore interest at rates ranging from 1.00% to 5.43 % (2016: 1.00% to 5.10%) per annum during the year.

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Unsecured term loans				
Repayable:				
– Within 1 year	**371,419**	842,032	**222,813**	423,874
– After 1 year but within 5 years	**1,884,363**	1,591,292	**717,111**	595,350
	2,255,782	2,433,324	**939,924**	1,019,224

The Group's unsecured term loans bore interest at rates ranging from 0.23% to 20.45% (2016: 0.23% to 10.28%) per annum during the year. The Company's unsecured term loans bore interest at rates ranging from 0.73% to 20.45% (2016: 0.86% to 10.28%) per annum during the year.

20 BONDS AND NOTES

	Note	Group		Company	
		2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Secured		**260,308**	166,728	**–**	–
Unsecured		**1,751,051**	2,022,139	**1,213,392**	1,462,902
	18	**2,011,359**	2,188,867	**1,213,392**	1,462,902
Repayable:					
– Within 1 year		**319,962**	249,922	**149,979**	249,922
– After 1 year but within 5 years		**1,152,452**	1,300,325	**524,468**	574,360
– After 5 years		**538,945**	638,620	**538,945**	638,620
		2,011,359	2,188,867	**1,213,392**	1,462,902

20 BONDS AND NOTES (CONT'D)

	Note	Group		Company	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
Secured bonds and notes					
Repayable:					
– After 1 year but within 5 years		**260,308**	166,728	**–**	–

Secured bonds and notes comprise the following:

(i) A $37 million (2016: $38 million) bond issued by an indirectly owned subsidiary of CDLHT in 2015. The bond bore interest at a rate of 0.66% (2016: 0.66%) per annum during the year. CDLHT's interest in 2 Japan hotels is held through a Tokutei Mokutei Kaisha (TMK) structure, and such TMK structures are required to issue bond to fund the acquisition of assets.

The bondholders have a statutory preferred right, under Article 128 of the Japan Asset Liquidation Law, to receive payment of all obligations under the bond prior to other creditors out of the assets of the TMK. Such right shall be junior to the priority of the general statutory lien under the Japan Civil Code. While the assets of the TMK are subject to a statutory preferred right, it is not considered a mortgage under Japan laws.

Unless previously redeemed or purchased and cancelled, the bond is redeemable at its principal amount on its maturity date in September 2020;

(ii) $124 million (2016: $129 million) bonds comprising 2 tranches issued by a subsidiary, which holds a Japan hotel through a TMK structure, in 2015. The bonds bore interests at rates ranging from 0.15% to 0.58% (2016: 0.15% to 0.58%) per annum during the year.

The bondholders, under Article 128 of the Japan Asset Liquidation Law, are under a statutory lien to receive payment of their claims under the bonds prior to other creditors out of the assets of the TMK. The order of priority of such statutory lien shall be immediately after the general statutory liens under the Japan Civil Code.

Unless previously redeemed or purchased and cancelled, the bond is redeemable at its principal amount on its maturity date in March 2020; and

(iii) $100 million (2016: $Nil) medium term note (MTN) which comprise 1 series of notes issued by a subsidiary as part of a $700 million secured MTN programme established in 2017. The MTN bore interest at the rate of 1.98% per annum and are secured by a mortgage over the commercial building and land jointly owned by two subsidiaries, as well as rental and insurance proceeds to be derived from the said property.

Unless previously redeemed or purchased and cancelled, the MTN is redeemable at its principal amount on its maturity date in April 2019.

20 BONDS AND NOTES (CONT'D)

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Unsecured bonds and notes				
Repayable:				
– Within 1 year	**319,962**	249,922	**149,979**	249,922
– After 1 year but within 5 years	**892,144**	1,133,597	**524,468**	574,360
– After 5 years	**538,945**	638,620	**538,945**	638,620
	1,751,051	2,022,139	**1,213,392**	1,462,902

Unsecured bonds and notes comprise the following:

(i) $1,215 million (2016: $1,465 million) medium term notes (MTNs) which comprise 11 series (2016: 12 series) of notes issued by the Company at various interest rates as part of a $5.0 billion unsecured MTN programme established in 1999. The MTNs bore interest at rates ranging from 1.75% to 3.90% (2016: 1.74% to 3.90%) per annum during the year. Unless previously redeemed or purchased and cancelled, the MTNs are redeemable at their principal amounts on their respective maturity dates from March 2018 to June 2026 (2016: February 2017 to June 2026);

(ii) $268 million (2016: $290 million) MTNs which comprise 2 series (2016: 2 series) of notes issued by a subsidiary as part of a $1.0 billion unsecured MTN programme established in 2002. The MTNs bore interest at rates ranging from 1.90% to 2.59% (2016: 1.34% to 2.05%) per annum during the year. Unless previously redeemed or purchased and cancelled, the MTNs are redeemable at their principal amounts on their respective maturity dates from July 2019 to August 2021 (2016: July 2019 to August 2021);

(iii) $150 million (2016: $150 million) Islamic Trust Certificates (Certificates) which comprise 3 series (2016: 3 series) of certificates issued by a subsidiary (Issuer) under the Shariah financing principle of Ijarah as part of a $1.0 billion unsecured Islamic Trust Certificate Programme established in 2008. Ijarah financing is a scheme of financing using the leasing concept. The Issuer purchases investment properties and development properties from certain Group entities and provides these assets on leases. The Group has accounted for the transactions as a financing arrangement. The Group's properties under Ijarah financing continue to be accounted for as investment properties and development properties. The amounts paid and payable to the Certificate holders have been recorded as finance costs in profit or loss.

The Certificates bore coupon rates ranging from 2.74% to 3.25% (2016: 2.00% to 3.25%) per annum during the year. Unless previously redeemed or purchased and cancelled, the Certificates are redeemable at their principal amounts on their respective maturity dates from September 2018 to April 2020 (2016: September 2018 to April 2020); and

(iv) $120 million (2016: $120 million) MTNs which comprise 1 series (2016: 1 series) of notes issued by a subsidiary as part of a $1.0 billion unsecured MTN programme established in 2010. The MTNs bore interest at a rate of 2.50% (2016: 2.50%) per annum during the year. Unless previously redeemed or purchased and cancelled, the MTNs are redeemable at their principal amounts on the maturity date of June 2018 (2016: June 2018).

21 BANK LOANS

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Bank loans repayable within 1 year					
– unsecured	18	**412,091**	369,535	**299,384**	324,420

The Group's and the Company's unsecured bank loans bore interest at rates ranging from 0.49% to 9.60% (2016: 0.43% to 9.60%) per annum during the year.

22 EMPLOYEE BENEFITS

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Net liability for:				
– defined benefit obligations	**33,677**	42,832	**–**	–
– short-term accumulating compensated absences	**24,142**	24,133	**2,205**	2,282
– long service leave	**1,128**	416	**–**	–
	58,947	67,381	**2,205**	2,282
Repayable:				
– Within 1 year	**24,560**	24,544	**2,205**	2,282
– After 1 year	**34,387**	42,837	**–**	–
	58,947	67,381	**2,205**	2,282

	Group 2017 $'000	Group 2016 $'000
Net liability for defined benefit obligations		
Present value of unfunded obligations	**12,659**	15,882
Present value of funded obligations	**151,463**	151,761
Fair value of plan assets	**(130,445)**	(124,811)
Liability for defined benefit obligations	**33,677**	42,832
Changes in the present value of defined benefit obligations		
Defined benefit obligations at 1 January	**167,643**	158,849
Loss of control in a subsidiary	**–**	(40)
Remeasurements:		
– Experience adjustment	**(4,380)**	826
– Actuarial losses from changes in demographic assumptions	**35**	37
– Actuarial losses from changes in financial assumptions	**1,146**	27,431
Benefits paid	**(7,892)**	(6,402)
Interest cost	**4,244**	4,777
Current service costs	**1,893**	2,521
Past service costs	**166**	–
Translation differences on consolidation	**1,267**	(20,356)
Defined benefit obligations at 31 December	**164,122**	167,643

22 EMPLOYEE BENEFITS (CONT'D)

	Group	
	2017 $'000	**2016 $'000**
Changes in the fair value of plan assets		
Fair value of plan assets at 1 January	**124,811**	130,349
Return on plan assets, excluding interest income	**4,529**	9,278
Contributions by employees	**780**	391
Contributions by employer	**3,743**	5,273
Benefits paid	**(7,826)**	(6,610)
Interest income	**3,165**	3,967
Translation differences on consolidation	**1,243**	(17,837)
Fair value of plan assets at 31 December	**130,445**	124,811

The fair values of plan assets in each category are as follows:

	Group	
	2017 $'000	**2016 $'000**
Equity	**39,738**	15,437
Bonds	**15,592**	10,569
Cash	**75,115**	98,805
Fair value of plan assets	**130,445**	124,811

Expenses recognised in profit or loss

	Group	
	2017 $'000	**2016 $'000**
Current service costs	**1,893**	2,521
Past service costs	**166**	–
Net interest costs	**1,079**	810
Defined benefit obligation expenses	**3,138**	3,331

The expenses are recognised in the following line items in profit or loss:

		Group	
	Note	**2017 $'000**	**2016 $'000**
Cost of sales		**1,307**	1,236
Administrative expenses		**1,790**	1,848
Other operating expenses		**41**	247
Defined benefit obligation expenses	28	**3,138**	3,331

22 EMPLOYEE BENEFITS (CONT'D)

The life expectancies underlying the value of the accrued liabilities for the UK Plan, based on retirement age of 65, are as follows:

	2017 Years	2016 Years
Males	**24**	25
Females	**26**	27

The weighted average duration of the defined benefit obligations as at 31 December 2017 was 25 years (2016: 26 years).

The Group expects £1 million (approximately $2 million) contributions to be paid to the defined benefit plans in 2018.

The Group operates various funded pension schemes which are established in accordance with local conditions and practices within the countries concerned. The most significant funds are described below:

United Kingdom (UK)

The Group makes contributions to a pension scheme for its UK employees, which was set up in 1993. The plan operates a funded defined benefit arrangement together with a defined contribution plan, both with different categories of membership. The defined benefit section of the plan was closed to new entrants in 2001 and at the same time, rights to a guaranteed minimum pension (GMP) under the defined contribution scheme also ceased. The plan entitles a retired employee to receive an annual pension payment.

The contributions required are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 5 April 2017 and this has been updated on an approximate basis to 31 December 2017. The contributions of the Group during the year were 24% (2016: 24%) of pensionable salary.

As the defined benefit section is closed to new entrants, the current service cost, as a percentage of pensionable payroll is likely to increase as the membership ages, although it will be applied to a decreasing pensionable payroll. The assumptions which have the most significant effect on the results of the valuation are those relating to the discount rate and the rates of increase in salaries and pensions.

South Korea

The Group makes contributions to a defined benefit pension plan for its employees in South Korea. The contributions required are determined by an external qualified actuary using the projected unit credit method. The most recent valuation was carried out on 31 December 2017. The assumptions which have the most significant effect on the results of the valuations are those relating to the discount rate and the rate of increase in salaries.

22 EMPLOYEE BENEFITS (CONT'D)

Taiwan

The Group makes contributions to a defined benefit pension plan for its employees in Taiwan. The contributions required are determined by an external qualified actuary using the projected unit credit method. The most recent valuation was carried out on 31 December 2017. The contributions of the Group were 6% (2016: 6%) of the employees' earnings. The assumptions which have the most significant effect on the results of the valuations are those relating to the discount rate and the rate of increase in salaries.

The defined benefit plans are administered by pension funds that are legally separated from the Group. The boards of the pension funds are required by law to act in the best interests of the plan participants.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market investment risk.

The above plans are substantially funded by the Group's subsidiaries. The funding requirements are based on pension funds' actuarial measurement framework set out in the funding policies of the plans.

The assets of each scheme have been taken at market value and the liabilities have been calculated using the following principal assumptions:

	2017 UK	2017 South Korea	2017 Taiwan	2016 UK	2016 South Korea	2016 Taiwan
Inflation rate	**3.5%**	**1.5%**	**–**	3.5%	3.0%	–
Discount rate	**2.5%**	**3.0%**	**1.0%**	2.7%	2.8%	1.0%
Rate of salary increase	**4.0%**	**3.0%**	**3.0%**	4.0%	4.0%	3.0%
Rate of pension increases	**3.5%**	**–**	**–**	3.5%	–	–
Rate of revaluation	**2.5%**	**–**	**–**	2.5%	–	–
Annual expected return on plan assets	**2.5%**	**3.0%**	**1.0%**	2.7%	2.8%	1.0%

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not be necessarily borne out in practice. The present values of the schemes' liabilities are derived from cash flow projections over long periods and are inherently uncertain.

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in one of the relevant actuarial assumptions by one percent, holding other assumptions consistent.

22 EMPLOYEE BENEFITS (CONT'D)

Sensitivity analysis (cont'd)

	Defined benefit obligation	
	1 percent increase $'000	1 percent decrease $'000
Group		
2017		
Discount rate	**(25,993)**	**26,262**
Rate of salary increase	**2,870**	**(2,636)**
2016		
Discount rate	(19,631)	19,963
Rate of salary increase	3,591	(3,323)

23 OTHER LIABILITIES

	Note	Group		Company	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deferred income		**239,099**	226,538	**–**	–
Rental deposits		**52,556**	52,206	**7,709**	9,248
Non-current retention sums payable		**20,363**	34,349	**11,602**	10,889
Derivative financial liabilities		**1,631**	–	**–**	–
Miscellaneous (principally deposits received and payables)		**14,574**	13,900	**–**	–
Other non-current financial liability		**27,999**	48,653	**–**	–
Amount owing to a subsidiary	5	**–**	–	**100,000**	150,000
		356,222	375,646	**119,311**	170,137

Deferred income includes the following:

(i) $7,030,000 (2016: $7,030,000) relating to the deferred gain on the sale of cash flows as disclosed in footnote [@] of note 42;

(ii) $221,461,000 (2016: $208,610,000) relating to the deferred gain on the sale of leasehold interests in certain investment properties to associates as disclosed in footnote [@@] of note 42; and

(iii) $6,635,000 (2016: $6,635,000) relating to the deferred gain arising from the Group's exit of its entire interest in Summervale as disclosed in note 34(III).

Other non-current financial liability relates to a balance arising from the accounting of the Group's continuing involvement in the third Profit Participation Securities (note 34(III)).

24 PROVISIONS

	Beijing indemnity $'000	Capital expenditure $'000	Legal fees $'000	Cash flows support $'000	Bond interest support $'000	Interest support $'000	Total $'000
Group							
At 1 January 2017	17,406	725	2,488	12,829	36,808	39,816	110,072
Provisions made	–	156	414	–	–	25,000	25,570
Provisions utilised	–	–	–	–	(10,000)	(2,800)	(12,800)
Unwinding of discount	–	–	–	–	1,327	857	2,184
Translation differences on consolidation	(1,309)	(53)	113	–	–	–	(1,249)
At 31 December 2017	16,097	828	3,015	12,829	28,135	62,873	123,777
Current							48,579
Non-current							75,198
							123,777

The provision for Beijing indemnity relates to tax indemnity provided to the former shareholders of Grand Millennium Beijing in which the Group acquired an additional 40% interest in 2010.

The provision for capital expenditure relates to the Group's obligations to incur capital expenditure under the terms of certain hotel operating agreements.

The provision for legal fees relates to provision made in relation to disputes in several hotels.

The provision for cash flows support relates to the Group's obligation to an associate, Sunbright Holdings Limited (Sunbright), to fund any shortfall for interest payments and/or annual/daily operational costs.

The bond interest support relates to the Group's obligation to fund the 5% interest payment on the fixed rate bonds subscribed by a third party investor through In-V Asset Holding Pte. Ltd. (In-V) which provided funding to the Group's associate, Golden Crest Holdings Pte. Ltd. and its subsidiaries (Golden Crest Group), to finance its acquisition of certain investment properties from the Group (footnote [@@] of note 42).

The interest support relates to the Group's obligation as the asset manager of Summervale to provide support for the coupon payments on fixed rate notes subscribed by third party investors and the Group as well as interest payments for bank borrowings taken up by Summervale (note 34 (III)(d)).

25 DEFERRED TAX 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 2016 $'000	Recognised in profit or loss (note 29) $'000	Recognised in the statement of comprehensive income (note 29) $'000	Recognised directly in equity $'000	Loss of control in subsidiaries (note 34) $'000	Translation differences on consolidation $'000	At 31 December 2016 $'000
Group							
Deferred tax liabilities							
Property, plant and equipment	267,980	(6,109)	–	–	–	4,911	266,782
Investment properties	35,036	(370)	–	–	–	(799)	33,867
Development properties	40,572	37,324	–	–	–	1	77,897
Others	4,070	1,543	–	–	–	5	5,618
	347,658	32,388	–	–	–	4,118	384,164
Deferred tax assets							
Property, plant and equipment	(30,470)	461	–	–	31	10	(29,968)
Tax losses	(53,120)	(27,583)	–	–	814	(15,470)	(95,359)
Development properties	–	(2,941)	–	–	–	2	(2,939)
Employee benefits	(11,245)	–	(3,539)	(15)	–	1,966	(12,833)
Others	(10,659)	4,007	–	–	30	(1,580)	(8,202)
	(105,494)	(26,056)	(3,539)	(15)	875	(15,072)	(149,301)
Total	242,164	6,332	(3,539)	(15)	875	(10,954)	234,863

25 DEFERRED TAX LIABILITIES (CONT'D)

	At 1 January 2017 $'000	Recognised in profit or loss (note 29) $'000	Recognised in the statement of comprehensive income (note 29) $'000	Recognised directly in equity $'000	Acquisition of subsidiaries (note 34) $'000	Translation differences on consolidation $'000	At 31 December 2017 $'000
Group							
Deferred tax liabilities							
Property, plant and equipment	266,782	(65,385)	–	–	9,016	(14,205)	196,208
Investment properties	33,867	(349)	–	–	340	256	34,114
Development properties	77,897	(40,226)	–	–	–	–	37,671
Others	5,618	6,297	–	–	–	(46)	11,869
	384,164	(99,663)	–	–	9,356	(13,995)	279,862
Deferred tax assets							
Property, plant and equipment	(29,968)	–	–	–	–	–	(29,968)
Tax losses	(95,359)	(6,804)	–	–	(2,776)	19,191	(85,748)
Development properties	(2,939)	707	–	–	–	58	(2,174)
Employee benefits	(12,833)	–	1,337	(274)	–	(102)	(11,872)
Others	(8,202)	(17,481)	–	–	–	388	(25,295)
	(149,301)	(23,578)	1,337	(274)	(2,776)	19,535	(155,057)
Total	234,863	(123,241)	1,337	(274)	6,580	(5,540)	124,805

25 DEFERRED TAX LIABILITIES (CONT'D)

	At 1 January 2016 $'000	Recognised in profit or loss $'000	At 31 December 2016 $'000	Recognised in profit or loss $'000	At 31 December 2017 $'000
Company					
Deferred tax liabilities					
Property, plant and equipment	723	(130)	593	(26)	567
Investment properties	12,036	(311)	11,725	(172)	11,553
Development properties	35,315	19,066	54,381	(16,998)	37,383
	48,074	18,625	66,699	(17,196)	49,503
Deferred tax asset					
Others	(3,919)	3,553	(366)	(110)	(476)
Total	44,155	22,178	66,333	(17,306)	49,027

Deferred tax liabilities and assets are offset when there is a 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 as follows:

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Deferred tax assets	9	**54,374**	36,150	**–**	–
Deferred tax liabilities		**(179,179)**	(271,013)	**(49,027)**	(66,333)
		(124,805)	(234,863)	**(49,027)**	(66,333)

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom:

	Group 2017 $'000	Group 2016 $'000
Deductible temporary differences	**107,970**	156,176
Tax losses	**264,295**	245,898
	372,265	402,074

The deductible temporary differences do not expire under current tax legislation. The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate.

25 DEFERRED TAX LIABILITIES (CONT'D)

The tax losses with expiry dates are as follows:

	Group	
	2017 $'000	**2016 $'000**
Expiry dates		
– Within 1 to 5 years	**64,855**	82,499
– After 5 years	**12,573**	3,562
	77,428	86,061

At 31 December 2017, a deferred tax liability of $33,689,000 (2016: $21,196,000) in respect of temporary differences of $238,221,000 (2016: $168,933,000) related to the withholding tax on the distributable profit of the Group's subsidiaries was 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.

26 TRADE AND OTHER PAYABLES

		Group		Company	
	Note	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Trade payables		**142,195**	153,261	**8,417**	9,521
Accruals		**624,352**	603,735	**106,630**	104,180
Progress billings		**362,859**	366,773	**–**	–
Deferred income		**106,857**	102,979	**6**	8
Other payables		**102,820**	80,411	**1,173**	845
Rental and other deposits		**79,695**	67,447	**7,424**	6,018
Retention sums payable		**38,661**	39,660	**5,798**	10,907
Derivative financial liabilities		**276**	336	**–**	–
Amounts owing to:					
– subsidiaries	5	**–**	–	**2,011,817**	1,655,331
– joint ventures	7	**22,749**	22,728	**22,737**	22,728
– fellow subsidiaries	13	**123,838**	137,900	**–**	–
		1,604,302	1,575,230	**2,164,002**	1,809,538

27 REVENUE

Revenue of the Group includes property development income, income from owning and operating hotels, gross rental income, dividend income and others but excludes intra-group transactions. Property development income consists mainly of sale proceeds of commercial and completed residential properties and properties under development. Others include mainly income from management and consultancy fees, and income from provision of laundry services.

	Group	
	2017 $'000	2016 $'000
Dividends from investments:		
– fellow subsidiaries		
– quoted	**1,088**	1,188
– unquoted	**4,894**	5,400
– others		
– quoted equity investments	**1,250**	2,297
– unquoted equity investments	**134**	299
Hotel operations	**1,694,232**	1,633,705
Property development (recognised on a percentage of completion basis)	**873,267**	899,811
Property development (recognised on completion)	**779,423**	844,895
Rental and car park income from investment properties	**346,898**	366,886
Others	**127,435**	150,972
	3,828,621	3,905,453

28 PROFIT FOR THE YEAR

The following items have been included in arriving at profit for the year:

		Group	
	Note	2017 $'000	2016 $'000
Other operating income			
Gain on insurance claim		**–**	4,227
Gain on loss of control in subsidiaries	34	**55,548**	148,216
Gain on liquidation of a subsidiary		**390**	433
Management fees and miscellaneous income		**22,925**	3,097
Negative goodwill on acquisition of interest in an associate		**–**	521
Profit on realisation of investments in relation to financial assets with related parties		**3,339**	17,925
Profit on sale of investments		**–**	490
Profit on sale of property, plant and equipment and an investment property		**38,943**	–
		121,145	174,909

28 PROFIT FOR THE YEAR (CONT'D)

	Note	Group 2017 $'000	Group 2016 $'000
Staff costs			
Contributions to defined contribution plans		**43,234**	41,239
Equity settled share-based transactions		**216**	(411)
Increase in liability for defined benefit plans	22	**3,138**	3,331
Increase in liability for short-term accumulating compensated absences		**1,174**	1,876
Wages and salaries		**789,329**	771,438
		837,091	817,473
Less:			
Staff costs capitalised in:			
– development properties		**(5,747)**	(7,288)
		831,344	810,185
Other expenses			
Amortisation of intangible assets		**689**	1,019
Amortisation of lease premium prepayment		**3,875**	3,857
Audit fees paid to:			
– auditors of the Company		**2,622**	3,501
– other auditors of the subsidiaries		**3,096**	2,611
Non-audit fees:			
– auditors of the Company		**1,680**	3,355
– other auditors of the subsidiaries		**947**	1,306
Impairment losses (reversed)/recognised on:			
– amounts owing by joint ventures	7	**(22,320)**	1,759
– goodwill arising from acquisition of a subsidiary	34	**6,874**	–
– property, plant and equipment (net)	3	**49,220**	38,340
– investment properties	4	**3,013**	–
– lease premium prepayment		**–**	478
– trade and other receivables	11	**7,671**	4,389
Depreciation of:			
– investment properties	4	**64,960**	67,089
– property, plant and equipment	3	**146,446**	149,918
Direct operating expenses arising from investment properties which are not leased		**109**	79
Direct operating expenses arising from rental of investment properties (excluding depreciation)		**92,379**	94,531
Exchange loss (net)		**9,031**	10,301
Loss on sale of property, plant and equipment and investment properties		**–**	702
Loss on liquidation of a subsidiary		**–**	51
Loss on disposal/ liquidation of a joint venture		**124**	14
Operating lease expenses		**22,489**	19,774
Property, plant and equipment and investment properties written off		**4,471**	2,546
Allowance written back for foreseeable losses on development properties (net)	10	**(19,516)**	(5,744)
Provisions	24	**25,570**	30,424

28 PROFIT FOR THE YEAR (CONT'D)

	Note	Group 2017 $'000	Group 2016 $'000
Finance income			
Interest income:			
– fellow subsidiaries		**3**	12
– financial institutions		**39,904**	36,019
– joint ventures		**5,183**	7,853
– others		**4,302**	291
Fair value gains on financial derivatives		**1,385**	–
Fair value gains on financial assets held for trading (net)		**2,340**	908
		53,117	45,083
Finance income capitalised in development properties		**(328)**	(1,584)
Total finance income		**52,789**	43,499
Finance costs			
Amortisation of transaction costs capitalised		**6,635**	9,247
Impairment loss on available-for-sale financial asset		**–**	500
Interest expense:			
– banks		**67,880**	80,480
– bonds and notes		**56,518**	57,872
– fellow subsidiaries		**2,757**	2,864
– financial derivatives		**186**	–
– others		**98**	136
Fair value loss on financial assets held for trading (net)		**–**	2,253
Unwinding of discount on non-current provisions	24	**2,184**	1,908
		136,258	155,260
Finance costs capitalised in:			
– development properties		**(18,555)**	(31,162)
– property, plant and equipment		**–**	(463)
Total finance costs		**117,703**	123,635
Net finance costs		**64,914**	80,136
The above finance income and finance costs (including amounts capitalised) include the following interest income and expenses in respect of assets and liabilities not at fair value through profit or loss:			
– total interest income on financial assets		**48,348**	42,504
– total finance costs on financial liabilities		**108,884**	109,631

In 2016, included in the fair value loss on financial assets held for trading is a loss of $1,417,000 recognised on shares of listed subsidiaries which were held by the Group for trading purposes. As these shares were held for trading purposes, and not as part of the controlling block of shares held in the subsidiaries, the relevant portion of equity represented was not consolidated.

Net finance costs of the Group and the Company have been capitalised at rates ranging from 0.05% to 4.85% (2016: 0.08% to 5.10%) in 2017 for development properties and 0.10% to 1.45% in 2016 per annum for property, plant and equipment.

29 TAX EXPENSE

	Note	Group 2017 $'000	Group 2016 $'000
Current tax expense			
Current year		**216,644**	128,585
Over provision in respect of prior years		**(18,239)**	(9,522)
		198,405	119,063
Deferred tax (credit)/expense			
Movements in temporary differences		**(119,826)**	(5,626)
Effect of changes in tax rates and legislation		**(2,242)**	(6,103)
(Over)/Under provision in respect of prior years		**(1,173)**	18,061
	25	**(123,241)**	6,332
Land appreciation tax			
Current year		**30,322**	26,035
Total tax expense		**105,486**	151,430

Tax recognised in other comprehensive income

	2017 Before tax $'000	2017 Tax credit (note 25) $'000	2017 Net of tax $'000	2016 Before tax $'000	2016 Tax expense (note 25) $'000	2016 Net of tax $'000
Group						
Defined benefit plan remeasurements	**7,728**	**(1,337)**	**6,391**	(19,016)	3,539	(15,477)
Changes in fair value of available-for-sale equity investments	**2,171**	**–**	**2,171**	2,172	–	2,172
Effective portion of changes in fair value of cash flow hedges	**2,606**	**–**	**2,606**	–	–	–
Exchange differences on hedges of net investments in foreign operations	**22,452**	**–**	**22,452**	(61,028)	–	(61,028)
Exchange differences on monetary items forming part of net investments in foreign operations	**(37,580)**	**–**	**(37,580)**	(4,745)	–	(4,745)
Exchange differences reclassified to profit or loss on loss of control in/ liquidation of foreign operations	**(15,802)**	**–**	**(15,802)**	(7,898)	–	(7,898)
Translation differences arising on consolidation of foreign operations	**(111,136)**	**–**	**(111,136)**	(79,006)	–	(79,006)
	(129,561)	**(1,337)**	**(130,898)**	(169,521)	3,539	(165,982)

29 TAX EXPENSE (CONT'D)

Reconciliation of effective tax rate

	Group	
	2017 $'000	**2016 $'000**
Profit before tax	**780,446**	913,989
Tax using the Singapore tax rate of 17% (2016: 17%)	**132,676**	155,378
Income not subject to tax	**(69,442)**	(53,957)
Expenses not deductible for tax purposes:		
– expenses	**37,876**	25,963
– write-back	**(13,532)**	(6,927)
Effect of changes in tax rates and legislation	**(2,242)**	(6,103)
Effect of different tax rates in other countries	**9,788**	5,980
Effect of share of results of associates and joint ventures	**2,707**	2,981
Land appreciation tax	**30,322**	26,035
Effect of tax reduction on land appreciation tax	**(3,519)**	(6,509)
Unrecognised deferred tax assets	**10,909**	7,763
Tax effect of losses not allowed to be set off against future taxable profits	**3,892**	4,020
Tax incentives	**(1,711)**	(645)
Utilisation of previously unrecognised deferred tax assets	**(12,826)**	(11,088)
(Over)/Under provision in respect of prior years	**(19,412)**	8,539
	105,486	151,430

30 EARNINGS PER SHARE

Basic earnings per share is calculated based on:

	Group	
	2017 $'000	**2016 $'000**
Profit attributable to owners of the Company	**538,222**	653,224
Less:		
Dividends on non-redeemable convertible non-cumulative preference shares	**(12,904)**	(12,922)
Profit attributable to ordinary shareholders after adjustment of non-redeemable convertible non-cumulative preference dividends	**525,318**	640,302

30 EARNINGS PER SHARE (CONT'D)

	Group	
	2017 Number of shares	2016 Number of shares
Weighted average number of ordinary shares	**909,301,330**	909,301,330
Basic earnings per share	**57.8 cents**	70.4 cents

Diluted earnings per share is based on:

	2017 $'000	2016 $'000
Profit attributable to ordinary shareholders after adjustment for non-redeemable convertible non-cumulative preference dividends	**525,318**	640,302
Add:		
Dividends on non-redeemable convertible non-cumulative preference shares	**12,904**	12,922
Net profit used for computing diluted earnings per share	**538,222**	653,224

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the conversion of the non-redeemable convertible non-cumulative preference shares, with the potential ordinary shares weighted for the period outstanding.

The effect of the potential ordinary shares on the weighted average number of ordinary shares in issue is as follows:

	Group	
	2017 Number of shares	2016 Number of shares
Weighted average number of ordinary shares issued used in the calculation of basic earnings per share	**909,301,330**	909,301,330
Potential ordinary shares issuable under non-redeemable convertible non-cumulative preference shares	**44,998,898**	44,998,898
Weighted average number of ordinary shares issued and potential shares assuming full conversion of preference shares	**954,300,228**	954,300,228
Diluted earnings per share	**56.4 cents**	68.5 cents

31 DIVIDENDS

	Company	
	2017 **$'000**	**2016** **$'000**
Final tax exempt (one-tier) ordinary dividend paid of 8.0 cents (2016: 8.0 cents) per ordinary share in respect of the previous financial year	**72,744**	72,744
Special final tax exempt (one-tier) ordinary dividend paid of 4.0 cents (2016: 4.0 cents) per ordinary share in respect of the previous financial year	**36,372**	36,372
Special interim tax exempt (one-tier) ordinary dividend paid of 4.0 cents (2016: 4.0 cents) per ordinary share in respect of the current financial year	**36,372**	36,372
Non-cumulative tax exempt (one-tier) preference dividend paid of 1.93 cents (2016: 1.94 cents) per preference share	**6,399**	6,435
Non-cumulative tax exempt (one-tier) preference dividend paid of 1.97 cents (2016: 1.96 cents) per preference share	**6,505**	6,487
	158,392	158,410

After the respective reporting dates, the directors proposed the following ordinary dividends, which have not been provided for:

	Company	
	2017 **$'000**	**2016** **$'000**
Final tax exempt (one-tier) ordinary dividend of 8.0 cents (2016: 8.0 cents) per ordinary share	**72,744**	72,744
Special final tax exempt (one-tier) ordinary dividend of 6.0 cents (2016: 4.0 cents) per ordinary share	**54,558**	36,372
	127,302	109,116

32 COMMITMENTS

The Group and the Company have the following commitments as at the reporting date:

	Group		Company	
	2017 **$'000**	**2016** **$'000**	**2017** **$'000**	**2016** **$'000**
Development expenditure contracted but not provided for in the financial statements	**434,448**	450,701	**7,047**	29,150
Capital expenditure contracted but not provided for in the financial statements	**93,170**	94,916	**11,073**	29,784
Commitments in respect of purchase of properties for which deposits have been paid	**34,054**	–	**–**	–

32 COMMITMENTS (CONT'D)

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Commitments in respect of investments in joint ventures and an investee company	**31,526**	91,659	**–**	–
Commitments in respect of financial assets designated at fair value through profit or loss	**29,145**	–	**–**	–
Commitments in respect of capital contribution to funds*	**24,039**	28,785	**–**	–

* Comprise capital commitments in relation to investment in financial assets with related parties.

In addition, the Group and the Company have the following commitments:

(a) The Group has a number of office facilities and hotel properties under operating leases. The leases typically run for an initial period of 1 to 30 years. The commitments of the Group and the Company for future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Within 1 year	**31,849**	28,065	**4,912**	7,112
After 1 year but within 5 years	**78,119**	82,522	**9,299**	7,382
After 5 years	**300,116**	303,602	**–**	–
	410,084	414,189	**14,211**	14,494

Included in the non-cancellable operating lease rental payables above are commitments with associates and a joint venture amounting to $2,500,000 and $1,569,000 (2016: $100,000 and $3,781,000), respectively.

(b) CDLHT's subsidiary, CDL HBT Cambridge City Hotel (UK) Ltd, holds a leasehold land, with a 125-year lease granted by the Cambridge City Council (Head Lease), commencing on 25 December 1990. The lease term may be extended for a further term of 50 years pursuant to the lessee's option to renew under the Head Lease. Lease payment under this lease is variable, being a percentage of gross revenue and subject to a minimum value that is itself a function of the aggregate rent paid over the previous three years. For the year ended 31 December 2017, the Group recorded a lease payment of $402,000 (£226,000) (2016: $412,000 (£219,000)).

(c) The Group and the Company lease out some of their investment properties and development properties. Non-cancellable operating lease rentals are receivable as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Within 1 year	**225,491**	246,795	**49,746**	49,781
After 1 year but within 5 years	**387,268**	354,553	**32,061**	53,308
After 5 years	**229,195**	115,215	**–**	135
	841,954	716,563	**81,807**	103,224

Contingent rents, generally determined based on a percentage of tenants' revenue, of $7,325,000 (2016: $7,837,000) and $1,947,000 (2016: $1,949,000) have been recognised as income by the Group and the Company, respectively, in profit or loss during the year.

32 COMMITMENTS (CONT'D)

Included in the non–cancellable operating lease rental receivables above are commitments with related parties which are set out below.

	Group		Company	
	2017 **$'000**	**2016** **$'000**	**2017** **$'000**	**2016** **$'000**
Non-cancellable operating lease rental receivables from:				
– joint ventures	**50,590**	70	**–**	–
– a fellow subsidiary	**252**	573	**252**	573
– an associate	**172**	46	**–**	–
– an associate of the ultimate holding company	**212**	424	**–**	–
– subsidiaries	**–**	–	**4,714**	3,272
	51,226	1,113	**4,966**	3,845

33 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	
	2017 **$'000**	**2016** **$'000**
Insurance premium paid and payable to an associate of the ultimate holding company	**(1,216)**	(1,323)
Management services fees received and receivable from:		
– fellow subsidiaries	**(35)**	1,478
– associates	**4,689**	4,705
– joint ventures	**4,874**	6,076
– a related entity controlled by a key management personnel	**–**	36
	9,528	12,295

33 RELATED PARTIES (CONT'D)

	Group	
	2017 **$'000**	**2016** **$'000**
Maintenance services fees received and receivable from:		
– fellow subsidiaries	**279**	261
– associates	**2,655**	2,730
– joint ventures	**4,954**	2,388
	7,888	5,379
Recovery of costs from joint ventures	**19**	37
Rental and rental-related income received and receivable from:		
– fellow subsidiaries	**320**	320
– an associate	**132**	137
– an associate of the ultimate holding company	**212**	217
– joint ventures	**85**	85
	749	759
Management services fees paid and payable to a fellow subsidiary	**(1,789)**	(1,206)
Rental and rental-related expenses paid and payable to:		
– associates	**(1,036)**	(712)
– a joint venture	**(1,728)**	(1,718)
– a related entity controlled by a key management personnel	**–**	(131)
	(2,764)	(2,561)
Sale of property, plant and equipment to a joint venture	**430**	–
Compensation paid and payable to key management personnel:		
– short-term employee benefits	**32,704**	32,901
– other long-term benefits	**270**	459
	32,974	33,360

In 2016, certain key management personnel (including close family members) of the Group had entered into sale and purchase agreements with subsidiaries of the Group to purchase residential properties with sale value amounting to $3,075,000. Revenue from the sale will be recognised by the Group progressively based on the percentage of completion of the residential project.

34 ACQUISITION OF AND LOSS OF CONTROL IN SUBSIDIARIES, AND CHANGES IN INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL

(I) Acquisition of subsidiaries

2017

(a) On 4 May 2017, the Group through its indirect non-wholly owned subsidiary, CDLHT, acquired 100% of the shares and voting interests in The Lowry Hotel Ltd (LHL) (the UK Acquisition) for a total consideration of $95.6 million. CDLHT acquired LHL which owns The Lowry Hotel in Manchester (the UK Property). The acquisition was accounted for as a business combination as CDLHT had acquired various operational processes, together with the UK Property.

From the date of acquisition to 31 December 2017, LHL contributed revenue of $16.1 million and profit before tax of $2.3 million to the Group's results. If the acquisition had occurred on 1 January 2017, management estimated that there would be no significant changes to the Group's revenue and profit before tax for 2017.

(b) On 27 June 2017, the Group through CDLHT acquired 94.9% of the shares and voting interests in NKS Hospitality I B.V. (NKS) and Munich Furniture B.V. (FurnitureCo) (collectively, the German Acquisition) for a total consideration of $160.3 million. The H-REIT Group acquired NKS and FurnitureCo which own Pullman Hotel in Munich (the Germany Hotel) and its office and retail components (collectively, the Germany Property).

The acquisition was accounted for as an acquisition of assets and is out of scope of FRS 103 *Business Combinations*.

34 ACQUISITION OF AND LOSS OF CONTROL IN SUBSIDIARIES, AND CHANGES IN INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL (CONT'D)

(I) Acquisition of subsidiaries (cont'd)

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition dates.

	Note	UK Acquisition $'000	Germany Acquisition $'000	Total $'000
Investment properties*	4	–	167,744	167,744
Property, plant and equipment	3	94,427	–	94,427
Deferred tax assets	25	2,142	634	2,776
Consumable stocks		258	–	258
Trade and other receivables		2,480	585	3,065
Cash at bank		2,867	4,236	7,103
Trade and other payables		(4,459)	(4,864)	(9,323)
Shareholder's loan		(39,124)	–	(39,124)
Deferred tax liabilities	25	(9,016)	(340)	(9,356)
Net identifiable assets acquired		49,575	167,995	217,570
Shareholder's loan assumed		39,124	–	39,124
Non-controlling interests (based on share of net assets)		–	(5,027)	(5,027)
Goodwill		6,874	–	6,874
Total consideration		95,573	162,968	258,541
Less: Cash acquired		(2,867)	(4,236)	(7,103)
Less: Consideration not yet paid		–	(2,931)	(2,931)
Total net cash outflow		92,706	155,801	248,507

* Includes capitalised transaction costs of $2.7 million incurred for the German Acquisition.

The transaction costs incurred for the UK Acquisition amounted to $1,537,000 and had been included in "other operating expenses" in the Group's profit or loss.

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired under the UK Acquisition were as follows:

Assets acquired	Valuation technique
Property, plant and equipment	*Comparative and discounted cash flow methods:* The comparative method involves the analysis of comparable sales of similar assets and adjusting the sale prices to that reflective of the UK Property. The discounted cash flow method involves forecasting the UK Property's income stream for 10 years and discounting the income stream at 8.25%.

34 ACQUISITION OF AND LOSS OF CONTROL IN SUBSIDIARIES, AND CHANGES IN INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL (CONT'D)

(I) Acquisition of subsidiaries (cont'd)

Goodwill

Goodwill arising from the UK Acquisition has been recognised as follows:

	Note	$'000
Total consideration transferred		95,573
Fair value of identifiable net assets		(49,575)
Shareholders' loan assumed		(39,124)
Goodwill		6,874
Impairment loss on goodwill	28	(6,874)
		–

CDLHT has undertaken an impairment assessment of the goodwill arising from the UK Acquisition. The recoverable amount was estimated using the fair value less costs to sell approach, taking into consideration the fair value of the underlying property based on the valuation techniques and assumptions described in the table above (Level 3 fair value). Based on this assessment, the goodwill was fully impaired. The impairment loss was recognised in "other operating expenses" in the Group's profit or loss.

2016

On 5 July 2016, the Group through its wholly-owned subsidiary, Sunmaster Holdings Pte. Ltd. (Sunmaster), acquired an additional 50% equity interest in Summervale Properties Pte. Ltd. (Summervale) which principally holds unsold completed properties of Nouvel 18, for an aggregate consideration of $411.0 million. Upon completion of the transaction, Summervale became a wholly-owned subsidiary of the Group. The acquisition was accounted for as acquisition of assets and was out of scope of FRS 103 *Business Combinations*. The net cash outflow for the acquisition amounted to $410.5 million.

(II) Changes in interests in subsidiaries without loss of control

There were the following changes in interests in subsidiaries without loss of control during the year:

2017

(a) A subsidiary of M&C, M&C REIT Management Limited (M&C REIT), being a REIT manager for CDLHT, received 7,505,885 units in CDLHT in lieu of management and performance fee income during the year. There was no significant change to the Group's effective interest in CDLHT.

(b) The Group's indirect wholly-owned subsidiary, City Platinum Holdings Pte. Ltd., acquired an additional 5% equity interests in Tempus Platinum Investments Tokutei Mokuteki Kaisha for a cash consideration of JPY1,060 million (approximately $13.3 million), increasing its effective interest from 95% to 100%.

(c) CDL Investments New Zealand Limited (CDLI), an indirect subsidiary of M&C, issued dividend in specie to the minority shareholders. There was no significant change to the Group's effective interest.

34 ACQUISITION OF AND LOSS OF CONTROL IN SUBSIDIARIES, AND CHANGES IN INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL (CONT'D)

(II) Changes in interests in subsidiaries without loss of control (cont'd)

2017 (cont'd)

(d) The Group acquired additional interest in M&C for a cash consideration of £4.1 million (approximately $7.5 million). There was no significant change to the Group's effective interest.

(e) Out of 199,545,741 new Stapled Securities issued by CDLHT under the rights issue on 2 August 2017, an aggregate of 73,789,940 rights stapled securities were issued to certain indirect non wholly-owned subsidiaries of M&C. There was no significant change to the Group's effective interest.

(f) The Group acquired additional interests in Millennium & Copthorne Hotels New Zealand Limited for a cash consideration of NZD$2.6 million (approximately $2.7 million). There was no significant change to the Group's effective interest.

2016

(a) M&C REIT received 4,634,171 units in CDLHT in lieu of management and performance fee income during the year. There was no significant change to the Group's effective interest in CDLHT.

(b) CDLI issued dividend in specie to the minority shareholders. There was no significant change to the Group's effective interest.

(c) M&C's indirect non wholly-owned subsidiary, Hong Leong International Hotel Singapore Pte. Ltd., acquired an additional 0.3% interest in Hong Leong Hotel Development Limited for a cash consideration of $0.3 million with no significant change to its ownership and the Group's effective interest.

(d) M&C's indirect wholly-owned subsidiary, Newbury Investments Pte Ltd, acquired additional 20% interest in PT. Millennium Sirih Jakarta Hotel for a cash consideration of US$2.0 million (approximately $2.7 million), increasing its ownership from 80% to 100% and the Group's effective interest from 52% to 65%.

(e) The Group's indirect wholly-owned subsidiary, Global City International Limited, acquired an additional 30% interest in Suzhou Global City Genway Properties Co., Ltd. for a cash consideration of RMB550.0 million (approximately $113.5 million), increasing its ownership and the Group's effective interest from 70% to 100%.

(f) In 2015, M&C's indirect non wholly-owned subsidiary, Millennium & Copthorne Hotels New Zealand Limited, acquired the remaining 39% interest in KIN Holdings Limited (KIN) for a cash consideration of NZ$31.0 million (approximately $31.7 million), increasing its ownership from 61% to 100% and the Group's effective interest from 28% to 46%. In 2016, as a result of post completion adjustment to KIN's underlying net assets, the Group paid an additional cash consideration of NZ$0.2 million (approximately $0.2 million).

34 ACQUISITION OF AND LOSS OF CONTROL IN SUBSIDIARIES, AND CHANGES IN INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL (CONT'D)

(II) Changes in interests in subsidiaries without loss of control (cont'd)

The following summarises the effect of changes in the Group's ownership interests in the above subsidiaries:

	2017 $'000	2016 $'000
Consideration paid for acquisition of non-controlling interests	**(23,545)**	(116,693)
Net decrease in equity attributable to non-controlling interests	**30,412**	76,551
Net increase/(decrease) in equity attributable to owners of the Company	**6,867**	(40,142)
Represented by:		
Increase/(Decrease) in capital reserve	**6,510**	(40,141)
Increase in foreign currency translation reserve	**150**	–
Increase/(Decrease) in accumulated profits	**207**	(1)
Net increase/(decrease) in equity attributable to owners of the Company	**6,867**	(40,142)

(III) Loss of control in subsidiaries

2017

In September 2017, the Group's three wholly-owned subsidiaries, CDL China Limited, China Star Development Limited (China Star) and China Venture Investments Limited (China Venture) disposed of the following interests for a cash consideration of RMB985.9 million (approximately $201.7 million):

- China Star's 70% equity interests in Chongqing Huang Huayuan Property Development Co., Ltd (CQHHY); and
- China Venture's 50% equity interests in Chongqing Eling Property Development Co., Ltd (CQEL).

Following the disposal, the Group lost its control over CQHHY and CQEL, with these entities becoming joint ventures of the Group.

The disposed subsidiaries contributed a net loss of $4.4 million to the Group from 1 January 2017 to the date of loss of control.

2016

(a) On 26 July 2016, the Group via its three wholly-owned subsidiaries, eMpire Investments Limited, Citydev Investments Pte. Ltd. and Educado Company Limited, disposed of its entire 52.52% interest in City e-Solutions Limited (CES), for a consideration of HK$566 million (approximately $99 million). CES was a company listed on The Stock Exchange of Hong Kong Limited.

(b) On 21 October 2016, the Group via its indirect wholly-owned subsidiary, Venus Real Estate Investments Limited, disposed of its 39% interest in Exchange Tower Limited for a consideration of THB5 billion (approximately $190 million).

(c) On 31 December 2016, the Group via M&C Hotels Holdings USA Limited, a wholly-owned subsidiary of M&C, disposed of its 51% interest in Millennium & Copthorne Middle East Holdings Limited for a consideration of AED17 million (approximately $7 million).

34 ACQUISITION OF AND LOSS OF CONTROL IN SUBSIDIARIES, AND CHANGES IN INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL (CONT'D)

(III) Loss of control in subsidiaries (cont'd)

2016 (cont'd)

(d) In October 2016, the Group established its third Profit Participation Securities by entering into the following agreements with an unrelated party, Green 18 Pte. Ltd. (Green 18), to exit its entire interest in Summervale (the Transaction).

(i) Investment Agreement

Sunmaster, a wholly-owned subsidiary of the Group was the sole shareholder of Summervale prior to the Transaction. Sunmaster and Summervale entered into an Investment Agreement (IA) with Green 18. As part of the completion of the IA, Summervale:

1. entered into an agreement with a bank for a credit facility of $579.2 million and drew down the loan; and

2. issued fixed income securities (the Notes) to the following:

   i. A bank, being the initial purchaser of the Notes due 2021 of $156.4 million; and

   ii. Ventagrand Holdings Limited, a wholly-owned subsidiary of the Group, being the subscriber of the Notes due 2023 of $140.0 million.

Upon completion of the IA, the following events took place in chronological order, as agreed between the parties:

1. cancellation of all of Sunmaster's shares in Summervale for nil consideration;

2. issuance of a combination of ordinary and preference shares in Summervale to Green 18 for $102.0 million; and

3. novation of existing shareholders' loans extended to Summervale by Sunmaster (as the outgoing creditor) to Green 18 (as the incoming creditor) such that the loans will be owed by Summervale to Green 18 instead of Sunmaster (the Novation).

The total funds received by Summervale of $977.6 million was largely used to repay Sunmaster pursuant to the Novation.

(ii) Asset Management and Marketing Agreement (AMMA)

Summervale appointed Trentwell Management Pte. Ltd. (Trentwell), a wholly-owned subsidiary of the Group, as the asset manager and marketing agent of Summervale. Trentwell shall be given the exclusive authority by Summervale to manage and lease out Nouvel 18, as well as to market and divest units in Nouvel 18 for a period of five years (with an option to extend to seven years). Trentwell is entitled to a base annual management fee and an incentive fee after a performance benchmark is satisfied.

34 ACQUISITION OF AND LOSS OF CONTROL IN SUBSIDIARIES, AND CHANGES IN INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL (CONT'D)

(III) Loss of control in subsidiaries (cont'd)

The total effect of the loss of control in subsidiaries on the cash flows of the Group was as follows:

	Note	2017 $'000	2016 $'000
Property, plant and equipment	3	**86**	10,201
Investment properties	4	**–**	117,862
Investments in associates and joint ventures		**–**	1,282
Financial assets		**–**	18,026
Intangible assets		**–**	2,755
Deferred tax assets	25	**–**	875
Development properties		**285,500**	875,430
Consumable stocks		**–**	86
Trade and other receivables		**1,668**	16,941
Cash and cash equivalents		**8,566**	107,235
Trade and other payables		**(5,221)**	(50,170)
Interest-bearing borrowings		**(38,874)**	(5,258)
Employee benefits		**–**	(710)
Provision for taxation		**(14)**	(2,439)
Other non-current liabilities		**–**	(1,003,269)
Non-controlling interests		**–**	(50,632)
Net assets on disposal		**251,711**	38,215
Total consideration		**201,716**	1,273,998
Less:			
Transaction costs		**–**	(46,931)
Proceeds receivable		**–**	(6,588)
Cash and cash equivalents disposed of		**(8,566)**	(107,235)
Net cash inflow		**193,150**	1,113,244
Total consideration		**201,716**	1,273,998
Fair value of retained equity interests		**100,862**	–
		302,578	1,273,998
Less:			
Net assets on disposal		**(251,711)**	(38,215)
Realisation of reserves		**6,973**	3,654
Repayment of shareholders' loan		**–**	(997,992)
Provision for interest support	24	**–**	(39,663)
Transaction costs		**(2,292)**	(46,931)
Gain arising from loss of control		**55,548**	154,851
Gain deferred to the extent of the Group's other interests in Summervale*	23	**–**	(6,635)
Recognised in profit or loss	28	**55,548**	148,216

* The Group's other interests in Summervale is included in other financial assets (note 8).

The gain on loss of control was recognised in "other operating income" in the consolidated statement of profit or loss.

35 RECONCILIATION OF MOVEMENTS OF ASSETS AND LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities/(assets)			
	Interest-bearing borrowings $'000	Interest payable * $'000	Other payables ** $'000	Restricted deposits and restricted cash (note 14) $'000
Balance at 1 January 2017	5,737,767	29,049	21,490	(319,807)
Financing cash flows	(604,222)	(124,596)	3,659	(79,083)
Non-cash changes				
Changes arising from acquisition and loss of control in subsidiaries	(38,874)	(102)	–	–
Effect of changes in foreign exchange rates	(80,748)	(5,577)	(847)	8,494
Liability-related				
Interest expense/capitalised	–	124,682	–	–
Others	7,759	–	–	–
Total non-cash changes	(111,863)	119,003	(847)	8,494
Balance at 31 December 2017	5,021,682	23,456	24,302	(390,396)

* Included in "trade and other payables"
** Included in "trade and other payables" and "other liabilities"

36 FINANCIAL INSTRUMENTS BY CATEGORY

An analysis of the Group's financial instruments is set out as follows:

	Note	Loans and receivables $'000	Available-for-sale financial assets $'000	Financial assets at fair value through profit or loss $'000	Fair value -hedging instruments $'000	Liabilities at amortised cost $'000	Total $'000
Group							
2017							
Assets							
Financial assets	8	300,499	102,238	45,956	–	–	448,693
Other non-current assets excluding deferred tax assets, intangible assets and prepayments		426,599	–	–	–	–	426,599
Trade and other receivables excluding prepayments and tax recoverable		936,720	–	–	1,296	–	938,016
Cash and cash equivalents	14	3,775,909	–	–	–	–	3,775,909
		5,439,727	102,238	45,956	1,296	–	5,589,217
Liabilities							
Interest-bearing borrowings	18	–	–	–	–	5,021,682	5,021,682
Trade and other payables excluding deferred income and progress billings	26	–	–	–	276	1,134,310	1,134,586
Other liabilities excluding deferred income	23	–	–	–	1,631	115,492	117,123
		–	–	–	1,907	6,271,484	6,273,391

36 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

	Note	Loans and receivables $'000	Available-for-sale financial assets $'000	Financial assets at fair value through profit or loss $'000	Fair value -hedging instruments $'000	Liabilities at amortised cost $'000	Total $'000
Group							
2016							
Assets							
Financial assets	8	321,153	77,450	16,399	–	–	415,002
Other non-current assets excluding deferred tax assets, intangible assets and prepayments		221,957	–	–	–	–	221,957
Trade and other receivables excluding prepayments and tax recoverable		1,094,948	–	–	171	–	1,095,119
Cash and cash equivalents	14	3,673,037	–	–	–	–	3,673,037
		5,311,095	77,450	16,399	171	–	5,405,115
Liabilities							
Interest-bearing borrowings	18	–	–	–	–	5,737,767	5,737,767
Trade and other payables excluding deferred income and progress billings	26	–	–	–	336	1,105,142	1,105,478
Other liabilities excluding deferred income	23	–	–	–	–	149,108	149,108
		–	–	–	336	6,992,017	6,992,353

36 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

	Note	Loans and receivables $'000	Available-for-sale financial assets $'000	Liabilities at amortised cost $'000	Fair value -hedging instruments $'000	Total $'000
Company						
2017						
Assets						
Financial assets	8	–	30,561	–	–	30,561
Trade and other receivables excluding prepayments		4,351,059	–	–	1,044	4,352,103
Cash and cash equivalents	14	1,384,157	–	–	–	1,384,157
		5,735,216	30,561	–	1,044	5,766,821
Liabilities						
Interest-bearing borrowings	18	–	–	2,452,700	–	2,452,700
Trade and other payables excluding deferred income	26	–	–	2,163,996	–	2,163,996
Other liabilities	23	–	–	119,311	–	119,311
		–	–	4,736,007	–	4,736,007
2016						
Assets						
Financial assets	8	–	28,329	–	–	28,329
Trade and other receivables excluding prepayments		4,335,222	–	–	–	4,335,222
Cash and cash equivalents	14	2,043,714	–	–	–	2,043,714
		6,378,936	28,329	–	–	6,407,265
Liabilities						
Interest-bearing borrowings	18	–	–	2,806,546	–	2,806,546
Trade and other payables excluding deferred income	26	–	–	1,809,530	–	1,809,530
Other liabilities	23	–	–	170,137	–	170,137
		–	–	4,786,213	–	4,786,213

37 FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and market risk such as interest rate risk, foreign currency risk and equity price risk.

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

The Audit & Risk Committee provides independent oversight of the effectiveness of the financial risk management process. It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken for speculative purposes except for its use as hedging instruments where appropriate and cost efficient.

Credit risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of these financial assets.

Transactions involving financial instruments are entered into only with counterparties that are of acceptable credit quality. Cash and fixed deposits are placed with banks and financial institutions which are regulated.

The Group establishes an allowance for impairment that represents its estimate of the specific loss component in respect of trade and other receivables. The allowance account in respect of trade receivables and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

At the reporting date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset at the reporting date.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents and credit facilities deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

The following are the expected contractual undiscounted cash outflows of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	After 1 year but within 5 years $'000	After 5 years $'000
Group					
2017					
Term loans	2,598,063	2,727,114	576,044	2,151,070	–
Bonds and notes	2,011,359	2,226,687	363,164	1,286,200	577,323
Bank loans	412,091	412,747	412,747	–	–
Finance lease creditors	169	177	118	59	–
Trade and other payables*	1,134,586	1,137,111	1,137,111	–	–
Other liabilities**	117,123	117,123	–	100,909	16,214
	6,273,391	6,620,959	2,489,184	3,538,238	593,537
2016					
Term loans	3,178,837	3,319,988	1,247,833	2,072,155	–
Bonds and notes	2,188,867	2,455,288	294,155	1,460,428	700,705
Bank loans	369,535	370,409	370,409	–	–
Bank overdrafts	4	4	4	–	–
Finance lease creditors	524	524	355	169	–
Trade and other payables*	1,105,478	1,108,310	1,108,310	–	–
Other liabilities**	149,108	149,108	–	130,935	18,173
	6,992,353	7,403,631	3,021,066	3,663,687	718,878

* Excluding deferred income and progress billings.
** Excluding deferred income.

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	After 1 year but within 5 years $'000	After 5 years $'000
Company					
2017					
Term loans	939,924	977,625	235,822	741,803	–
Bonds and notes	1,213,392	1,395,897	179,150	639,424	577,323
Bank loans	299,384	299,695	299,695	–	–
Trade and other payables**	2,163,996	2,165,371	2,165,371	–	–
Other liabilities	119,311	124,421	2,241	122,180	–
	4,736,007	4,963,009	2,882,279	1,503,407	577,323
2016					
Term loans	1,019,224	1,079,361	445,871	633,490	–
Bonds and notes	1,462,902	1,686,744	280,960	705,079	700,705
Bank loans	324,420	325,138	325,138	–	–
Trade and other payables**	1,809,530	1,809,530	1,809,530	–	–
Other liabilities	170,137	180,991	3,616	177,375	–
	4,786,213	5,081,764	2,865,115	1,515,944	700,705

** Excluding deferred income.

It is not expected that the cash flows in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices such as interest rates, foreign exchange rates and equity prices, 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 exposure within acceptable parameters, while optimising the return on risk.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to its interest-bearing financial assets and debt obligations. The Group adopts a policy of managing its interest rate exposure by maintaining a debt portfolio with both fixed and floating interest rates. Where appropriate, the Group uses interest rate derivatives to hedge its interest rate exposure for specific underlying debt obligations after considering the prevailing market conditions.

Derivative financial instruments are used to manage interest rate risk, to the extent that the perceived cost is considered to outweigh the benefit from the flexibility of variable rate borrowings, and the Group actively monitors the need and timing for such derivatives.

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

Interest rates analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, their nominal interest rates at the reporting date and carrying amounts are as follows:

	Note	Interest rates per annum		Carrying amount		
		Floating rate %	Fixed rate %	Floating rate $'000	Fixed rate $'000	Total $'000
Group						
2017						
Financial assets						
Cash and bank balances*		–	0.10 to 3.70	–	2,345,059	2,345,059
Amounts owing by joint ventures**		–	1.50 to 2.00	–	25,735	25,735
Unquoted debt instruments	8	–	2.46 to 5.00	–	272,500	272,500
				–	2,643,294	2,643,294
Financial liabilities						
Finance lease creditors		–	6.00 to 6.60	–	(169)	(169)
Term loans	19					
– secured		2.31 to 5.43	–	(342,281)	–	(342,281)
– unsecured		0.35 to 5.32	1.06 to 2.99	(1,764,785)	(490,997)	(2,255,782)
Bonds and notes	20					
– secured		0.20	0.58 to 1.98	(33,080)	(227,228)	(260,308)
– unsecured		2.37 to 2.59	2.45 to 3.90	(267,703)	(1,483,348)	(1,751,051)
Bank loans (unsecured)	21	0.49 to 4.41	0.60 to 2.62	(343,099)	(68,992)	(412,091)
Amounts owing to fellow subsidiaries	13	–	2.00 to 2.50	–	(123,838)	(123,838)
				(2,750,948)	(2,394,572)	(5,145,520)
Total				(2,750,948)	248,722	(2,502,226)
2016						
Financial assets						
Cash and bank balances*		–	0.10 to 3.70	–	3,078,268	3,078,268
Amounts owing by joint ventures**		–	1.50 to 6.75	–	121,025	121,025
Unquoted debt instruments	8	–	2.46 to 5.00	–	272,500	272,500
				–	3,471,793	3,471,793
Financial liabilities						
Bank overdrafts (secured)	18	2.53	–	(4)	–	(4)
Finance lease creditors		–	1.50 to 4.00	–	(524)	(524)
Term loans	19					
– secured		1.00 to 5.02	–	(745,513)	–	(745,513)
– unsecured		0.23 to 10.28	1.06 to 4.01	(1,825,013)	(608,311)	(2,433,324)
Bonds and notes	20					
– secured		0.16 to 0.20	0.58 to 0.66	(34,401)	(132,327)	(166,728)
– unsecured		1.34 to 2.05	1.75 to 3.90	(289,318)	(1,732,821)	(2,022,139)
Bank loans (unsecured)	21	0.50 to 9.60	2.24 to 2.34	(366,350)	(3,185)	(369,535)
Amounts owing to fellow subsidiaries	13	–	2.00 to 2.50	–	(137,884)	(137,884)
				(3,260,599)	(2,615,052)	(5,875,651)
Total				(3,260,599)	856,741	(2,403,858)

* Includes restricted deposits classified as other non-current assets in the statement of financial position.
** Carrying amount is net of impairment loss.

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

	Note	Interest rates per annum Floating rate %	Fixed rate %	Carrying amount Floating rate $'000	Fixed rate $'000	Total $'000
Company						
2017						
Financial assets						
Cash and bank balances		–	0.41 to 1.62	–	1,157,674	1,157,674
Amounts owing by:						
– subsidiaries**		0.49 to 4.41	1.00 to 1.75	1,014,422	2,173,248	3,187,670
– joint ventures**		–	1.50	–	4,969	4,969
				1,014,422	3,335,891	4,350,313
Financial liabilities						
Amounts owing to subsidiaries	5	–	2.74 to 3.25	–	(150,810)	(150,810)
Term loans (unsecured)	19	1.15 to 5.32	2.78	(740,752)	(199,172)	(939,924)
Bonds and notes (unsecured)	20	–	2.45 to 3.90	–	(1,213,392)	(1,213,392)
Bank loans (unsecured)	21	0.49 to 4.41	–	(299,384)	–	(299,384)
				(1,040,136)	(1,563,374)	(2,603,510)
Total				(25,714)	1,772,517	1,746,803
2016						
Financial assets						
Cash and bank balances		–	0.20 to 1.30	–	1,819,931	1,819,931
Amounts owing by:						
– subsidiaries**		0.50 to 10.46	1.00 to 1.75	1,106,725	2,516,040	3,622,765
– joint ventures**		–	1.50 to 2.00	–	3,597	3,597
				1,106,725	4,339,568	5,446,293
Financial liabilities						
Amounts owing to subsidiaries	5	–	2.74 to 3.25	–	(150,753)	(150,753)
Term loans (unsecured)	19	0.87 to 10.28	2.78	(820,416)	(198,808)	(1,019,224)
Bonds and notes (unsecured)	20	–	1.75 to 3.90	–	(1,462,902)	(1,462,902)
Bank loans (unsecured)	21	0.50 to 9.60	–	(324,420)	–	(324,420)
				(1,144,836)	(1,812,463)	(2,957,299)
Total				(38,111)	2,527,105	2,488,994

** Carrying amount is net of impairment loss.

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

Sensitivity analysis

For the variable rate financial assets and liabilities, a 100 (2016:100) basis points (bp) increase at the reporting date would have the impact as shown below. A decrease in 100 (2016:100) bp in interest rate would have an equal but opposite effect. This analysis, which is based on reporting date of each interest-bearing financial asset and liability, assumes that all other variables, in particular foreign currency exchange rates, remain constant and does not take into account the effect of qualifying borrowing costs allowed for capitalisation and tax effect. The sensitivity analysis also excludes the financial effect of transaction costs recognised against the financial liabilities.

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
100 bp increase				
(Reduction)/Increase in profit before tax	**(27,613)**	(32,690)	**(161)**	9

There is no impact on other components of equity.

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Group's entities. The currencies giving rise to this risk are primarily the United States Dollar, Singapore Dollar, Thai Baht, Hong Kong Dollar, Australian Dollar, Sterling Pound, Renminbi, Japanese Yen, New Zealand Dollar and Euro.

The Group has a decentralised approach to the management of foreign currency risk. The Group manages its foreign currency exposure by adopting a natural hedge policy of matching receipts and payments, and asset purchases and borrowings, in the currency of the relevant entity, where possible. Entities in the Group may have different approaches to the identification and management of this risk. Entities in the Group may borrow in currencies other than their functional currencies to fund investments that are denominated in their borrowing currencies. Where feasible, the Group may put in place certain financial derivative instruments including forward exchange contracts and cross currency swaps to minimise the Group's exposure to movements in exchange rates on firm commitments and specific transactions.

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

The Group's and the Company's exposure to foreign currencies are as follows:

	United States Dollar $'000	Singapore Dollar $'000	Thai Baht $'000	Hong Kong Dollar $'000
Group				
2017				
Financial assets	26,993	–	–	–
Trade and other receivables*	490	1,310	–	–
Cash and cash equivalents (net of cash pool overdrafts)	44,499	691,917	477	2,293
Amounts owing by/(to) subsidiaries (net)***	209,145	(926,552)	–	(13,074)
Interest-bearing borrowings	(803,187)	–	–	–
Trade and other payables**	(235)	(554)	–	(42)
	(522,295)	(233,879)	477	(10,823)
2016				
Financial assets	13,386	–	–	–
Trade and other receivables*	121	767	–	–
Cash and cash equivalents (net of cash pool overdrafts)	155,019	3,040	457	520
Amounts owing by/(to) subsidiaries (net)***	27,296	(227,806)	6,448	(17,761)
Interest-bearing borrowings	(802,271)	–	–	–
Trade and other payables**	(549)	(644)	–	(46)
	(606,998)	(224,643)	6,905	(17,287)

* Excluding prepayments and tax recoverable.
** Excluding deferred income and progress billings.
*** Excluding amounts owing by/(to) subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future.

	Australian Dollar $'000	Sterling Pound $'000	Renminbi $'000	Japanese Yen $'000	New Zealand Dollar $'000	Euro $'000	Others $'000
	–	–	–	–	–	–	–
	–	147	3,323	1,244	–	–	474
	1,764	1,289	117,364	5,429	5,119	6,469	463
	76,113	763,640	68,068	27,920	4,246	9,090	(33)
	(30,323)	(846,771)	(76,002)	(114,999)	–	(153,033)	–
	(52)	(372)	(697)	(58)	–	(1)	(9)
	47,502	(82,067)	112,056	(80,464)	9,365	(137,475)	895
	–	–	–	–	–	–	–
	–	24	4,652	–	–	–	367
	751	4,274	135,073	1,950	2,253	(10,313)	747
	9,971	629,736	183,415	35,418	3,829	–	(18)
	(97,431)	(486,019)	(176,353)	(206,694)	–	(175,015)	–
	–	(355)	(3,903)	(77)	–	–	(9)
	(86,709)	147,660	142,884	(169,403)	6,082	(185,328)	1,087

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

	United States Dollar $'000	Hong Kong Dollar $'000	Japanese Yen $'000	Sterling Pound $'000	Renminbi $'000	Australian Dollars $'000	Euro $'000	Others $'000
Company								
2017								
Trade and other receivables*	–	–	1,244	–	(200)	–	–	56
Cash and cash equivalents	514	34	–	–	–	–	–	11
Amounts owing (to)/by subsidiaries (net)	(213)	(17,325)	142,083	636,742	27,968	30,443	3,148	(5)
Interest-bearing borrowings	–	–	(76,223)	(629,905)	(76,002)	(30,323)	(3,147)	–
Trade and other payables**	–	–	(58)	(372)	(134)	(52)	(1)	(9)
	301	(17,291)	67,046	6,465	(48,368)	68	–	53
2016								
Trade and other receivables*	–	–	–	–	–	–	–	45
Cash and cash equivalents	550	45	–	1,079	–	–	–	19
Amounts owing (to)/by subsidiaries (net)	(231)	(18,830)	131,879	491,901	113,943	–	–	(5)
Interest-bearing borrowings	–	–	(166,342)	(486,019)	(176,353)	–	–	–
Trade and other payables**	–	–	(77)	(341)	(3,632)	–	–	(9)
	319	(18,785)	(34,540)	6,620	(66,042)	–	–	50

* Excluding prepayments.
** Excluding deferred income.

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

Sensitivity analysis

A 5% strengthening of the following major currencies against the functional currency of each of the Group's entities at the reporting date held by the Group and the Company would (decrease)/increase profit and other components of equity before any tax effect by the amounts shown below. Similarly, a 5% weakening would have the equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit before tax $'000	Equity $'000
Group		
2017		
United States Dollar	(6,998)	(19,117)
Singapore Dollar	(11,694)	–
Thai Baht	24	–
Hong Kong Dollar	(541)	–
Australian Dollar	2,375	–
Sterling Pound	6,718	(10,821)
Renminbi	5,603	–
Japanese Yen	(2,086)	(1,937)
New Zealand Dollar	468	–
Euro	(2,704)	(4,170)
2016		
United States Dollar	(18,907)	(11,443)
Singapore Dollar	(11,232)	–
Thai Baht	345	–
Hong Kong Dollar	(864)	–
Australian Dollar	537	(4,872)
Sterling Pound	7,383	–
Renminbi	7,144	–
Japanese Yen	(8,470)	–
New Zealand Dollar	304	–
Euro	(4,612)	(4,654)
Company		
2017		
United States Dollar	15	–
Hong Kong Dollar	(865)	–
Japanese Yen	3,352	–
Sterling Pound	323	–
Renminbi	(2,418)	–
Australian Dollar	3	–
2016		
United States Dollar	16	–
Hong Kong Dollar	(939)	–
Japanese Yen	(1,727)	–
Sterling Pound	331	–
Renminbi	(3,302)	–

37 *FINANCIAL RISK MANAGEMENT (CONT'D)*

Equity price risk

The Group and the Company are exposed to equity price changes arising from quoted equity investments available for sale and held for trading. An increase in the underlying equity prices of the above investments at the reporting date by 10% (2016: 10%) and 5% (2016: 5%) for the Group and the Company, respectively, would increase profit and other components of equity before any tax effect by the amounts shown below. This analysis assumes that all other variables remain constant.

	Group $'000	Company $'000
2017		
Quoted equity investments available for sale and held for trading		
Equity	4,234	1,364
Profit before tax	1,577	–
2016		
Quoted equity investments available for sale and held for trading		
Equity	3,875	1,252
Profit before tax	1,640	–

Similarly, a decrease in the underlying equity prices by 10% (2016: 10%) and 5% (2016: 5%) for the Group and the Company, respectively, would decrease profit and other components of equity before any tax effect by the amounts shown below. This analysis assumes that all other variables remain constant.

	Group $'000	Company $'000
2017		
Quoted equity investments available for sale and held for trading		
Equity	(3,200)	(1,364)
Profit before tax	(2,611)	–
2016		
Quoted equity investments available for sale and held for trading		
Equity	(2,874)	(1,252)
Profit before tax	(2,641)	–

Financial guarantee

Two wholly-owned subsidiaries of the Group entered into deeds of guarantee in favour of Sunbright (the Deeds of Guarantee) on 15 December 2014. The maximum exposure of the Group under the Deeds of Guarantee at the end of the reporting period is approximately $42.6 million (2016: $61.4 million). At the end of the reporting date, the Group does not consider it probable that the claim will be made against the Group under the financial guarantee.

38 FAIR VALUE OF ASSETS AND LIABILITIES

Fair values versus carrying amounts

The carrying amounts of the financial instruments of the Group and the Company carried at cost or amortised cost are not materially different from their fair values as at the reporting date except as follows:

	Carrying amount $'000	Fair value $'000
Group		
Assets carried at amortised cost		
31 December 2017		
Unquoted debt instruments	272,500	275,572
31 December 2016		
Unquoted debt instruments	272,500	268,163
Other financial asset	48,653	42,562
	321,153	310,725
Liabilities carried at amortised cost		
31 December 2017		
Bonds and notes		
– secured	(127,328)	(126,052)
– unsecured	(1,283,371)	(1,304,909)
Term loans (unsecured)	(490,997)	(492,070)
	(1,901,696)	(1,923,031)
31 December 2016		
Bonds and notes		
– secured	(132,327)	(131,198)
– unsecured	(1,482,897)	(1,464,631)
Term loans (unsecured)	(608,299)	(607,983)
Other non-current financial liability	(48,653)	(42,562)
	(2,272,176)	(2,246,374)
Company		
Liabilities carried at amortised cost		
31 December 2017		
Amount owing to a subsidiary	(100,000)	(99,636)
Bonds and notes (unsecured)	(1,063,413)	(1,083,297)
Term loans (unsecured)	(199,172)	(201,729)
	(1,362,585)	(1,384,662)
31 December 2016		
Amount owing to a subsidiary	(150,000)	(147,967)
Bonds and notes (unsecured)	(1,212,980)	(1,196,716)
Term loans (unsecured)	(198,808)	(198,877)
	(1,561,788)	(1,543,560)

38 FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- 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: unobservable inputs for the asset or liability.

Assets and liabilities not carried at fair value but for which fair values are disclosed*

The table below analyses assets and liabilities not carried at fair value, but for which fair values are disclosed.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
31 December 2017				
Investment properties	–	–	6,301,274	6,301,274
Unquoted debt instruments	–	275,572	–	275,572
	–	275,572	6,301,274	6,576,846
Bonds and notes				
– secured	–	(126,052)	–	(126,052)
– unsecured	–	(1,304,909)	–	(1,304,909)
Term loans (unsecured)	–	(492,070)	–	(492,070)
	–	(1,923,031)	–	(1,923,031)
31 December 2016				
Investment properties	–	–	6,215,075	6,215,075
Unquoted debt instruments	–	268,163	–	268,163
Other financial asset	–	42,562	–	42,562
	–	310,725	6,215,075	6,525,800
Bonds and notes				
– secured	–	(131,198)	–	(131,198)
– unsecured	–	(1,464,631)	–	(1,464,631)
Term loans (unsecured)	–	(607,983)	–	(607,983)
Other non-current financial liability	–	(42,562)	–	(42,562)
	–	(2,246,374)	–	(2,246,374)
Company				
31 December 2017				
Investment properties	–	–	1,089,822	1,089,822
Amount owing to a subsidiary	–	(99,636)	–	(99,636)
Bonds and notes (unsecured)	–	(1,083,297)	–	(1,083,297)
Term loans (unsecured)	–	(201,729)	–	(201,729)
	–	(1,384,662)	–	(1,384,662)

38 FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

Fair value hierarchy (cont'd)

Assets and liabilities not carried at fair value but for which fair values are disclosed* (cont'd)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company				
31 December 2016				
Investment properties	–	–	1,088,722	1,088,722
Amount owing to a subsidiary	–	(147,967)	–	(147,967)
Bonds and notes (unsecured)	–	(1,196,716)	–	(1,196,716)
Term loans (unsecured)	–	(198,877)	–	(198,877)
	–	(1,543,560)	–	(1,543,560)

* Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

Financial assets and financial liabilities carried at fair value

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows:

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group					
2017					
Available-for-sale financial assets	8	42,338	–	–	42,338
Financial assets at fair value through profit or loss	8	15,770	–	30,186	45,956
		58,108	–	30,186	88,294
Derivative financial assets	11	–	1,296	–	1,296
Derivative financial liabilities	26	–	(276)	–	(276)
2016					
Available-for-sale financial assets	8	38,752	–	–	38,752
Financial assets at fair value through profit or loss	8	16,399	–	–	16,399
		55,151	–	–	55,151
Derivative financial assets	11	–	171	–	171
Derivative financial liabilities	26	–	(336)	–	(336)

38 FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

Fair value hierarchy (cont'd)

Financial assets and financial liabilities carried at fair value (cont'd)

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company					
2017					
Available-for-sale financial assets	8	27,271	–	–	27,271
Derivative financial assets	11	–	1,044	–	1,044
2016					
Available-for-sale financial assets	8	25,039	–	–	25,039

The Group and the Company have not reclassified any investments between various levels in the fair value hierarchy during the year.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Financial assets at fair value through profit or loss	
	2017 $'000	**2016 $'000**
Group		
At 1 January	**–**	2,537
Additions	**30,186**	–
Total loss recognised in profit or loss		
– finance expense	**–**	(71)
Loss of control in a subsidiary	**–**	(2,365)
Translation differences on consolidation	**–**	(101)
At 31 December	**30,186**	–

There is no sensitivity analysis prepared as the Group's exposure to the effect on fair value changes for 2016 and 2017 is insignificant.

38 FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

Determination of fair value

Fair values have been determined for measurement and disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investment properties

For investment properties located in Singapore, the fair values are substantially based on in-house valuations conducted by a licensed appraiser who is also an officer of the Company. The licensed appraiser has appropriate recognised professional qualifications and has recent experience in the location and category of the investment properties being valued. The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. The valuation is based on the income method which takes into consideration the estimated net rent (using the current and projected average rental rates and occupancy), and a capitalisation rate applicable to the nature and type of asset in question. As a check, a comparison is made against relevant market transactions.

The fair values of investment properties located overseas and certain investment properties in Singapore are determined by independent licensed appraisers who have appropriate recognised professional qualifications and recent experience in the location and category of the investment properties being valued. Fair values are determined having regard to recent market transactions for similar properties in the same locations.

Investments in equity investments

The fair values of quoted investments that are classified as available for sale and held for trading are their quoted bid prices at the reporting date.

The fair values of unquoted equity investments available for sale (except as described below) are estimated using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions. Instead, they are based on unobservable inputs reflecting assumptions about the way assets would be priced.

The fair values of certain unquoted available-for-sale equity investments which are stated at cost, have not been determined as the fair value cannot be determined reliably given that the variability in the range of fair value estimates derived from valuation techniques is expected to be significant.

Investments in debt instruments and other financial asset

The fair values of unquoted debt instruments and other financial asset classified as loans and receivables are calculated based on the present value of future principal and interest cash flow, discounted at the market rate of interest at the reporting date.

The fair value of the unquoted debt instruments designated as financial assets at fair value through profit or loss is determined based on discounted cash flow method which considers the present value of expected cash inflows, discounted using a risk-adjusted discount rate.

38 FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

Determination of fair value (cont'd)

Amounts owing by and to subsidiaries, associates and joint ventures

The fair values of amounts owing by and to subsidiaries, associates and joint ventures are estimated as the present value of future cash flows, discounted at market interest rates.

Other non-derivative financial assets and liabilities

The fair values of borrowings which reprice after six months and other non-derivative financial assets and liabilities, determined for disclosure purposes, are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar agreements.

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables, and interest-bearing borrowings) or those which reprice within six months are assumed to approximate their fair values because of the short period to maturity or repricing. All other financial assets and liabilities are discounted to determine their fair values.

Financial derivatives

The fair values of forward foreign exchange contracts and cross currency swaps entered are based on banks' quotes (Level 2 fair value). Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

39 OPERATING SEGMENTS

Information reported to the Board of Directors for the purposes of resource allocation and assessment of segment performances 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 – *develops and purchases properties for sale*
- Hotel operations – *owns and manages hotels*
- Rental properties – *develops and purchases investment properties for lease*
- Others – *comprises mainly investment in shares, management and consultancy services, and provision of laundry services. None of these segments meet any of the quantitative thresholds for determining reportable segments in 2017 and 2016.*

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Board of Directors. 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.

39 OPERATING SEGMENTS (CONT'D)

Information about reportable segments

	Property development $'000	Hotel operations $'000	Rental properties $'000	Others $'000	Total $'000
2017					
Total revenue (including inter-segment revenue)	1,652,690	1,714,501	445,129	152,990	3,965,310
Inter-segment revenue	–	(20,269)	(98,231)	(18,189)	(136,689)
External revenue	1,652,690	1,694,232 *	346,898	134,801	3,828,621

The hotel operations are in the following geographical segments and their revenue are set out as follows:

	2017 $'000
United States	535,201
Europe	378,715
Singapore	248,617
Rest of Asia	390,021
New Zealand	141,678
	1,694,232

	Property development $'000	Hotel operations $'000	Rental properties $'000	Others $'000	Total $'000
2017					
Profit from operating activities	423,868	179,272	185,492	11,194	799,826
Share of after-tax profit/(loss) of associates and joint ventures	37,364	(4,824)	5,164	7,830	45,534
Finance income	38,551	6,512	3,143	4,583	52,789
Finance costs	(54,961)	(32,423)	(25,570)	(4,749)	(117,703)
Net finance costs	(16,410)	(25,911)	(22,427)	(166)	(64,914)
Reportable segment profit before tax	444,822	148,537 *	168,229	18,858	780,446

* Hotel operations for 2017 comprise revenue and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) attributable to hotel rooms owned by the Group amounting to $1,148.5 million and $238.5 million respectively.

39 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development $'000	Hotel operations $'000	Rental properties $'000	Others $'000	Total $'000
2017					
Depreciation and amortisation	1,046	123,158	86,728	5,038	215,970
Other material non-cash items					
Impairment losses on property, plant and equipment	–	(49,220)	–	–	(49,220)
Impairment loss on investment properties	–	–	(3,013)	–	(3,013)
Impairment loss on goodwill arising from acquisition of a subsidiary	–	(6,874)	–	–	(6,874)
Impairment reversed on amounts owing by a joint venture	–	22,320	–	–	22,320
Allowance written back for foreseeable losses on development properties	19,516	–	–	–	19,516
Gain on loss of control in/liquidation of subsidiaries (net)	55,548	–	–	390	55,938
Investments in associates and joint ventures	661,347	415,389	320,278	160,796	1,557,810
Other segment assets	7,793,579	4,994,246	4,220,379	882,705	17,890,909
Reportable segment assets	8,454,926	5,409,635	4,540,657	1,043,501	19,448,719
Tax recoverable					199
Deferred tax assets					54,374
Total assets					19,503,292
Reportable segment liabilities	3,843,562	1,513,551	1,722,313	85,504	7,164,930
Deferred tax liabilities					179,179
Provision for taxation					318,033
Total liabilities					7,662,142
Additions to non-current assets*	7,582	97,065	94,980	7,699	207,326

* Non-current assets include property, plant and equipment, investment properties, lease premium prepayment, investments in associates and joint ventures, and intangible assets.

39 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development $'000	Hotel operations $'000	Rental properties $'000	Others $'000	Total $'000
2016					
Total revenue (including inter-segment revenue)	1,744,706	1,647,070	452,511	176,375	4,020,662
Inter-segment revenue	–	(13,365)	(85,625)	(16,219)	(115,209)
External revenue	1,744,706	1,633,705 *	366,886	160,156	3,905,453

The hotel operations are in the following geographical segments and their revenue are set out as follows:

	2016 $'000
United States	514,891
Europe	392,156
Singapore	241,325
Rest of Asia	382,759
New Zealand	102,574
	1,633,705

	Property development $'000	Hotel operations $'000	Rental properties $'000	Others $'000	Total $'000
2016					
Profit from operating activities	459,745	159,526	226,817	77,537	923,625
Share of after-tax profit/(loss) of associates and joint ventures	89,610	(22,117)	7,868	(4,861)	70,500
Finance income	30,705	6,094	4,660	2,040	43,499
Finance costs	(60,355)	(27,751)	(32,086)	(3,443)	(123,635)
Net finance costs	(29,650)	(21,657)	(27,426)	(1,403)	(80,136)
Reportable segment profit before tax	519,705	115,752 *	207,259	71,273	913,989

* Hotel operations for 2016 comprise revenue and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) attributable to hotel rooms owned by the Group amounting to $1,089.1 million and $279.6 million respectively.

39 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development $'000	Hotel operations $'000	Rental properties $'000	Others $'000	Total $'000
2016					
Depreciation and amortisation	865	126,815	88,855	5,348	221,883
Other material non-cash items					
Impairment losses on property, plant and equipment	–	(38,340)	–	–	(38,340)
Impairment loss on lease premium prepayment	–	(478)	–	–	(478)
Impairment losses on amounts owing by joint ventures	–	(973)	–	(786)	(1,759)
Allowance written back for foreseeable losses on development properties	5,744	–	–	–	5,744
Gain on loss of control in/liquidation of subsidiaries (net)	27,026	2,288	69,220	50,064	148,598
Investments in associates and joint ventures	681,039	399,720	262,705	118,048	1,461,512
Other segment assets	8,757,241	5,070,875	3,940,248	531,386	18,299,750
Reportable segment assets	9,438,280	5,470,595	4,202,953	649,434	19,761,262
Tax recoverable					10
Deferred tax assets					36,150
Total assets					19,797,422
Reportable segment liabilities	4,401,994	1,465,558	1,934,338	64,206	7,866,096
Deferred tax liabilities					271,013
Provision for taxation					251,629
Total liabilities					8,388,738
Additions to non-current assets*	49,192	198,558	57,360	28,722	333,832

* Non-current assets include property, plant and equipment, investment properties, lease premium prepayment, investments in associates and joint ventures, and intangible assets.

39 OPERATING SEGMENTS (CONT'D)

Geographical segments

The property development, hotel operations and rental properties segments are managed on a worldwide basis.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Singapore $'000	United States $'000	United Kingdom $'000	China $'000	Other countries $'000	Total $'000
2017						
Revenue	1,994,590	544,000	349,643	248,148	692,240	3,828,621
Non-current assets*	3,450,066	1,497,423	1,143,828	626,482	2,411,355	9,129,154
Reportable segment assets	9,330,538	1,616,793	2,861,155	1,916,757	3,723,476	19,448,719
2016						
Revenue	1,893,885	528,023	379,960	429,598	673,987	3,905,453
Non-current assets*	3,457,013	1,657,792	1,062,771	517,079	2,365,092	9,059,747
Reportable segment assets	10,772,046	1,785,913	1,905,643	1,836,344	3,461,316	19,761,262

* Include property, plant and equipment, investment properties, lease premium prepayment, investments in associates and joint ventures, and intangible assets.

40 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

Applicable to 2018 financial statements

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with the SFRS(I) and IFRS issued by the International Accounting Statutory Board. As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of International Financial Reporting Standards*.

In addition to the adoption of the new framework, the following new SFRS(I)s, amendments to and interpretations of SFRS(I) are effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* and Amendments to SFRS(I) 15 *Clarifications to SFRS(I) 15*;
- SFRS(I) 9 *Financial Instruments*;
- *Classification and Measurement of Share-based Payment Transaction*s (Amendments to SFRS(I) 2);
- *Transfers of Investment Property* (Amendments to SFRS(I) 1-40);
- *Deletion of short-term exemptions for first-time adopters* (Amendments to SFRS(I) 1);
- *Measuring an Associate or Joint Venture at Fair Value* (Amendments to SFRS(I) 1-28);
- *Applying SFRS(I) 9 Financial Instruments with SFRS(I) 4 Insurance Contracts* (Amendments to SFRS(I) 4); and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration.*

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for SFRS(I) 15 and SFRS(I) 9.

Summary of quantitative impact

The Group is currently finalising the transition adjustments. The following reconciliations provide an estimate of the expected impacts on initial application of SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's financial position as at 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017. The estimate of the expected impact may be subject to changes arising from ongoing analysis, until the Group adopts SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 in 2018.

40 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONT'D)

Applicable to 2018 financial statements (cont'd)

Summary of quantitative impact (cont'd)

Consolidated statement of financial position

	Note	31 December 2017 Current $'000	SFRS(I) 1 $'000	SFRS(I) 15 $'000	31 December 2017 SFRS(I) $'000	SFRS(I) 9 $'000	1 January 2018 SFRS(I) $'000
Assets							
Property, plant and equipment	(i)	5,013,767	(15,131)	–	4,998,636	–	4,998,636
Investment properties		2,448,901	–	–	2,448,901	–	2,448,901
Lease premium prepayment		106,288	–	–	106,288	–	106,288
Investments in associates		389,360	–	–	389,360	–	389,360
Investments in joint ventures	(iii), (iv)	1,168,450	–	(14,783)	1,153,667	–	1,153,667
Financial assets	(v)	432,923	–	–	432,923	363,328	796,251
Other non-current assets		483,740	–	–	483,740	–	483,740
Non-current assets		10,043,429	(15,131)	(14,783)	10,013,515	363,328	10,376,843
Lease premium prepayment		3,793	–	–	3,793	–	3,793
Development properties	(iii), (iv)	4,560,819	–	14,763	4,575,582	–	4,575,582
Consumable stocks		11,018	–	–	11,018	–	11,018
Financial assets		15,770	–	–	15,770	–	15,770
Assets classified as held for sale		56,618	–	–	56,618	–	56,618
Trade and other receivables		1,035,936	–	–	1,035,936	–	1,035,936
Cash and cash equivalents		3,775,909	–	–	3,775,909	–	3,775,909
Current assets		9,459,863	–	14,763	9,474,626	–	9,474,626
Total assets		19,503,292	(15,131)	(20)	19,488,141	363,328	19,851,469
Equity attributable to owners of the Company							
Share capital		1,991,397	–	–	1,991,397	–	1,991,397
Reserves (excluding accumulated profits)	(ii)	(360,427)	478,926	(16)	118,483	–	118,483
Accumulated profits		7,952,604	(488,110)	(4,814)	7,459,680	363,328	7,823,008
		9,583,574	(9,184)	(4,830)	9,569,560	363,328	9,932,888
Non-controlling interests	(iii), (iv)	2,257,576	(5,947)	1,923	2,253,552	–	2,253,552
Total equity		11,841,150	(15,131)	(2,907)	11,823,112	363,328	12,186,440

40 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONT'D)

Applicable to 2018 financial statements (cont'd)

Summary of quantitative impact (cont'd)

Consolidated statement of financial position (cont'd)

	Note	31 December 2017 Current $'000	SFRS(I) 1 $'000	SFRS(I) 15 $'000	31 December 2017 SFRS(I) $'000	SFRS(I) 9 $'000	1 January 2018 SFRS(I) $'000
Liabilities							
Interest-bearing borrowings		3,755,650	–	–	3,755,650	–	3,755,650
Employee benefits		34,387	–	–	34,387	–	34,387
Other liabilities		356,222	–	–	356,222	–	356,222
Provisions		75,198	–	–	75,198	–	75,198
Deferred tax liabilities	(iii), (iv)	179,179	–	2,515	181,694	–	181,694
Non-current liabilities		4,400,636	–	2,515	4,403,151	–	4,403,151
Trade and other payables	(iii)	1,604,302	–	325	1,604,627	–	1,604,627
Interest-bearing borrowings		1,266,032	–	–	1,266,032	–	1,266,032
Employee benefits		24,560	–	–	24,560	–	24,560
Provision for taxation	(iii), (iv)	318,033	–	47	318,080	–	318,080
Provisions		48,579	–	–	48,579	–	48,579
Current liabilities		3,261,506	–	372	3,261,878	–	3,261,878
Total liabilities		7,662,142	–	2,887	7,665,029	–	7,665,029
Total equity and liabilities		19,503,292	(15,131)	(20)	19,488,141	363,328	19,851,469

40 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONT'D)

Applicable to 2018 financial statements (cont'd)

Summary of quantitative impact (cont'd)

Consolidated statement of profit or loss

		Year ended 31 December 2017			
	Note	Current $'000	SFRS(I) 1 $'000	SFRS(I) 15 $'000	SFRS(I) $'000
Revenue	(iii)	3,828,621	–	444	3,829,065
Cost of sales	(iii), (iv)	(2,143,672)	–	(1,611)	(2,145,283)
Gross profit		1,684,949	–	(1,167)	1,683,782
Other operating income		121,145	(11,997)	–	109,148
Administrative expenses		(529,703)	715	–	(528,988)
Other operating expenses		(476,565)	–	–	(476,565)
Profit from operating activities		799,826	(11,282)	(1,167)	787,377
Finance income		52,789	–	–	52,789
Finance costs		(117,703)	–	–	(117,703)
Net finance costs		(64,914)	–	–	(64,914)
Share of after-tax profit of associates		29,648	–	–	29,648
Share of after-tax profit of joint ventures	(iii), (iv)	15,886	–	1,223	17,109
Profit before tax		780,446	(11,282)	56	769,220
Tax expense	(iii), (iv)	(105,486)	–	(18)	(105,504)
Profit for the year		674,960	(11,282)	38	663,716
Profit attributable to owners of the Company:					
– Ordinary shareholders		525,318	(11,032)	1,829	516,115
– Preference shareholders		12,904	–	–	12,904
		538,222	(11,032)	1,829	529,019
Non-controlling interests		136,738	(250)	(1,791)	134,697
Profit for the year		674,960	(11,282)	38	663,716

40 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONT'D)

Applicable to 2018 financial statements (cont'd)

Summary of quantitative impact (cont'd)

Consolidated statement of comprehensive income

	Year ended 31 December 2017			
	Current $'000	SFRS(I) 1 $'000	SFRS(I) 15 $'000	SFRS(I) $'000
Profit for the year	674,960	(11,282)	38	663,716
Other comprehensive income				
Item that will not be reclassified to profit or loss				
Defined benefit plan remeasurements	6,391	–	–	6,391
Items that are or may be reclassified subsequently to profit or loss				
Changes in fair value available-for-sale equity instruments	2,171	–	–	2,171
Effective portion of changes in fair value of cash flow hedges	2,606	–	–	2,606
Exchange differences on hedge of net investment in foreign operations	22,452	–	–	22,452
Exchange differences on monetary items forming part of net investments in foreign operations	(37,580)	–	–	(37,580)
Exchange differences on reclassified to profit or loss on loss of control in/liquidation of foreign operations	(15,802)	11,997	–	(3,805)
Translations difference arising on consolidation of foreign operations	(111,136)	(34)	–	(111,170)
Other comprehensive income for the year, net of tax	(130,898)	11,963	–	(118,935)
Total comprehensive income	544,062	681	38	544,781
Total comprehensive income attributable to:				
Owners of the Company	440,848	443	38	441,329
Non-controlling interests	103,214	238	–	103,452
Total comprehensive income	544,062	681	38	544,781

40 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONT'D)

Applicable to 2018 financial statements (cont'd)

Summary of quantitative impact (cont'd)

Statement of financial position for the Company

	Note	31 December 2017 Current $'000	SFRS(I) 15 $'000	31 December 2017 SFRS(I) $'000	SFRS(I) 9 $'000	1 January 2018 SFRS(I) $'000
Assets						
Property, plant and equipment		7,735	–	7,735	–	7,735
Investment properties		453,365	–	453,365	–	453,365
Investment in subsidiaries		2,131,243	–	2,131,243	–	2,131,243
Investment in joint ventures		37,360	–	37,360	–	37,360
Financial assets	(v)	30,561	–	30,561	365,598	396,159
Other non-current assets		2,540,071	–	2,540,071	–	2,540,071
Non-current assets		5,200,335	–	5,200,335	365,598	5,565,933
Development properties	(iii), (iv)	359,703	6,647	366,350	–	366,350
Trade and other receivables		4,352,813	–	4,352,813	–	4,352,813
Cash and cash equipments		1,384,157	–	1,384,157	–	1,384,157
Current assets		6,096,673	6,647	6,103,320	–	6,103,320
Total assets		11,297,008	6,647	11,303,655	365,598	11,669,253
Equity						
Share capital		1,991,397	–	1,991,397	–	1,991,397
Reserves (excluding accumulated profits)		78,269	–	78,269	–	78,269
Accumulated profits		4,392,121	5,517	4,397,638	365,598	4,763,236
Total equity		6,461,787	5,517	6,467,304	365,598	6,832,902
Liabilities						
Interest-bearing borrowings		1,780,524	–	1,780,524	–	1,780,524
Other liabilities		119,311	–	119,311	–	119,311
Deferred tax liabilities	(iii) , (iv)	49,027	1,130	50,157	–	50,157
Non-current liabilities		1,948,862	1,130	1,949,992	–	1,949,992
Trade and other payables		2,164,002	–	2,164,002	–	2,164,002
Interest-bearing borrowings		672,176	–	672,176	–	672,176
Employee benefits		2,205	–	2,205	–	2,205
Provision for taxation		47,976	–	47,976	–	47,976
Current liabilities		2,886,359	–	2,886,359	–	2,886,359
Total liabilities		4,835,221	1,130	4,836,351	–	4,836,351
Total equity and liabilities		11,297,008	6,647	11,303,655	365,598	11,669,253

40 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONT'D)

Applicable to 2018 financial statements (cont'd)

SFRS(I) 1

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening statement of financial position and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

(i) Fair value as deemed cost for certain hotels classified as property, plant and equipment

The Group plans to elect the optional exemption in SFRS(I) 1 to use the fair values previously adopted by M&C for certain hotels as their deemed costs in its SFRS(I) financial statements at the date of transition to SFRS(I).

(ii) Foreign currency translation reserve (FCTR)

The Group considers that restating FCTR to comply with current SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods.

The Group plans to elect the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassify the cumulative deficit in FCTR of $478.9 million as at 1 January 2017 determined in accordance with FRS at that date to accumulated profits. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending 31 December 2018 using the retrospective approach. As a result, the Group will apply all of the requirements of SFRS(I) 15 retrospectively, except as described below, and the comparative period presented in the 2018 financial statements will be restated.

The Group plans to use the following practical expedients:

- Practical expedient for comparative disclosure of transaction prices allocated to remaining performance obligations: the Group will not be disclosing the amount of the transaction prices allocated to any remaining performance obligations or an explanation of when it expects to recognise the amount as revenue.

- Practical expedient for completed contracts: the Group will not restate completed contracts that began and ended in the same comparative reporting period as well as completed contracts at the beginning of the earliest period presented.

(iii) Success-based sales commissions

The Group pays sales commissions to both external and internal property sales agents for securing property sales contracts for the Group on a success basis. The Group currently recognises sales commissions as an expense when incurred, but would capitalise such incremental costs as a contract cost asset under SFRS(I) 15 as they are recoverable. These costs are amortised to profit or loss as the Group recognises the related revenue.

40 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONT'D)

Applicable to 2018 financial statements (cont'd)

SFRS(I) 15 (cont'd)

(iv) Amortisation of contract costs

The Group currently recognises cost of sales on the sold units in its development projects by applying the percentage of completion on the relevant projects' total construction costs. On adoption of SFRS(I) 15, the Group will recognise construction costs in profit or loss when incurred to the extent of units sold in a development.

SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively, except as described below.

- The Group plans to take advantage of the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in accumulated profits and reserves as at 1 January 2018.

- The following assessments have to be made on the basis of facts and circumstances that existed at 1 January 2018:

  - The determination of the business model within which a financial asset is held.
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
  - The designation of an investment in equity instruments that is not held for trading as being financial asset at fair value through other comprehensive income (FVOCI).
  - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss (FVTPL).

- If an investment in a debt security has low credit risk at 1 January 2018, the Group plans to assume that the credit risk on the asset has not increased significantly since its initial recognition.

- New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 Financial Instruments: Recognition and Measurement at 31 December 2017 that meet the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 will be regarded as continuing hedging relationships.

The expected impact on adoption of SFRS(I) 9 are described below. The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment.

40 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONT'D)

Applicable to 2018 financial statements (cont'd)

SFRS(I) 9 (cont'd)

(v) Classification and measurement: financial assets

The Group currently has equity investments with a carrying value of $102.2 million. On adoption of SFRS(I) 9, the equity investments with carrying values of $58.9 million and $43.3 million are expected to be reclassified as financial assets subsequently measured at FVTPL and FVOCI, respectively. Loans and receivables amounting to $300.5 million are expected to be reclassified as financial assets subsequently measured at FVTPL as their contractual features introduces exposures to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement.

Unquoted equity investments available for sale of the Group and the Company of $59.9 million and $3.3 million, respectively, which are currently stated at cost will be required to be measured at fair value, resulting in an estimated increase in accumulated profits of $360.3 million and $365.6 million respectively.

Debt securities that have been designated at FVTPL are expected to continue to be measured at FVTPL.

(vi) Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect the impairment calculated using the expected credit loss model to have a significant impact on the financial statements.

Applicable to financial statements for the year 2019 and thereafter

The following new SFRS(I)s, amendments to and interpretations of SFRS(I)s are effective for annual periods beginning after 1 January 2018.

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28)

The Group is still in the process of assessing the impact of the new SFRSs, amendments to and interpretations of SFRS(I)s on the financial statements. The Group's preliminary assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group is as described below.

SFRS(I) 16

SFRS(I) 16 replaces existing lease accounting guidance. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied. SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

40 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONT'D)

The Group plans to adopt the standard when it becomes effective in 2019 and expects to apply the standard using the modified retrospective approach. The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

The Group as lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Such operating lease commitments amount to approximately $410.1 million as at 31 December 2017. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

41 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES

The following are the Group's significant investments in subsidiaries:

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
	Direct/Indirect Subsidiaries of the Company				
*	Allinvest Holding Pte Ltd	Property owner and investment holding	Singapore	**100**	100
*	Aston Properties Pte Ltd	Property owner, developer and investment holding	Singapore	**100**	100
*	Adelanto Investments Pte. Ltd.	Investment holding	Singapore	**100**	100
*	Aquarius Properties Pte. Ltd.	Property owner and developer	Singapore	**80**	–
^	Beaumont Properties Limited	Property owner	Jersey	**100**	100
*	Bloomsville Investments Pte Ltd	Property owner, developer and investment holding	Singapore	**100**	100
*	Bellevue Properties Pte. Ltd.	Property owner and developer	Singapore	**100**	100
^	Busy Bee Ventures Limited	Investment holding	British Virgin Islands	**100**	–
*	Canvey Developments Pte. Ltd.	Property owner and developer	Singapore	**70**	70

41 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
	Direct/Indirect Subsidiaries of the Company (cont'd)				
*	CBM Pte. Ltd.	Provision of building maintenance, security, cleaning and related services to commercial and residential buildings	Singapore	**100**	100
*	CBM Parking Pte. Ltd.	Provision of car park operation, management, civil, construction and electrical works related to parking systems and related services	Singapore	**100**	100
*	CBM International Pte. Ltd.	Investment holding and provision of consultancy services	Singapore	**100**	100
*	CBM Security Pte. Ltd.	Provision of security services, consultancy services related to security matters, supply of equipment, security escort services and facilities management services	Singapore	**100**	100
*	CBM Solutions Pte. Ltd.	Provision of consultancy and facilities management services	Singapore	**100**	100
**	CBM (Taiwan) Co., Ltd.	Carpark management services	Taiwan	**100**	100
*	CDL Land Pte Ltd	Property owner and developer	Singapore	**100**	100
*	CDL Management Services Pte. Ltd.	Provision of project and property management and consultancy services	Singapore	**100**	100
*	CDL Properties Ltd	Property owner and investment holding	Singapore	**100**	100
*	Central Mall Pte Ltd	Property owner	Singapore	**100**	100
*	Cideco Pte. Ltd.	Property owner	Singapore	**100**	100
*	City Condominiums Pte Ltd	Property owner, developer and investment holding	Singapore	**100**	100
*	City Developments Realty Limited	Investment in shares and investment holding	Singapore	**100**	100
*	City Serviced Offices Pte. Ltd.	Operating serviced offices	Singapore	**100**	100
*	City Sunshine Holdings Pte. Ltd.	Property owner and developer	Singapore	**100**	100
*	Citydev Nahdah Pte. Ltd.	To issue Islamic trust certificates and to act as trustee for the certificate holders	Singapore	**100**	100
*	Citydev Real Estate (Singapore) Pte Ltd	Property owner	Singapore	**100**	100
**	Chongqing Eling Property Development Co., Ltd.	Property owner and developer	People's Republic of China	**–**	100
**	Chongqing Huang Huayuan Property Development Co., Ltd.	Property owner and developer	People's Republic of China	**–**	100

41 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
	Direct/Indirect Subsidiaries of the Company (cont'd)				
*	Crescent View Developments Pte. Ltd.	Property owner and developer	Singapore	**60**	60
^	Darien Properties Investment Limited	Property owner	Jersey	**100**	100
**	Educado Company Limited	Investment holding and share dealing	Hong Kong	**100**	100
*	Ellinois Management Services Pte. Ltd.	Asset/portfolio management	Singapore	**100**	100
*	Empire City Consultant Pte Ltd	Management of properties	Singapore	**100**	100
^	Finite Properties Investment Limited	Property owner	Jersey	**100**	100
*	Glades Properties Pte. Ltd.	Property owner, developer and investment holding	Singapore	**100**	100
*	Grange 100 Pte. Ltd.	Property investment and owner	Singapore	**100**	100
*	Guan Realty (Private) Limited	Property owner and developer	Singapore	**100**	100
*	Hong Leong Properties Pte. Limited	Property owner	Singapore	**100**	100
**	Iconique Tokutei Mokuteki Kaisha	Asset management	Japan	**100**	100
*	Ingensys Pte. Ltd.	Systems integration activities	Singapore	**70**	70
*	Island Glades Developments Pte. Ltd.	Property owner and developer	Singapore	**70**	70
^	Jayland Properties Limited	Property owner	Jersey	**100**	100
*	Land Equity Development Pte Ltd	Property owner	Singapore	**100**	100
**	Lingo Enterprises Limited	Property holding and property investment	Singapore/ Hong Kong	**100**	100
^	Melvale Holdings Limited	Investment holding and property developer	Jersey	**100**	100
**	Millennium & Copthorne Hotels plc	Investment holding	United Kingdom	**65**	65
*	New Vista Realty Pte. Ltd.	Property owner and developer	Singapore	**100**	100
*	Novel Developments Pte. Ltd.	Property owner and developer	Singapore	**100**	100
**	Pacific Height Enterprises Company Limited	Property investment	Japan/ Hong Kong	**100** @	100
**	Phuket Square Company Limited	Retail and hotel business	Thailand	**49** #	49 #
^	Pinenorth Properties Limited	Property owner	Jersey	**100**	100

41 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
	Direct/Indirect Subsidiaries of the Company (cont'd)				
^	Reach Across International Limited	Investment holding	British Virgin Islands	**100**	100
*	Redvale Investments Pte. Ltd.	Asset/portfolio management	Singapore	**100**	100
^	Reselton Properties Limited	Property owner	Jersey	**100**	100
*	Republic Plaza City Club (Singapore) Pte Ltd	Owner and operator of clubs	Singapore	**100**	100
***	Shanghai Jingwen Zhaoxiang Real Estate Limited	Property developer	People's Republic of China	**100**	100
*	Singapura Developments (Private) Limited	Property owner, developer and investment holding	Singapore	**100**	100
*	Sunshine Plaza Pte Ltd	Property owner, developer and investment holding	Singapore	**100**	100
**	Suzhou Global City Genway Properties Co., Ltd.	Property owner and developer	People's Republic of China	**100**	100
*	Systematic Laundry & Healthcare Services Pte. Ltd.	Laundry and dry cleaning services, washing and other cleaning preparations	Singapore	**70**	70
*	Systematic Laundry & Uniform Services Pte. Ltd.	Laundry and dry cleaning services	Singapore	**70**	70
**	Tempus Platinum Investments Tokutei Mokuteki Kaisha	Property owner and developer	Japan	**100**	95
*	Trentwell Management Pte. Ltd.	Asset management and consultancy services	Singapore	**100**	100
^	Wideachieve Holdings Limited	Investment holding	British Virgin Islands	**100**	100
	Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels plc				
**	Anchorage-Lakefront Limited Partnership	Hotel owner	USA	**65**	65
^	Archyield Limited	Hotel owner and operator	United Kingdom	**65**	65
**	Avon Wynfield LLC	Hotel owner	USA	**65**	65

41 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
	Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels plc (cont'd)				
**	Beijing Fortune Hotel Co., Ltd.	Hotel owner and operator	People's Republic of China	**46**	46
**	Bostonian Hotel Limited Partnership	Hotel owner	USA	**65**	65
**	Buffalo RHM Operating LLC	Hotel owner	USA	**65**	65
*	CDL Hospitality Trusts	See ## below	Singapore	**24**	24
**	CDL (New York) LLC	Hotel owner	USA	**65**	65
^	CDL Hotels (Chelsea) Limited	Hotel owner and operator	United Kingdom	**65**	65
**	CDL Hotels (Korea) Ltd.	Hotel owner and operator	Republic of Korea	**65**	65
**	CDL Hotels (Malaysia) Sdn. Bhd.	Hotel owner and operator	Malaysia	**65**	65
^	CDL Hotels (UK) Limited	Hotel owner and operator	United Kingdom	**65**	65
**	CDL Hotels USA, Inc.	Hotel investment holding company	USA	**65**	65
**	CDL Investments New Zealand Limited	Investment and property management company	New Zealand	**33**	33
**	CDL West 45th Street LLC	Hotel owner	USA	**65**	65
**	Chicago Hotel Holdings, Inc.	Hotel ownership	USA	**65**	65
**	Cincinnati S.I. Co.	Hotel owner	USA	**65**	65
*	City Hotels Pte. Ltd.	Hotel operator and investment holding company	Singapore	**65**	65
**	Copthorne Aberdeen Limited	Hotel management	United Kingdom	**54**	54
^	Copthorne Hotel (Birmingham) Limited	Hotel owner and operator	United Kingdom	**65**	65
^	Copthorne Hotel (Cardiff) Limited	Hotel owner and operator	United Kingdom	**65**	65
^	Copthorne Hotel (Effingham Park) Limited	Hotel owner and operator	United Kingdom	**65**	65
^	Copthorne Hotel (Gatwick) Limited	Hotel owner and operator	United Kingdom	**65**	65
^	Copthorne Hotel (Manchester) Limited	Hotel owner and operator	United Kingdom	**65**	65

41 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
	Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels plc (cont'd)				
^	Copthorne Hotel (Merry Hill) Limited	Hotel owner and operator	United Kingdom	**65**	65
**	Copthorne Hotel (Newcastle) Limited	Hotel owner and operator	United Kingdom	**62**	62
^	Copthorne Hotel (Plymouth) Limited	Hotel owner and operator	United Kingdom	**65**	65
^	Copthorne Hotel (Slough) Limited	Hotel owner and operator	United Kingdom	**65**	65
**	Copthorne Hotel Holdings Limited	Investment holding company	United Kingdom	**65**	65
**	Copthorne Hotels Limited	Hotel investment holding company	United Kingdom	**65**	65
**	Copthorne Orchid Penang Sdn. Bhd.	Hotel owner	Malaysia	**65**	65
**	Durham Operating Partnership L.P.	Hotel ownership	USA	**65**	65
**	Gateway Regal Holdings LLC	Hotel owner and operator	USA	**65**	65
**	Grand Plaza Hotel Corporation	Hotel owner and operator and investment holding company	Philippines	**43**	43
*	Harbour View Hotel Pte Ltd	Hotel operator	Singapore	**65**	65
**	Hong Leong Ginza TMK	Property owner	Japan	**76**	76
**	Hong Leong Hotel Development Limited	Hotel owner and operator	Taiwan	**54**	54
*	Hospitality Holdings Pte. Ltd.	Investment holding company	Singapore	**65**	65
^	Hotel Liverpool Limited	Property letting	United Kingdom	**65**	65
^	Hotel Liverpool Management Limited	Operating company	United Kingdom	**65**	65
*	King's Tanglin Shopping Pte. Ltd.	Property owner	Singapore	**65**	65
**	Lakeside Operating Partnership L.P.	Hotel ownership	USA	**65**	65
^	London Britannia Hotel Limited	Hotel owner and operator	United Kingdom	**65**	65
^	London Tara Hotel Limited	Hotel owner and operator	United Kingdom	**65**	65
**	M&C Crescent Interests, LLC	Property owner	USA	**65**	65

41 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
	Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels plc (cont'd)				
**	M&C Hotel Interests, Inc.	Hotel management services company	USA	**65**	65
**	M&C Hotels France SAS	Hotel owner	France	**65**	65
**	M&C New York (Times Square) EAT II LLC	Hotel owner	USA	**65**	65
**	M&C New York (Times Square), LLC	Investment holding	USA	**65**	65
*	M&C REIT Management Limited	REIT investment management services	Singapore	**65**	65
****	Millennium & Copthorne Hotels Management (Shanghai) Limited	Provision of hotel management and consultancy services	People's Republic of China	**65**	–
**	Millennium & Copthorne Hotels New Zealand Limited	Hotel investment holding company	New Zealand	**49**	49
*	Millennium & Copthorne International Limited	Hotels and resorts management	Singapore	**65**	65
**	Millennium CDG Paris SAS	Hotel operator	France	**65**	65
**	Millennium Hotels Italy Holdings S.r.l	Holding company	Italy	**65**	65
**	Millennium Hotels Palace Management S.r.l	Hotel operator	Italy	**65**	65
**	Millennium Hotels Property S.r.l	Hotel owner and operator	Italy	**65**	65
^	Millennium Hotels (West London) Limited	Property letting	United Kingdom	**65**	65
^	Millennium Hotels (West London) Management Limited	Hotel operator	United Kingdom	**65**	65
**	Millennium Opera Paris SAS	Hotel operator	France	**65**	65
**	PT. Millennium Sirih Jakarta Hotel	Hotel owner	Indonesia	**65**	65
*	Republic Hotels & Resorts Limited	Hotel operator and investment holding company	Singapore	**65**	65
*	Republic Iconic Hotel Pte. Ltd.	Hotel operator	Singapore	**65**	65
**	RHH Operating LLC	Hotel owner	USA	**65**	65
**	RHM Aurora LLC	Hotel ownership	USA	**65**	65
**	RHM Management LLC	Hotel ownership	USA	**65**	65
**	RHM Ranch LLC	Hotel owner	USA	**65**	65
**	RHM-88, LLC	Hotel owner and operator	USA	**65**	65

41 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
	Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels plc (cont'd)				
**	Sunnyvale Partners Ltd.	Hotel ownership	USA	**65**	65
**	Trimark Hotel Corporation	Hotel owner and operator	USA	**65**	65
**	WHB Biltmore LLC	Hotel owner and operator	USA	**65**	65

* Audited by KPMG LLP Singapore

** Audited by other member firms of KPMG International

*** Audited by Shanghai Xuan Cheng Certified Public Accountants

**** Audited by Shanghai Certified Public Accountants

^ Not subject to audit by law of country of incorporation

The companies were considered subsidiaries of the Group as the Group was exposed to variable returns from the companies and had the ability to affect those returns through the managements' control over the financial and operating policies of the companies.

CDL Hospitality Trusts is a stapled group comprising CDL Hospitality Real Estate Investment Trust (H-REIT), a real estate investment trust, and CDL Hospitality Business Trust (HBT), a business trust. H-REIT has an investment strategy of investing directly or indirectly, in a diversified portfolio of income-producing real estate which is primarily used for hospitality and/or hospitality-related purposes, whether wholly or partially, and real-estate related assets in relation to the foregoing.

HBT is a business trust which currently acts as master lessee, asset owner and hotel operator. HBT may also undertake certain hospitality and hospitality-related development projects, acquisition and investments which may not be suitable for H-REIT.

Although the Group owns less than half of the voting power of the investee, management has determined that the Group has control over the investee. This is because a subsidiary of the Group, M&C REIT Management Limited, acts as REIT Manager with its fees having a performance-based element, and therefore the Group has exposure to variable returns from its involvement with the investee.

@ Following the disposal of Umeda Pacific Building, Pacific Height Enterprises Company Limited became a dormant entity.

42 ASSOCIATES AND JOINT VENTURES

The following are the Group's significant investments in associates and joint ventures:

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
	Associates **Associates of the Company**				
*	Cityview Place Holdings Pte. Ltd.	Property owner and developer	Singapore	**42** @	42 @
*	Centro Property Holding Pte. Ltd.	Property owner	Singapore	**80** @@	80 @@
*	T-Grande Property Holding Pte. Ltd.	Property owner	Singapore	**80** @@	80 @@
*	Victorian Property Holding Pte. Ltd.	Property owner	Singapore	**80** @@	80 @@
	Associate of Millennium & Copthorne Hotels plc				
*	First Sponsor Group Limited	Investment holding company	Singapore/ Cayman Islands	**23**	23
	Joint Ventures **Joint Ventures of the Company**				
*	Aster Land Development Pte Ltd	Property development and investment dealing	Singapore	**30**	30
*	Branbury Investments Ltd	Property owner	Singapore	**43**	43
**	CBM Qatar LLC	Provision of facilities management services	State of Qatar	**49**	49
**	CBM Facilities & Security Management (Thailand) Co. Ltd. (formerly known as CBM Facilities Management (Thailand) Co., Ltd.)	Provision of integrated facilities management services in Thailand	Thailand	**49**	49
***	Chongqing Eling Property Development Co., Ltd.	Property owner and developer	People's Republic of China	**50**	–
***	Chongqing Huang Huayuan Property Development Co., Ltd.	Property owner and developer	People's Republic of China	**30**	–
*	Granmil Holdings Pte Ltd	Property owner and developer	Singapore	**40**	40
^	FSCT DE Property 1 GmbH & Co. KG	Property investment	Germany	**36**	–
**	Krungthep Rimnam Limited	Hotel business	Thailand	**49**	49
**	Merivale JV Pty Limited	Trustee	Australia	**33**	33
****	OOO "Soft-Project"	Hotel and property owner and developer	Russia	**50**	50
*	Richmond Hotel Pte Ltd	Property owner, developer and investment holding	Singapore	**33**	33

42 ASSOCIATES AND JOINT VENTURES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
	Joint Ventures				
	Joint Ventures of the Company (cont'd)				
*****	Shanghai Distrii Technology Development Co., Ltd.	Operator of co-working spaces	People's Republic of China	**22**	–
******	Shanghai Mamahome Co., Ltd	Operator of online apartment rental platform	People's Republic of China	**20**	20
*	Serangoon Green Pte. Ltd.	Property owner and developer	Singapore	**50**	50
*	South Beach Consortium Pte. Ltd.	Property owner, developer and investment holding	Singapore	**50.1 @@@**	50.1 @@@
*	Tomlinson Hotel Pte. Ltd.	Hotel owner	Singapore	**33**	33
*	Tripartite Developers Pte. Limited	Property developer	Singapore	**33**	33
*	Wealthall Development Pte. Ltd.	Property developer	Singapore	**30**	30
	Joint Ventures of Millennium & Copthorne Hotels plc				
^	New Unity Holdings Ltd.	Investment holding company	British Virgin Islands	**33**	33
**	Fena Estate Company Limited	Investment holding company	Thailand	**–**	33

* Audited by KPMG LLP Singapore

** Audited by other member firms of KPMG International

*** Audited by Pan-China Certified Public Accountants LLP, Chongqing Branch

**** Audited by BDO Unicorn Inc

***** Audited by Ruihua Certified Public Accountants

****** Audited by BDO China Shu Lun Pan Certified Public Accountants LLP

^ Not subject to audit by law of country of incorporation

@ Although the Group is the legal owner of the entire equity interests in Cityview Place Holdings Pte. Ltd. (Cityview), the Group has determined that it does not have control over Cityview upon the sale of cash flows in Cityview as described below. The Group has significant influence in Cityview through Sunbright Holdings Limited (Sunbright). Accordingly, Cityview is reclassified as an associate of the Group.

i. Sale and purchase agreement
On 15 December 2014, Baynes Investment Pte. Ltd. (Baynes), a wholly-owned subsidiary of the Group, sold the Dividends (as defined in the sales and purchase agreement) in its wholly-owned subsidiary, Cityview, to Sunbright.

42 ASSOCIATES AND JOINT VENTURES (CONT'D)

ii. Profit participation securities
On 22 December 2014, the Group through its wholly-owned subsidiary, Astoria Holdings Limited (Astoria), subscribed for 37.5% interest in a capital instrument called profit participation securities (PPS) issued by Sunbright. The PPS has a tenor of 5 years and will expire upon final payment of the cash flows arising from the Dividends. The PPS carries a fixed payout amount (the Fixed Payout) at the rate of 5% per annum, which is payable on a semi-annual basis or, at the election of the PPS holders, payable upfront in one lump sum on the date of issue of the PPS.

Astoria, together with other investors (the Third Party Investors), (collectively, the PPS Holders), elected to receive the Fixed Payout upfront and the total Fixed Payout of $187.5 million was offset against the consideration payable by the PPS holders for the subscription of the PPS.

The Group will receive from Sunbright the cash flows purchased from Baynes (after satisfying certain senior ranking liabilities, including capital contributions from the Third Party Investors) in accordance with a pre-agreed order of priority as set out under the terms of the PPS.

iii. Investment Committees
On 22 December 2014, the Group entered into an Investors' Agreement with the Third Party Investors and Sunbright. Under the Investors' Agreement, the management of the affairs of Sunbright and its subsidiaries are delegated to the Investment Committees where the Group has the right to appoint 5 out of 12 members. Taken as a whole, the Group does not have power over the relevant activities of Cityview.

The Group has determined that it has significant influence over Sunbright because of its representation on the Investment Committees. Accordingly, Sunbright is considered an associate of the Group.

The Group has significant influence in Cityview through Sunbright. Accordingly, Cityview is classified as an associate of the Group.

@@ These companies are indirect wholly-owned subsidiaries of Golden Crest Holdings Pte. Ltd. (Golden Crest). In December 2015, the Group entered into an agreement with a third party investor to create a joint office investment platform through Golden Crest, a special purpose vehicle incorporated to enter into sale and purchase agreements for the acquisition of the leasehold interests in three investment properties (the Properties) from the Group. Golden Crest financed the acquisition of the Properties partly through the issuance of equity shares to the Group and the third party investor and partly through a five-year loan obtained from In-V Asset Holding Pte. Ltd. (In-V), a financing vehicle. In-V issued $332.5 million in aggregate value of junior fixed rate bonds, which carries a fixed rate of 5% per annum for a period of five years, to the Group and the third party investor. The Group and the third party investor co-financed the acquisition of the Properties in the ratio of 40:60. The remaining financing for the acquisition is funded through senior loan facilities of an aggregate value of $750.1 million from two financial institutions.

Further, under the shareholders' agreement entered, the payouts shall be in accordance with a distribution waterfall such that when the assets are divested, the first priority will be to repay the senior loans, followed by repaying the third party investor's $200.2 million capital, then a preferred return to the third party investor amounting to a total internal rate of return of up to 12.6% per annum (inclusive of the 5% annual coupon payment). The Group will then be repaid its $133.3 million capital investment. Thereafter, whatever cash flows remain will be split between the Group and third party investor in the proportion of 60:40 respectively.

Although the Group owns 80% of the ordinary shares in the share capital of Golden Crest, it does not have control over Golden Crest and its subsidiaries (collectively Golden Crest Group). The management of the affairs of Golden Crest Group is delegated to the board of directors of Golden Crest. In accordance with the Shareholders' Agreement entered among the Group, Golden Crest and the third party investor, the Group has the right to appoint 2 out of 5 directors. Accordingly, Golden Crest Group is classified as an associate of the Group.

@@@ Although the Group holds more than 50% ownership interest in South Beach Consortium Pte. Ltd. (South Beach), pursuant to a contractual agreement between the Group and its joint venture partner in South Beach, joint control is exercised by both parties over the activities of South Beach. Accordingly, South Beach is classified as a joint venture of the Group.

The Group does not consider the above associates and joint ventures to be individually material to the Group under the context of FRS 112 *Disclosure of Interests in Other Entities*.

43 NON-CONTROLLING INTERESTS

The following subsidiary has material non-controlling interests.

Name	Principal place of business/Country of incorporation	Ownership interests held by non-controlling interests 2017 %	2016 %
M&C	United Kingdom	35	35

The following summarises the consolidated financial results and financial position of M&C, its subsidiaries and its interests in associates and joint ventures, prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The financial information presented below represents the amounts before any inter-company eliminations with other companies in the Group.

	2017 $'000	2016 $'000
Revenue	**1,797,527**	1,740,908
Profit after tax	**268,417**	202,401
Other comprehensive income	**(110,573)**	(121,496)
Total comprehensive income	**157,844**	80,905
Attributable to non-controlling interests:		
– Profit	**121,291**	100,123
– Total comprehensive income	**89,090**	97,644
Non-current assets	**5,720,745**	5,747,298
Current assets	**1,028,900**	947,262
Non-current liabilities	**(1,593,413)**	(1,926,698)
Current liabilities	**(802,339)**	(611,358)
Net assets	**4,353,893**	4,156,504
Net assets attributable to non-controlling interests	**2,246,705**	2,146,475
Cash flows from operating activities	**320,760**	319,447
Cash flows used in investing activities	**(320,760)**	(180,394)
Cash flows from/(used in) in financing activities[1]	**44,550**	(45,098)
Net increase in cash and cash equivalents	**44,550**	93,955

[1] Included in cash flows from/(used in) financing activities was dividend paid to non-controlling interests of $87,498,000 (2016: $78,939,000).

STATISTICS OF ORDINARY SHAREHOLDINGS

AS AT 28 FEBRUARY 2018

Class of Shares	:	Ordinary Shares
No. of Ordinary Shares issued	:	909,301,330
No. of Ordinary Shareholders	:	9,923
Voting Rights	:	1 vote for 1 Ordinary Share

There are no treasury shares held in the issued share capital of the Company.

Range of Ordinary Shareholdings			No. of Ordinary Shareholders	%	No. of Ordinary Shares	%
1	–	99	267	2.69	8,751	0.00
100	–	1,000	4,202	42.35	3,303,440	0.36
1,001	–	10,000	4,738	47.75	16,511,329	1.82
10,001	–	1,000,000	687	6.92	26,631,502	2.93
1,000,001 and		above	29	0.29	862,846,308	94.89
			9,923	100.00	909,301,330	100.00

Based on information available to the Company as at 28 February 2018, approximately 45.45% of the issued Ordinary Shares of the Company is held by the public, and accordingly, Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited has been complied with.

MAJOR ORDINARY SHAREHOLDERS LIST – Top 20 as at 28 February 2018

No.	Name	No. of Ordinary Shares Held	%*
1	Hong Leong Holdings Limited	148,787,477	16.36
2	Hong Leong Investment Holdings Pte. Ltd.	138,169,335	15.20
3	Citibank Nominees Singapore Pte Ltd	136,416,417	15.00
4	DBS Nominees Pte Ltd	77,747,099	8.55
5	DBSN Services Pte Ltd	64,654,181	7.11
6	HSBC (Singapore) Nominees Pte Ltd	40,495,950	4.45
7	BPSS Nominees Singapore (Pte.) Ltd.	32,560,333	3.58
8	Hong Realty (Private) Limited	29,088,799	3.20
9	United Overseas Bank Nominees Pte Ltd	24,612,727	2.71
10	Euroform (S) Pte. Limited	19,603,045	2.16
11	Hong Leong Corporation Holdings Pte Ltd	18,584,760	2.04
12	Raffles Nominees (Pte) Ltd	16,865,916	1.86
13	SGI Investment Holdings Pte Ltd	15,752,414	1.73
14	NIN Investment Holdings Pte Ltd	15,161,490	1.67
15	Garden Estates (Pte.) Limited	14,152,365	1.56
16	Daiwa (Malaya) Private Limited	9,469,000	1.04
17	Gordon Properties Pte. Limited	9,304,616	1.02
18	UOB Nominees (2006) Pte Ltd	6,381,460	0.70
19	Interfab Private Limited	5,648,781	0.62
20	OCBC Securities Private Ltd	5,378,018	0.59
	TOTAL	**828,834,183**	**91.15**

* The percentage of Ordinary Shares held is based on the total number of issued Ordinary Shares of the Company as at 28 February 2018.

SUBSTANTIAL SHAREHOLDERS
(As shown in the Register of Substantial Shareholders as at 28 February 2018)

	No. of Ordinary Shares in which they have interest			
	Direct Interest	**Deemed Interest**	**Total**	**%***
Hong Realty (Private) Limited	32,088,799	30,488,981 [(1)]	62,577,780	6.882
Hong Leong Holdings Limited	148,787,477	19,546,445 [(2)]	168,333,922	18.512
Hong Leong Investment Holdings Pte. Ltd.	140,169,335	300,146,809 [(3)]	440,316,144	48.424
Davos Investment Holdings Private Limited	-	440,316,144 [(4)]	440,316,144	48.424
Kwek Holdings Pte Ltd	-	440,316,144 [(4)]	440,316,144	48.424
Aberdeen Asset Management Asia Limited	-	53,924,471 [(5)]	53,924,471	5.930
Standard Life Aberdeen PLC	-	54,465,041 [(5)]	54,465,041	5.990

* The percentage of Ordinary Shares held is based on the total number of issued Ordinary Shares of the Company as at 28 February 2018.

Notes:

(1) Hong Realty (Private) Limited ("HR") is deemed under Section 4 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA") to have an interest in the 30,488,981 Ordinary Shares held directly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(2) Hong Leong Holdings Limited ("HLH") is deemed under Section 4 of the SFA to have an interest in the 19,546,445 Ordinary Shares held directly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(3) Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is deemed under Section 4 of the SFA to have an interest in the 300,146,809 Ordinary Shares held directly and/or indirectly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof which includes (i) the 62,577,780 Ordinary Shares held directly and indirectly by HR; and (ii) the 168,333,922 Ordinary Shares held directly and indirectly by HLH, out of which 9,304,616 Ordinary Shares have been identified as Ordinary Shares in which HR is also deemed to have an interest in under note (1) above.

(4) Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed under Section 4 of the SFA to have an interest in the 440,316,144 Ordinary Shares held directly and/or indirectly by HLIH in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(5) The deemed interests of Aberdeen Asset Management Asia Limited ("AAMAL") and Standard Life Aberdeen PLC ("Standard Life") relate to Ordinary Shares held by various accounts managed or advised by AAMAL and Standard Life.

STATISTICS OF PREFERENCE SHAREHOLDINGS

AS AT 28 FEBRUARY 2018

Class of Shares	:	Non-Redeemable Convertible Non-Cumulative Preference Shares ("Preference Shares")
No. of Preference Shares issued	:	330,874,257
No. of Preference Shareholders	:	2,479
Voting Rights	:	Entitled to attend, speak and vote at any class meeting of the Holders of Preference Shares. 1 vote for each Preference Share.

Not entitled to attend and vote at any General Meeting of the Company except as provided below:

(a) If the Preference Dividend (or any part thereof) due and payable and accrued is in arrears and has remain unpaid for at least six months, such right to attend and vote shall continue until such Preference Dividend (or any part thereof) in arrears and unpaid has been paid in full;

(b) If the resolution in question varies the rights attached to the Preference Shares; or

(c) If the resolution in question is for the winding up of the Company.

Range of Preference Shareholdings			No. of Preference Shareholders	%	No. of Preference Shares	%
1	–	99	25	1.01	1,212	0.00
100	–	1,000	932	37.60	746,811	0.22
1,001	–	10,000	1,123	45.30	4,487,108	1.36
10,001	–	1,000,000	384	15.49	30,972,444	9.36
1,000,001 and		above	15	0.60	294,666,682	89.06
			2,479	100.00	330,874,257	100.00

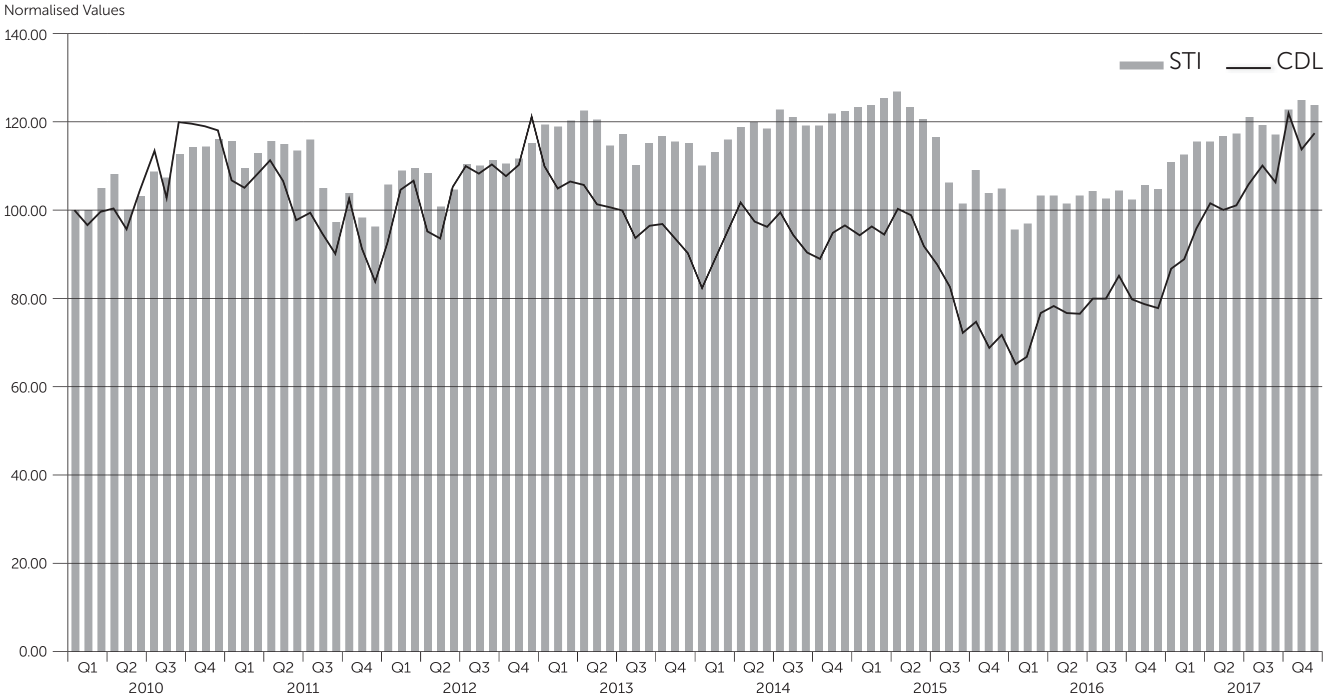
MAJOR PREFERENCE SHAREHOLDERS LIST – Top 20 as at 28 February 2018

No.	Name	No. of Preference Shares Held	%*
1	Raffles Nominees (Pte) Ltd	97,620,421	29.50
2	Mandai Properties Pte Ltd	64,931,000	19.62
3	Citibank Nominees Singapore Pte Ltd	45,629,771	13.79
4	Aster Land Development Pte Ltd	26,913,086	8.13
5	CGS-CIMB Securities (S) Pte Ltd	25,002,784	7.56
6	Fairmount Development Pte Ltd	7,000,000	2.12
7	HSBC (Singapore) Nominees Pte Ltd	5,487,497	1.66
8	Guan Hong Plantation Private Limited	5,000,000	1.51
9	DBS Nominees Pte Ltd	3,943,363	1.19
10	Hong Leong Foundation	3,564,038	1.08
11	Upnorth Development Pte. Ltd.	3,000,000	0.91
12	Interfab Private Limited	2,054,102	0.62
13	Hong Leong Finance Nominees Pte Ltd	1,912,000	0.58
14	Freddie Tan Poh Chye	1,370,000	0.41
15	United Overseas Bank Nominees Pte Ltd	1,238,620	0.38
16	Sun Yuan Overseas Pte Ltd	972,000	0.29
17	Morgan Stanley Asia (Singapore) Securities Pte Ltd	945,386	0.29
18	BPSS Nominees Singapore (Pte.) Ltd.	698,400	0.21
19	OCBC Nominees Singapore Pte Ltd	609,662	0.18
20	Sloane Court Hotel Pte Ltd	606,000	0.18
	TOTAL	**298,498,130**	**90.21**

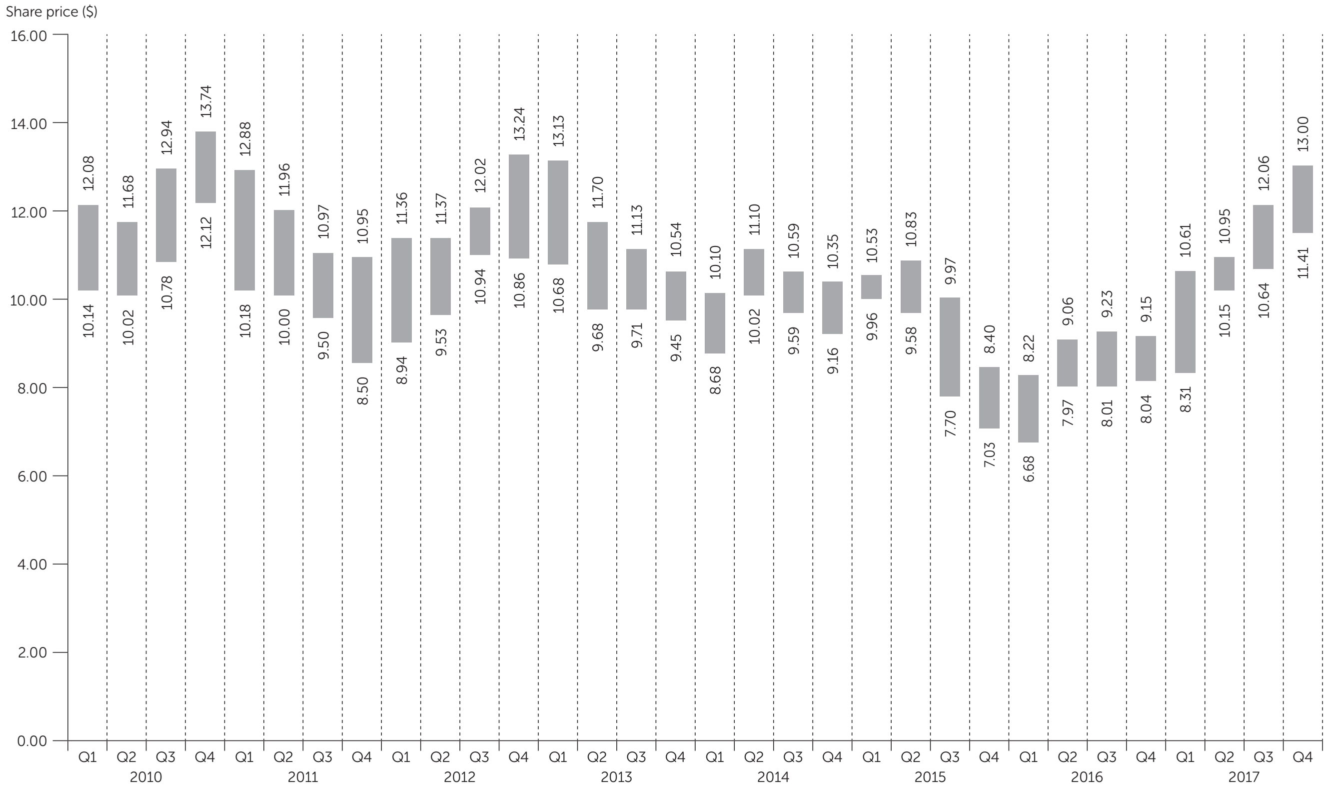
* The percentage of Preference Shares held is based on the total number of issued Preference Shares of the Company as at 28 February 2018.

SHARE
TRANSACTION STATISTICS

8 YEAR SHARE PRICE PERFORMANCE



8 YEAR SHARE PRICE HIGH-LOW BY QUARTER



NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Fifth Annual General Meeting (the "Meeting") of City Developments Limited (the "Company") will be held at M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Wednesday, 25 April 2018 at 3.00 p.m. for the following purposes:

(A) ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December ("FY") 2017 and the Auditors' Report thereon.

2. To declare a final one-tier tax-exempt ordinary dividend of 8.0 cents per ordinary share ("Final Ordinary Dividend") and a special final one-tier tax-exempt ordinary dividend of 6.0 cents per ordinary share ("Special Final Ordinary Dividend") for FY 2017.

3. To approve Directors' Fees of $547,956.15 for FY 2017 (FY 2016: $546,787.00).

4. To re-elect the following Directors retiring in accordance with the Constitution of the Company and who, being eligible, offer themselves for re-election:

   (a) Mr Kwek Leng Beng
   (b) Mr Kwek Leng Peck
   (c) Mr Chan Soon Hee Eric

5. To re-appoint KPMG LLP as Auditors and to authorise the Directors to fix their remuneration.

(B) SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without any modifications, the following resolutions as Ordinary Resolutions:

6. That authority be and is hereby given to the Directors to:

   (a) (i) issue ordinary shares of the Company whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require ordinary shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into ordinary shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

   (b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue ordinary shares in pursuance of any Instrument made or granted by the Directors while this Ordinary Resolution was in force, provided that:

(1) the aggregate number of ordinary shares to be issued pursuant to this Ordinary Resolution (including ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution but excluding ordinary shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed 50% of the total number of issued ordinary shares, excluding treasury shares and subsidiary holdings, of the Company (as calculated in accordance with paragraph (2) of this Ordinary Resolution), of which the aggregate number of ordinary shares to be issued other than on a *pro rata* basis to shareholders of the Company (including ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution but excluding ordinary shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed 10% of the total number of issued ordinary shares, excluding treasury shares and subsidiary holdings, of the Company (as calculated in accordance with paragraph (2) of this Ordinary Resolution);

(2) (subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of ordinary shares that may be issued under paragraph (1) of this Ordinary Resolution, the percentage of issued ordinary shares, excluding treasury shares and subsidiary holdings, shall be based on the total number of issued ordinary shares, excluding treasury shares and subsidiary holdings, of the Company at the time this Ordinary Resolution is passed, after adjusting for:

(i) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Ordinary Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of ordinary shares,

and, in paragraph (1) of this Ordinary Resolution and this paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;

(3) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company ("AGM") or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

7. That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares ("Ordinary Shares") and/or non-redeemable convertible non-cumulative preference shares ("Preference Shares") of the Company not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each a "Market Purchase") on SGX-ST; and/or

(ii) off-market purchases (each an "Off-Market Purchase") effected otherwise than on SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they may, in their absolute discretion, deem fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally ("Share Purchase Mandate");

(b) the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution and expiring on the earliest of:

(i) the date on which the next AGM of the Company is held or required by law to be held;

(ii) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked in general meeting; or

(iii) the date on which the purchases or acquisitions of Ordinary Shares and/or Preference Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Ordinary Resolution:

"Prescribed Limit" means in relation to any purchase or acquisition of Ordinary Shares, the number of issued Ordinary Shares representing 10% of the total number of issued Ordinary Shares as at the date of the passing of this Ordinary Resolution (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST) as at that date), and in relation to any purchase or acquisition of Preference Shares, the number of issued Preference Shares representing 10% of the total number of issued Preference Shares as at the date of the passing of this Ordinary Resolution; and

"Maximum Price" in relation to an Ordinary Share or a Preference Share to be purchased or acquired (as the case may be) means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price of the Ordinary Shares or Preference Shares (as the case may be); and

(ii) in the case of an Off-Market Purchase, 120% of the Highest Last Dealt Price of the Ordinary Shares or Preference Shares (as the case may be),

where:

"Average Closing Price" means the average of the Closing Market Prices of the Ordinary Shares or Preference Shares (as the case may be) over the last five (5) Market Days on SGX-ST, on which transactions in the Ordinary Shares or Preference Shares (as the case may be) were recorded, immediately preceding the day of the Market Purchase by the Company, and deemed to be adjusted for any corporate action that occurs after such 5-Market Day period;

"Closing Market Price" means the last dealt price for an Ordinary Share or a Preference Share (as the case may be) transacted on SGX-ST as shown in any publication of SGX-ST or other sources;

"Highest Last Dealt Price" means the highest price transacted for an Ordinary Share or a Preference Share (as the case may be) as recorded on SGX-ST on the Market Day on which there were trades in the Ordinary Shares or Preference Shares (as the case may be) immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase;

"day of the making of the offer" means the day on which the Company makes an offer for the Off-Market Purchase of Ordinary Shares or Preference Shares (as the case may be) from holders of Ordinary Shares or holders of Preference Shares (as the case may be), stating the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase, calculated on the foregoing basis) for each Ordinary Share or Preference Share (as the case may be), and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"Market Day" means a day on which SGX-ST is open for trading in securities; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Ordinary Resolution.

8. (a) That approval be and is hereby given for the purpose of Chapter 9 of the Listing Manual of SGX-ST, for the Company, its subsidiaries and its associated companies that are not listed on SGX-ST, or an approved exchange, over which the Company, its subsidiaries and/or its interested person(s), have control, or any of them, to enter into any of the transactions falling within the category of Interested Person Transactions, particulars of which are set out in the Company's Circular to Shareholders dated 28 April 2003 (the "Circular") with any party who is of the class or classes of Interested Persons described in the Circular, provided that such transactions are entered into in accordance with the review procedures for Interested Person Transactions as set out in the Circular, and that such approval (the "IPT Mandate"), shall unless revoked or varied by the Company in General Meeting, continue in force until the next AGM of the Company; and

(b) That the Directors of the Company and each of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Ordinary Resolution.

(C) TO TRANSACT ANY OTHER ORDINARY BUSINESS

By Order of the Board

Shufen Loh @ Catherine Shufen Loh
Enid Ling Peek Fong
Company Secretaries

Singapore
27 March 2018

Books Closure Date and Payment Date for Final Ordinary Dividend and Special Final Ordinary Dividend

Subject to the approval of the ordinary shareholders at the Meeting for the payment of the Final Ordinary Dividend and Special Final Ordinary Dividend, the Ordinary Shares Transfer Books and Register of Holders of ordinary shares of the Company will be closed on 3 May 2018. Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited of 112 Robinson Road #05-01, Singapore 068902, up to 5.00 p.m. on 2 May 2018 will be registered to determine ordinary shareholders' entitlement to the Final Ordinary Dividend and Special Final Ordinary Dividend.

The Final Ordinary Dividend and Special Final Ordinary Dividend, if approved by the ordinary shareholders at the Meeting, will be paid on 23 May 2018.

Explanatory Notes:

1. With reference to item 3 of the Ordinary Business above, the Directors' Fees of $547,956.15 for FY 2017 excludes the Audit & Risk Committee ("ARC") Fees of $70,000 paid to the ARC chairman and $55,000 paid to each of the ARC members for FY 2017 which had been approved by shareholders at the 2016 and 2017 AGMs. The structure of fees paid or payable to Directors for FY 2017 can be found on page 45 of the Annual Report.

2. With reference to item 4(a) of the Ordinary Business above, Mr Kwek Leng Beng will, upon re-election as a Director of the Company, remain as Chairman of the Board and a member of the Board Committee ("BC") and Nominating Committee ("NC").

   Key information on Mr Kwek Leng Beng is found on page 29 of the Annual Report. Mr Kwek Leng Beng is the cousin of Mr Kwek Leng Peck. Details of Mr Kwek Leng Beng's share interest in the Company and its related corporations can be found on pages 97 to 99 of the Annual Report. Mr Kwek Leng Beng is also a director and shareholder of Hong Realty (Private) Limited ("HR"), Hong Leong Holdings Limited ("HLH"), Hong Leong Investment Holdings Pte. Ltd. ("HLIH") and Kwek Holdings Pte. Ltd., each of which holds more than 10% direct and/or deemed interest in the Company. Mr Kwek Leng Beng is not considered independent by the Board.

3. With reference to item 4(b) of the Ordinary Business above, Mr Kwek Leng Peck will, upon re-election as a Director of the Company, remain as a member of the BC.

   Key information on Mr Kwek Leng Peck is found on page 30 of the Annual Report. Mr Kwek Leng Peck is the cousin of Mr Kwek Leng Beng. Details of Mr Kwek Leng Peck's share interest in the Company and its related corporations can be found on pages 97 to 98 of the Annual Report. Mr Kwek Leng Peck is also a director and shareholder of HR, HLH and HLIH, each of which holds more than 10% direct and/or deemed interest in the Company. Mr Kwek Leng Peck is not considered independent by the Board.

4. With reference to item 4(c) of the Ordinary Business above, Mr Chan Soon Hee Eric will, upon re-election as a Director of the Company, remain as Lead Independent Director, chairman of the Audit & Risk Committee, Remuneration Committee and Board Sustainability Committee, and a member of the BC and NC.

   Key information on Mr Chan Soon Hee Eric is found on page 31 of the Annual Report. Mr Chan has no shareholdings in the Company and its related corporations, and has no relationships with the Company, its 10% shareholders or its Directors. Mr Chan is considered independent by the Board.

5. The Ordinary Resolution set out in item 6 above, if passed, will empower the Directors of the Company from the date of the Meeting until the next AGM (unless such authority is previously revoked or varied at a general meeting), to issue ordinary shares and/or make or grant Instruments that might require new ordinary shares to be issued up to a number not exceeding 50% of the total number of issued ordinary shares, excluding treasury shares and subsidiary holdings, of the Company, of which up to 10% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of ordinary shares which may be issued under this Ordinary Resolution will be calculated based on the total number of issued ordinary shares, excluding treasury shares and subsidiary holdings, of the Company at the time that this Ordinary Resolution is passed, after adjusting for new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of ordinary shares.

6. The Ordinary Resolution set out in item 7 above, if passed, will empower the Directors of the Company to make purchases or otherwise acquire the Company's issued Ordinary Shares and/or Preference Shares (collectively, the "Shares") from time to time subject to and in accordance with the guidelines set out in Annexure I of the Letter to Shareholders. This authority will expire at the conclusion of the next AGM of the Company, unless previously revoked or varied at a general meeting or when such purchases or acquisitions are carried out to the full extent mandated.

   The Company intends to use internal resources and/or external borrowings to finance purchases or acquisitions of its Shares under the Share Purchase Mandate. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on whether the Shares are purchased or acquired out of capital or profits of the Company, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time and whether the Shares purchased or acquired are held in treasury or cancelled.

   Based on the existing number of issued Ordinary Shares and Preference Shares of the Company as at 28 February 2018 (the "Latest Practicable Date"), the exercise in full of the Share Purchase Mandate would result in the purchase of 90,930,133 Ordinary Shares (representing 10% of the total number of issued Ordinary Shares of the Company) and 33,087,425 Preference Shares (representing 10% of the total number of issued Preference Shares of the Company).

   Assuming that the Company purchases or acquires the 90,930,133 Ordinary Shares and 33,087,425 Preference Shares at the Maximum Price, the maximum amount of funds required is approximately:

   (a) (in the case of Market Purchases) $1,252 million based on $13.34 for one Ordinary Share (being the price equivalent to 5% above the Average Closing Price as at the Latest Practicable Date) and $1.18 for one Preference Share (being the price equivalent to 5% above the Average Closing Price as at the Latest Practicable Date); and

   (b) (in the case of Off-Market Purchases) $1,453 million based on $15.48 for one Ordinary Share (being the price equivalent to 20% above the Highest Last Dealt Price as at the Latest Practicable Date) and $1.36 for one Preference Share (being the price equivalent to 20% above the Highest Last Dealt Price as at the Latest Practicable Date).

   The financial effects of the purchase or acquisition of such Shares pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2017 based on these assumptions are set out in paragraph 3.5 of Annexure I of the Letter to Shareholders.

7. The Ordinary Resolution set out in item 8 above, if passed, will renew the IPT Mandate first approved by Shareholders on 29 May 2003 to facilitate the Company, its subsidiaries and its associated companies to enter into Interested Person Transactions, the details of which are set out in Annexure II and Appendix A of the Letter to Shareholders. The IPT Mandate will continue in force until the conclusion of the next AGM of the Company, unless previously revoked or varied at a general meeting.

   Voting restriction pursuant to Rule 921(7) of the Listing Manual of SGX-ST

   Hong Leong Investment Holdings Pte. Ltd. and its subsidiaries, the Directors of the Company and their associates, who are also shareholders of the Company and being Interested Persons under the IPT Mandate, are required to abstain from voting at the Meeting in respect of the Ordinary Resolution 8 in relation to the proposed renewal of the IPT Mandate.

Meeting Notes:

a. (i) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (ii) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

b. A proxy need not be a member of the Company.

c. The form of proxy must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902 not less than 72 hours before the time appointed for holding the Meeting.

d. Completion and return of the form of proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this form of proxy to the Meeting.

e. Pursuant to Rule 730(A)(2) of the Listing Manual of SGX-ST, all resolutions at this Meeting shall be voted on by way of a poll.

f. To allow for a more efficient voting system, polling will be done by way of an electronic poll voting system. With poll voting, members present in person or represented by proxy at the Meeting will be entitled to vote on a 'one-share, one-vote' basis. The detailed procedures for the electronic poll voting will be explained at the Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes");

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT PURSUANT TO SECTION 64A OF THE COMPANIES ACT

Non-Redeemable Convertible Non-Cumulative Preference Shares ("Preference Shares")

Class Meetings: Holders of Preference Shares ("Preference Shareholders") shall be entitled to attend, speak and vote at any class meeting of the Preference Shareholders. Every Preference Shareholder who is present in person (or by proxy) at such class meetings shall have on a show of hands one vote and on a poll one vote for every Preference Share of which he is the holder.

General Meetings: Preference Shareholders shall be entitled to attend (in person or by proxy) any general meeting of the Company and shall have on a show of hands one vote and on a poll one vote in respect of each Preference Share of which he is the holder if (i) dividends with respect to the Preference Shares (or any part thereof) due and payable and accrued is in arrears and has remained unpaid for at least six months; (ii) the resolution in question varies the rights attached to the Preference Shares; or (iii) the resolution in question is for the winding up of the Company.

Except as provided above, Preference Shareholders shall not be entitled to attend or vote at General Meetings of the Company.

CITY DEVELOPMENTS LIMITED
(Co. Reg. No. 196300316Z)
(Incorporated in the Republic of Singapore)

PROXY FORM

55th Annual General Meeting

IMPORTANT:
1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend, speak and vote at the AGM.
2. This Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF/SRS investors who hold ordinary shares through their CPF/SRS funds and/or holders of City Developments Limited's Preference shares. CPF/SRS investors should contact their respective Agent Banks/ SRS operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 27 March 2018.

I/We, ____________________

with NRIC/Passport/Company Registration Number: ____________________

of ____________________ (Address)

being a member/members of City Developments Limited (the "Company"), hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings	
			No. of ordinary shares	%

and/or (please delete as appropriate)

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Fifty-Fifth Annual General Meeting of the Company ("AGM") to be held at M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Wednesday, 25 April 2018 at 3.00 p.m., and at any adjournment thereof in the following manner as specified below. My/our proxy/proxies may vote or abstain from voting at his/their discretion on any of the resolutions where I/we have not specified any voting instruction, and on any other matter arising at the AGM.

(Voting on all resolutions will be conducted by poll. If you wish to exercise 100% of your votes "For" or "Against" a resolution, please indicate with "✓" in the corresponding box against that resolution. If you wish to split your votes, please indicate the number of votes "For" and/or "Against" the relevant resolution in the corresponding box provided.)

No.	Resolutions		FOR	AGAINST
	ORDINARY BUSINESS:			
1.	Adoption of the Directors' Statement and Audited Financial Statements together with the Auditors' Report thereon			
2.	Declaration of a Final Ordinary Dividend and a Special Final Ordinary Dividend			
3.	Approval of Directors' Fees			
4.	Re-election of Directors:	(a) Mr Kwek Leng Beng		
		(b) Mr Kwek Leng Peck		
		(c) Mr Chan Soon Hee Eric		
5.	Re-appointment of KPMG LLP as Auditors			
	SPECIAL BUSINESS:			
6.	Authority for Directors to issue ordinary shares and/or make or grant offers, agreements or options pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and the listing manual of Singapore Exchange Securities Trading Limited			
7.	Renewal of Share Purchase Mandate			
8.	Renewal of IPT Mandate for Interested Person Transactions			

Dated this __________ day of ____________________ 2018

No. of ordinary shares held

____
Signature(s) or Common Seal of Member(s)

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

Notes:

1. If the member has ordinary shares entered against his/her name in the Depository Register (maintained by The Central Depository (Pte) Limited), he/she should insert that number of ordinary shares. If he/she has ordinary shares registered in his/her name in the Register of Members, he/she should insert that number of ordinary shares. If he/she has ordinary shares entered against his/her name in the Depository Register and ordinary shares registered in his/her name in the Register of Members, he/she should insert the aggregate number of ordinary shares. If no number is inserted, this form of proxy shall be deemed to relate to all the ordinary shares held by him/her.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

3. A proxy need not be a member of the Company.

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4. Completion and return of this form of proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this form of proxy to the AGM.

5. This form of proxy must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902 not less than 72 hours before the time fixed for holding the AGM.

6. This form of proxy must be signed by the appointor or his attorney duly authorised in writing. Where the form of proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney duly authorised or a duly authorised officer. Where a form of proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must be lodged with the form of proxy, failing which the form of proxy may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

8. The Company shall be entitled to reject the form of proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the form of proxy (including any related attachment). In addition, in the case of ordinary shares entered in the Depository Register, the Company may reject any form of proxy lodged if the member, being the appointor, is not shown to have ordinary shares entered against his name in the Depository Register as at 72 hours before the time fixed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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55TH AGM
PROXY FORM

Affix
Postage
Stamp

CITY DEVELOPMENTS LIMITED
c/o THE SHARE REGISTRAR
M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

3rd fold and glue all sides firmly overleaf. Do not staple.

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CITY DEVELOPMENTS LIMITED

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Co. Reg. No. 196300316Z

CITY DEVELOPMENTS LIMITED

(Co. Reg. No. 196300316Z)
(Incorporated in the Republic of Singapore)

LETTER TO SHAREHOLDERS DATED 27 MARCH 2018

IN RELATION TO

(1) THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE; AND

(2) THE PROPOSED RENEWAL OF THE IPT MANDATE FOR INTERESTED PERSON TRANSACTIONS

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CITY DEVELOPMENTS LIMITED

(Co. Reg. No. 196300316Z)
(Incorporated in the Republic of Singapore)

Board of Directors:		**Registered Office[(1)]:**
Kwek Leng Beng	(Executive Chairman)	36 Robinson Road
Kwek Leng Peck	(Non-executive Director)	#04-01 City House
Philip Yeo Liat Kok	(Non-executive Independent Director)	Singapore 068877
Tan Poay Seng	(Non-executive Independent Director)	
Chan Soon Hee Eric	(Lead Independent Director)	
Tan Yee Peng	(Non-executive Independent Director)	
Koh Thiam Hock	(Non-executive Independent Director)	

27 March 2018

To: The Shareholders of City Developments Limited ("**Shareholders**")

Dear Sir/Madam

(I) PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE
(II) PROPOSED RENEWAL OF THE IPT MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. INTRODUCTION

We refer to the Notice of the Fifty-Fifth Annual General Meeting of City Developments Limited ("**CDL**" or the "**Company**") ("**55th AGM**") issued by the Company on 27 March 2018 (the "**Notice**").

Item 7 of the Notice is an Ordinary Resolution ("**Resolution 7**") to be proposed at the 55th AGM for the renewal of the Company's Share Purchase Mandate which will empower the Directors to make purchases or otherwise acquire issued ordinary shares of the Company ("**Ordinary Shares**") and/or issued non-redeemable convertible non-cumulative preference shares of the Company ("**Preference Shares**") from time to time subject to certain restrictions set out in the listing manual of the Singapore Exchange Securities Trading Limited ("**Listing Manual**"). Information relating to Resolution 7 is set out in Annexure I.

Item 8 of the Notice is an Ordinary Resolution ("**Resolution 8**") to be proposed at the 55th AGM for the renewal of the Company's IPT Mandate for interested person transactions which will facilitate the Company, its subsidiaries and its associated companies, to enter into transactions with its interested persons, the details of which are set out in Annexure II and Appendix A.

The purpose of this letter is to provide Shareholders with the reasons for, and information relating to Resolutions 7 and 8.

[(1)] Effective from 1 April 2018, the Registered Office of City Developments Limited will be at 9 Raffles Place, #12-01 Republic Plaza, Singapore 048619.

2. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors in issued Ordinary Shares and Preference Shares, and the interests of the Substantial Shareholders in issued Ordinary Shares based on the Company's Register of Directors' Shareholdings and Register of Substantial Shareholders respectively as at 28 February 2018 (the "**Latest Practicable Date**"), were as follows:

Directors	**Class of Shares**	**Number of Shares held**	**%** [(1)]
Kwek Leng Beng	Ordinary	397,226	0.044
	Preference	144,445	0.044
Kwek Leng Peck	Ordinary	43,758	0.005

	Number of Ordinary Shares			
Substantial Shareholders	**Direct Interest**	**Deemed Interest**	**Total**	**%** [(1)]
Hong Realty (Private) Limited ("**HR**")	32,088,799	30,488,981[(2)]	62,577,780	6.882
Hong Leong Holdings Limited ("**HLH**")	148,787,477	19,546,445[(3)]	168,333,922	18.512
Hong Leong Investment Holdings Pte. Ltd. ("**HLIH**")	140,169,335	300,146,809[(4)]	440,316,144	48.424
Davos Investment Holdings Private Limited ("**Davos**")	–	440,316,144[(5)]	440,316,144	48.424
Kwek Holdings Pte Ltd ("**KH**")	–	440,316,144[(5)]	440,316,144	48.424
Aberdeen Asset Management Asia Limited ("**AAMAL**")	–	53,924,471[(6)]	53,924,471	5.930
Standard Life Aberdeen PLC ("**Standard Life**")	–	54,465,041[(6)]	54,465,041	5.990

Notes:

(1) Based on 909,301,330 issued Ordinary Shares and 330,874,257 issued Preference Shares as at the Latest Practicable Date. As at that date, there were no treasury shares and also no shares held as subsidiary holdings in the Company.

"Subsidiary holdings" is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

(2) HR is deemed under Section 4 of the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**") to have an interest in the 30,488,981 Ordinary Shares held directly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(3) HLH is deemed under Section 4 of the SFA to have an interest in the 19,546,445 Ordinary Shares held directly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(4) HLIH is deemed under Section 4 of the SFA to have an interest in the 300,146,809 Ordinary Shares held directly and/or indirectly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof which includes (i) the 62,577,780 Ordinary Shares held directly and indirectly by HR; and (ii) the 168,333,922 Ordinary Shares held directly and indirectly by HLH, out of which 9,304,616 Ordinary Shares have been identified as Ordinary Shares in which HR is also deemed to have an interest in under note (2) above.

(5) Davos and KH are deemed under Section 4 of the SFA to have an interest in the 440,316,144 Ordinary Shares held directly and/or indirectly by HLIH in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(6) The deemed interests of AAMAL and Standard Life relate to Ordinary Shares held by various accounts managed or advised by AAMAL and Standard.

Directors of the Company will abstain from voting their shareholdings in the Company, if any, and have undertaken to ensure that their associates will abstain from voting their respective shareholdings in the Company, if any, on Resolution 8 relating to the proposed renewal of the IPT Mandate at the 55th AGM.

The relevant companies within the Hong Leong Investment Holdings Pte. Ltd. ("**HLIH**") group (which includes HLIH, a controlling shareholder of the Company and their associates), being Interested Persons under the IPT Mandate, will abstain from voting their respective shareholdings in the Company on Resolution 8 at the 55th AGM.

3. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this letter (including the Annexures and Appendix A) and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this letter constitutes full and true disclosure of all material facts about the renewal of the Share Purchase Mandate and of the IPT Mandate, and the Company and its subsidiaries and the Directors are not aware of any facts the omission of which would make any statement in this letter misleading.

Where information contained in this letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources and/or reproduced in this letter in its proper form and context.

Shareholders who are in any doubt as to the action they should take, should consult their stockbrokers or other professional advisers immediately.

Yours faithfully
CITY DEVELOPMENTS LIMITED

KWEK LENG BENG
Executive Chairman

Note: **Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Letter to Shareholders.**

PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

1. BACKGROUND

At the Annual General Meeting of the Company held on 25 April 2017 (the "**2017 AGM**"), Ordinary Shareholders had approved, *inter alia*, the renewal of the Share Purchase Mandate to enable the Company to purchase or otherwise acquire its issued Shares. The rationale for, authority and limitations on, and the financial effects of, the Share Purchase Mandate were set out in the Company's Appendix Accompanying Notice of Annual General Meeting dated 27 March 2017 and Ordinary Resolution 8 set out in the Notice of 2017 AGM.

The Share Purchase Mandate was expressed to take effect from the passing of the Ordinary Resolution at the 2017 AGM and will expire on the date of the forthcoming Fifty-Fifth Annual General Meeting to be held on 25 April 2018 (the "**55th AGM**"). Accordingly, Ordinary Shareholders' approval will be sought for the renewal of the Share Purchase Mandate at the 55th AGM.

Since the renewal of the Share Purchase Mandate at the 2017 AGM, the Company has not purchased or acquired any Shares under the Share Purchase Mandate.

2. DEFINITIONS

In this Annexure I, the following definitions shall apply throughout unless otherwise stated:

"CDP"	:	The Central Depository (Pte) Limited
"Company"	:	City Developments Limited
"Companies Act"	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
"Constitution"	:	The Constitution of the Company, as amended or modified from time to time
"EPS"	:	Earnings per Ordinary Share
"Group"	:	The Company and its subsidiaries
"HLIH"	:	Hong Leong Investment Holdings Pte. Ltd.
"HLIH Group"	:	HLIH and its subsidiaries
"Income Tax Act"	:	Income Tax Act, Chapter 134 of Singapore, as amended or modified from time to time
"Latest Practicable Date"	:	28 February 2018, being the latest practicable date prior to the printing of this Letter to Shareholders
"Listing Manual"	:	The Listing Manual of SGX-ST, as amended or modified from time to time
"Market Day"	:	A day on which SGX-ST is open for trading in securities
"Market Purchase"	:	An on-market purchase of Shares by the Company effected on SGX-ST, through one or more duly licensed stockbrokers appointed by the Company for the purpose

"NAV"	:	Net Asset Value
"Off-Market Purchase"	:	An off-market purchase of Shares by the Company effected in accordance with an equal access scheme
"Ordinary Shareholders"	:	Registered holders of Ordinary Shares, except where the registered holder is CDP, the term "**Ordinary Shareholders**" shall in relation to such Ordinary Shares, mean the Depositors whose securities accounts maintained with CDP are credited with the Ordinary Shares
"Ordinary Shares"	:	Ordinary shares of the Company
"Preference Shares"	:	Non-redeemable convertible non-cumulative preference shares of the Company
"SFA"	:	Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Share Purchase Mandate"	:	The mandate to enable the Company to purchase or otherwise acquire its issued Shares
"Shareholders"	:	Registered holders of Shares, except where the registered holder is CDP, the term "**Shareholders**" shall in relation to such Shares, mean the Depositors whose securities accounts maintained with CDP are credited with the Shares
"Shares"	:	Ordinary Shares and Preference Shares
"SIC"	:	Securities Industry Council of Singapore
"Take-over Code"	:	The Singapore Code on Take-overs and Mergers

The terms "**Depositor**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Annexure I to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Income Tax Act, the SFA, the Listing Manual or Take-over Code or any statutory modification thereof and not otherwise defined in this Annexure I shall have the same meaning assigned to it under the Companies Act, the Income Tax Act, the SFA, the Listing Manual or Take-over Code or any statutory modification thereof, as the case may be.

Any discrepancies in the tables in this Annexure I between the listed amounts and the totals thereof are due to rounding.

3. RENEWAL OF THE SHARE PURCHASE MANDATE

3.1 Rationale for the Share Purchase Mandate.

The Share Purchase Mandate will give the Directors the flexibility to purchase or acquire its Shares, if and when circumstances permit, with a view to enhancing the EPS and/or the NAV per Ordinary Share. The Directors believe that share purchases also provide the Company and its Directors with an alternative to facilitate the return of surplus cash over and above its ordinary capital requirements and exercise greater control over the Company's share capital structure.

The Directors further believe that share purchases or acquisitions may bolster confidence of Ordinary Shareholders and/or holders of Preference Shares. With the Share Purchase Mandate, the Directors will have the ability to purchase Shares on SGX-ST, where appropriate, to stabilise the demand for the Shares and to buffer against short-term share price volatility due to market speculation.

Purchases of Shares by the Company will be made only in circumstances where it is considered to be in the best interests of the Company. Further, the Directors do not propose to carry out share purchases to such an extent that would, or in circumstances that might, result in a material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from SGX-ST.

3.2 Authority and Limits of the Share Purchase Mandate.

The authority and limitations placed on the purchase or acquisition of issued Shares by the Company under the Share Purchase Mandate are summarised below:

3.2.1 Maximum Number of Shares

Only Shares which are issued and fully paid may be purchased or acquired by the Company under the Share Purchase Mandate.

Subject to the Companies Act, the Share Purchase Mandate will authorise the Company, from time to time, to purchase such number of Shares which represents up to:

(i) in the case of Ordinary Shares, a maximum of 10% of the total number of issued Ordinary Shares (excluding any Ordinary Shares which are held as treasury shares and subsidiary holdings (as defined in the Listing Manual)); and

(ii) in the case of Preference Shares, a maximum of 10% of the total number of issued Preference Shares,

as at the date of the 55th AGM at which the renewal of the Share Purchase Mandate is approved.

As at the Latest Practicable Date, no Ordinary Shares were held as treasury shares and subsidiary holdings in the Company.

3.2.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, by the Company from the date of the 55th AGM up to the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;

(ii) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked in general meeting; or

(iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated.

3.2.3 **Manner of Purchase**

Purchases or acquisitions of Shares may be made by way of Market Purchases and/or Off-Market Purchases.

Market Purchases refer to purchases or acquisitions of Shares by the Company effected on SGX-ST, through one or more duly licensed stockbrokers appointed by the Company for the purpose.

Off-Market Purchases refer to purchases or acquisitions of Shares by the Company made under an equal access scheme. The Directors may impose such terms and conditions, which are not inconsistent with the Share Purchase Mandate, the Listing Manual, the Companies Act or the Constitution, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all the following conditions:

(i) the offers for the purchase or acquisition of shares under the scheme are to be made to every person who holds shares to purchase or acquire the same percentage of their shares;

(ii) all of those persons have a reasonable opportunity to accept the offers made to them; and

(iii) the terms of all the offers are the same except that there shall be disregarded:

(aa) differences in consideration attributable to the fact that the offers relate to shares with different accrued dividend entitlements;

(bb) differences in consideration attributable to the fact that the offers relate to shares with different amounts remaining unpaid; and

(cc) differences in the offers introduced solely to ensure that each person is left with a whole number of shares.

In addition, the Listing Manual provides that in making an Off-Market Purchase, a listed company must issue an offer document to all shareholders containing, *inter alia*:

(1) the terms and conditions of the offer;

(2) the period and procedures for acceptances;

(3) the reasons for the proposed share purchases;

(4) the consequences, if any, of share purchases by the listed company that will arise under the Take-over Code or other applicable take-over rules;

(5) whether the share purchases, if made, could affect the listing of the listed company's shares on SGX-ST;

(6) details of any share purchases made by the listed company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and

(7) whether the shares purchased by the listed company will be cancelled or kept as treasury shares.

3.2.4 **Maximum Purchase Price**

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price must not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below); and

(ii) in the case of an Off-Market Purchase, 120% of the Highest Last Dealt Price (as defined below),

(the "**Maximum Price**").

For the above purposes:

"**Average Closing Price**" means the average of the Closing Market Prices of the Ordinary Shares or Preference Shares (as the case may be) over the last five Market Days on SGX-ST, on which transactions in the Ordinary Shares or Preference Shares (as the case may be) were recorded, immediately preceding the day of the Market Purchase by the Company, and deemed to be adjusted for any corporate action that occurs after such 5-Market Day period;

"**Closing Market Price**" means the last dealt price for an Ordinary Share or a Preference Share (as the case may be) transacted on SGX-ST as shown in any publication of SGX-ST or other sources;

"**Highest Last Dealt Price**" means the highest price transacted for an Ordinary Share or a Preference Share (as the case may be) as recorded on SGX-ST on the Market Day on which there were trades in the Ordinary Shares or Preference Shares (as the case may be) immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

"**day of the making of the offer**" means the day on which the Company makes an offer for the Off-Market Purchase of Ordinary Shares or Preference Shares (as the case may be) from Ordinary Shareholders or holders of Preference Shares (as the case may be), stating the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase, calculated on the foregoing basis) for each Ordinary Share or Preference Share (as the case may be) and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

3.3 **Source of Funds.**

In purchasing or acquiring Shares, the Company may only apply funds legally available for such purchase or acquisition in accordance with the Constitution and applicable laws in Singapore. Payment may be made by the Company in consideration of the purchase or acquisition of its own Shares out of the Company's capital as well as from its profits.

The Company intends to use internal resources and/or external borrowings to finance purchases or acquisitions of its Shares under the Share Purchase Mandate. The Directors do not intend to exercise the Share Purchase Mandate to such extent as would have a material adverse effect on the working capital requirements or the gearing levels of the Group. In determining whether to undertake any purchases or acquisitions of Shares under the Share Purchase Mandate, the Directors will take into account, *inter alia*, the prevailing market conditions, the financial position of the Group and other relevant factors.

3.4 **Status of Purchased or Acquired Shares.**

Under the Companies Act, Preference Shares which are purchased or acquired by the Company will be deemed cancelled immediately on purchase or acquisition. Ordinary Shares purchased or acquired by the Company may be held or dealt with as treasury shares or cancelled. As such, Shares cancelled upon purchase or acquisition by the Company will be automatically delisted by SGX-ST, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as practicable following settlement of any such purchase or acquisition.

Some of the provisions on treasury shares under the Companies Act are summarised below:

3.4.1 **Maximum Holdings**

The number of Ordinary Shares held as treasury shares (including shares held by a subsidiary under Sections 21(4B) and 21(6C) of the Companies Act) cannot at any time exceed 10% of the total number of issued Ordinary Shares.

3.4.2 **Voting and Other Rights**

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote in respect of treasury shares and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

3.4.3 **Disposal and Cancellation**

Where Ordinary Shares are held as treasury shares, the Company may at any time but subject always to the Take-over Code:

(i) sell the treasury shares for cash;

(ii) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;

(iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancel the treasury shares; or

(v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares of the usage, the number of treasury shares before and after the usage, and the percentage of the number of treasury shares of the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on SGX-ST before and after the usage and the value of the treasury shares of the usage.

3.5 **Financial Effects.**

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of capital or profits of the Company, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the Company and the Group based on the audited financial statements of the Group for the financial year ended 31 December 2017 are based on the assumptions set out below:

3.5.1 **Purchase or Acquisition out of Capital or Profits**

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The purchases or acquisitions of Shares by the Company will reduce the cash reserves and/or increase the borrowings of the Company and the Group, thereby reducing the working capital and shareholders' funds of the Company and the Group. As a result of this, the gearing ratio of the Company and the Group will increase and the current ratios will decrease on the assumption that the additional external borrowings obtained, if any, are classified as current liabilities.

3.5.2 **Maximum Price Paid for Shares Purchased or Acquired**

As at the Latest Practicable Date, the Company has 909,301,330 issued Ordinary Shares (none of which are held as treasury shares) and 330,874,257 Preference Shares.

Based on the existing number of issued Ordinary Shares and Preference Shares of the Company as at the Latest Practicable Date, the exercise in full of the Share Purchase Mandate would result in the purchase of 90,930,133 Ordinary Shares (representing 10% of the total number of issued Ordinary Shares of the Company) and 33,087,425 Preference Shares (representing 10% of the total number of issued Preference Shares of the Company).

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 90,930,133 Ordinary Shares at the Maximum Price of $13.34 for one Ordinary Share (being the price equivalent to 5% above the Average Closing Price as at the Latest Practicable Date) and 33,087,425 Preference Shares at the Maximum Price of $1.18 for one Preference Share (being the price equivalent to 5% above the Average Closing Price as at the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 90,930,133 Ordinary Shares and 33,087,425 Preference Shares is approximately $1,252 million.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 90,930,133 Ordinary Shares at the Maximum Price of $15.48 for one Ordinary Share (being the price equivalent to 20% above the Highest Last Dealt Price as at the Latest Practicable Date) and 33,087,425 Preference Shares at the Maximum Price of $1.36 for one Preference Share (being the price equivalent to 20% above the Highest Last Dealt Price as at the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 90,930,133 Ordinary Shares and 33,087,425 Preference Shares is approximately $1,453 million.

3.5.3 **Whether the underlying Shares are cancelled or held in treasury**

The financial effects on the Group arising from purchases or acquisitions of Shares will also depend on whether the Shares purchased or acquired are cancelled or held in treasury.

For illustrative purposes only, on the basis that the Company purchases or acquires 90,930,133 Ordinary Shares and 33,087,425 Preference Shares by way of Market Purchases made out of profits and/or capital and held in treasury for Ordinary Shares purchased or acquired and cancelled for Preference Shares purchased or acquired, and that the Share Purchase Mandate had been effective on 1 January 2017, the financial effects on the audited financial statements of the Group and the Company for the financial year ended 31 December 2017 would have been as follows:

	GROUP		**COMPANY**	
As at 31 December 2017	**Before Purchase of Ordinary Shares and Preference Shares $'000**	**After Purchase of Ordinary Shares and Preference Shares[1],[8] $'000**	**Before Purchase of Ordinary Shares and Preference Shares $'000**	**After Purchase of Ordinary Shares and Preference Shares[1],[8] $'000**
Share Capital and Reserves[1]	9,583,574	9,545,820	6,461,787	6,424,033
Treasury Shares	–	(1,213,008)	–	(1,213,008)
NAV	9,583,574	8,332,812	6,461,787	5,211,025
Total Equity	11,841,150	10,590,388	6,461,787	5,211,025
Current Assets[2]	9,459,863	8,209,101	6,096,673	4,845,911
Current Liabilities[2]	3,261,506	3,261,506	2,886,359	2,886,359
Working Capital	6,198,357	4,947,595	3,210,314	1,959,552
Net Borrowings[2],[3]	1,046,793	2,297,555	1,072,897	2,323,659
Number of Ordinary Shares[7]	909,301,330	818,371,197	909,301,330	818,371,197
Financial Ratios				
NAV per Ordinary Share ($)	10.54	10.18	7.11	6.37
Basic EPS (Ordinary) (cents)[4]	57.77	64.35	10.08	11.36
Net Gearing (times)[5]	0.09	0.22	0.17	0.45
Current Ratio (times)[6]	2.90	2.52	2.11	1.68

Notes:

(1) Assuming no Preference Shares are converted.

(2) Assuming the purchases or acquisitions of Ordinary Shares and Preference Shares are funded using all available cash and cash equivalents (excluding amounts held under project accounts which withdrawals are restricted to payment for expenditure incurred on development projects) of the Company and the balance, if any, via short term bank borrowings. For the purpose of this calculation, we have not taken into account any interest foregone on the utilised cash and cash equivalents, or any interest payable on the additional borrowings.

(3) Net borrowings refer to the aggregate borrowings from banks and financial institutions, and finance lease creditors, after deducting cash and cash equivalents. Unamortised balance of transaction costs have not been deducted from the gross borrowings.

(4) Basic EPS is based on the net profit attributable to Ordinary Shareholders after adjustment of non-redeemable convertible non-cumulative preference dividends and the number of Ordinary Shares.

(5) Net gearing is computed based on the ratio of net borrowings to total equity.

(6) Current ratio is computed based on the ratio of current assets to current liabilities.

(7) Number of Ordinary Shares refers to number of issued and paid-up Ordinary Shares as at the Latest Practicable Date as well as the weighted average number of Ordinary Shares outstanding during the year.

(8) The funds used for effecting the number of Shares purchased or acquired are taken from capital (50%) and out of accumulated profits (50%).

Shareholders should note that the financial effects set out above, based on the respective aforementioned assumptions, are for illustration purposes only.

In particular, it is important to note that the above analysis is based on the latest audited financial statements of the Group for the financial year ended 31 December 2017, and is not necessarily representative of the future financial performance of the Group or the Company. In addition, the actual impact will depend on the actual number and price of Shares that may be acquired or purchased by the Company as well as how the purchase or acquisition is funded, and the Company may not carry out the Share Purchase Mandate to the full 10% mandated and may cancel or hold in treasury all or part of the Ordinary Shares purchased or acquired.

3.6 **Taxation.**

Purchase or Acquisition of Ordinary Shares

The proceeds received by the shareholder from the buyback will be treated as proceeds from the disposal of Ordinary Shares. Whether or not such proceeds are taxable in the hands of such shareholder will depend on whether such proceeds are receipt of an income or capital nature.

Any gains from the disposal of the Ordinary Shares considered to be capital in nature will not be taxable in Singapore. However, any gains derived by any person from the disposal of the Ordinary Shares which are considered as revenue income from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable in Singapore.

Holders of the Ordinary Shares who apply or are required to apply Singapore Financial Reporting Standard 109 - Financial Instruments ("**FRS 109**"), may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Ordinary Shares, irrespective of disposal, in accordance with FRS 109.

Holders of the Ordinary Shares should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Ordinary Shares.

Purchase or Acquisition of Preference Shares

The tax consequences of the purchase or acquisition of Preference Shares are as per those stated under "Purchase or Acquisition of Ordinary Shares".

Holders of the Preference Shares should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Preference Shares.

Shareholders should note that the foregoing does not constitute, and should not be regarded as constituting, advice on the tax position of any Shareholder. Shareholders who are in doubt as to their respective tax positions or any tax implications, including those who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional advisers.

3.7 **Listing Manual.**

The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to SGX-ST, in such reporting format as prescribed by SGX-ST or the Listing Manual, not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase of any of its shares; and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. The Listing

Manual restricts a listed company from purchasing shares by way of a Market Purchase at a price which is more than 5% above the Average Closing Market Price (as defined in Section 3.2.4 of this Annexure I). Hence, the Maximum Price for the purchase or acquisition of Shares by the Company by way of a Market Purchase complies with this requirement.

Although the Listing Manual does not prescribe a maximum price in relation to purchase or acquisition of shares by way of an Off-Market Purchase, the Company has set a cap of 20% above the Highest Last Dealt Price of an Ordinary Share or a Preference Share (as the case may be) as the Maximum Price for an Ordinary Share or a Preference Share to be purchased or acquired by way of an Off-Market Purchase.

While the Listing Manual does not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time or times, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate at any time after any matter or development of a price sensitive nature has occurred or has been the subject of a decision until such price sensitive information has been publicly announced. In particular, in line with the Company's Internal Code On Securities Trading, the Company will not purchase or acquire any Shares during the period of two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, and one month before the announcement of the Company's financial statements for the full financial year (as the case may be).

The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares excluding treasury shares and subsidiary holdings (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by public shareholders. Under the Listing Manual, "**public**" is defined as persons other than the directors, substantial shareholders, chief executive officer or controlling shareholders of the company and its subsidiaries, as well as the associates of such persons.

Based on information available to the Company as at the Latest Practicable Date, approximately 45.45% of the issued Ordinary Shares were held by public Ordinary Shareholders. In the event that the Company purchases the maximum of 10% of its issued Ordinary Shares from such public Ordinary Shareholders, the resultant percentage of the issued Ordinary Shares held by public Ordinary Shareholders would be reduced to approximately 39.39%. Accordingly, the Directors are of the view that there is, at present, a sufficient number of Ordinary Shares in issue held by public Ordinary Shareholders that would permit the Company to potentially undertake purchases or acquisitions of the Ordinary Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without affecting adversely the listing status of the Ordinary Shares on SGX-ST, and that the number of Ordinary Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect orderly trading of the Ordinary Shares.

3.8 **Obligation to Make a Take-Over Offer.**

(i) As the Preference Shares do not carry general voting rights, there will be no Take-over Code implications arising from the purchase or acquisition by the Company of Preference Shares pursuant to the Share Purchase Mandate.

(ii) If, as a result of any purchase or acquisition of Ordinary Shares made by the Company under the Share Purchase Mandate, an Ordinary Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 14 of the Take-over Code. Consequently, an Ordinary Shareholder or group of Ordinary Shareholders acting in concert could obtain or consolidate effective control of the Company and become obliged to make a take-over offer for the Company under Rule 14.

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons will, *inter alia*, be presumed to be acting in concert: (a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); (b) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other, and (c) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights. For this purpose, a company is an associated company of another company if the second-mentioned company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company.

The circumstances under which Ordinary Shareholders, including Directors, and persons acting in concert with them, respectively, will incur an obligation to make a take-over offer after a purchase or acquisition of Ordinary Shares by the Company are set out in Rule 14 and Appendix 2 of the Take-over Code.

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that unless exempted (or if exempted, such exemption is subsequently revoked), Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code if, as a result of a purchase or acquisition of Ordinary Shares by the Company:

(aa) the percentage of voting rights held by such Directors and their concert parties in the Company increase to 30% or more; or

(bb) if the Directors and their concert parties hold 30% or more but less than 50% of the Company's voting rights, and their voting rights increase by more than 1% in any period of six months.

In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, an Ordinary Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing its Ordinary Shares, the voting rights of such Ordinary Shareholder would increase to 30% or more, or, if such Ordinary Shareholder holds 30% or more but less than 50% of the Company's voting rights, the voting rights of such Ordinary Shareholder would increase by more than 1% in any period of six months. Such Ordinary Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Shareholders who are in doubt as to whether they would incur any obligation to make a takeover offer under the Take-over Code as a result of any purchase or acquisition of Ordinary Shares by the Company pursuant to the Share Purchase Mandate are advised to consult their professional advisers and/or the SIC at the earliest opportunity.

3.9 **Certain General Take-Over Code Implications Arising from the Share Purchase Mandate.**

Based on information available to the Company as at the Latest Practicable Date, HLIH and its concert parties ("**HLIH Concert Parties**") hold approximately 49.09% of the total number of issued Ordinary Shares.

Assuming that there is no change in the said shareholding interests of the HLIH Concert Parties in the Company, the purchase or acquisition by the Company of the maximum 90,930,133 Ordinary Shares (being 10% of the total number of issued Ordinary Shares of the Company as at the Latest Practicable Date) from Ordinary Shareholders other than the HLIH Concert Parties, will result in their collective shareholding interests increasing from 49.09% to 54.54%. In addition, if the Company were to exercise its right to convert the Preference Shares into Ordinary Shares, the percentage shareholding of the HLIH Concert Parties may also increase (depending on whether and the extent to which, the Company converts the Preference Shares into Ordinary Shares).

Based on the above information as at the Latest Practicable Date, the percentage of voting rights held by the HLIH Concert Parties in the Company may be increased by more than 1% in any 6-month period as a result of acquisition of Ordinary Shares by the Company pursuant to the Share Purchase Mandate and/or the conversion of the Preference Shares.

The HLIH Concert Parties has made an application to SIC and it has been confirmed by SIC, *inter alia*, that:

(i) the HLIH Concert Parties will not be obliged under the Take-over Code to make a take-over offer for the Ordinary Shares even if their aggregate shareholdings were to so increase by more than 1% in any 6-month period, provided that their collective shareholdings amount to more than 49% for at least six months prior to such increase. As at the Latest Practicable Date, the HLIH Concert Parties have collectively held more than 49% of the Company for more than six months; and

(ii) no take-over obligation will arise even if any individual member or sub-group within the HLIH Concert Parties group increases its holding to 30% or more, or if already holding between 30% and 50%, acquires further voting rights in the Company sufficient to increase its holding by more than 1% in any 6-month period.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any substantial Shareholder (together with persons acting in concert with it) who would become obliged to make a mandatory take-over offer for the Company under the Take-over Code in the event that the Company purchases the maximum 90,930,133 Ordinary Shares pursuant to the Share Purchase Mandate.

4. RECOMMENDATION

For the reasons set out in Section 3 of Annexure I, the Directors recommend that Ordinary Shareholders vote in favour of the Ordinary Resolution 7 for the renewal of the Share Purchase Mandate at the forthcoming 55th AGM.

PROPOSED RENEWAL OF THE IPT MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. BACKGROUND

On 29 May 2003, the Company obtained shareholders' approval at an Extraordinary General Meeting of the Company ("**2003 EGM**") for the Company, its subsidiaries and its associated companies not listed on Singapore Exchange Securities Trading Limited ("**SGX-ST**") or an approved exchange, over which the Company, its subsidiaries and/or interested persons have control (collectively "**CDL EAR Group**"), to enter into transactions within the categories of Interested Person Transactions set out in the Company's circular to shareholders dated 28 April 2003, with such persons within the class or classes of Interested Persons as described in the said circular, provided that such transactions are entered into in accordance with the review procedures set out in the said circular (the "**IPT Mandate**"). The IPT Mandate was renewed at each of the Company's Annual General Meetings since 2004, including the last 54th Annual General Meeting. Given that such Interested Person Transactions are expected to occur with some degree of frequency and may arise at any time, and to allow the Group to undertake such transactions in an expeditious manner, shareholders' approval will be sought at the forthcoming 55th AGM of the Company for the renewal of the IPT Mandate.

2. RENEWAL OF THE IPT MANDATE

Under Chapter 9 of the Listing Manual, a general mandate for transactions with interested persons is subject to annual renewal. The IPT Mandate approved at the 54th AGM was expressed, unless revoked or varied by the Company in general meeting, to continue in force until the next Annual General Meeting of the Company, being the 55th AGM, which is to be held on 25 April 2018. Accordingly, it is proposed that the IPT Mandate be renewed at the 55th AGM, to take effect until the conclusion of the next Annual General Meeting of the Company to be held in 2019.

The nature of the Interested Person Transactions and the classes of Interested Persons in respect of which the IPT Mandate is sought to be renewed remain unchanged.

Particulars of the IPT Mandate, including the rationale for, the benefits to be derived by the Company, as well as the review procedures for determining transaction prices with the specified classes of Interested Persons and other general information relating to Chapter 9 of the Listing Manual, are set out in Appendix A.

3. INTERESTED PERSON TRANSACTIONS CONDUCTED IN THE YEAR ENDED 31 DECEMBER 2017

Interested Person Transactions conducted by the CDL EAR Group under the IPT Mandate during the year ended 31 December 2017 ("**FY2017**") were as follows:

Interested Persons	Aggregate value of all interested person transactions conducted in FY2017 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than $100,000)	$'000
Hong Leong Investment Holdings Pte. Ltd. group of companies	<u>Property-related</u> (a) Provision of cleaning services to interested persons (b) Lease of premises to interested persons **Total:**	684 **684**
Directors and their immediate family members		Nil

4. AUDIT & RISK COMMITTEE'S STATEMENT

The Audit & Risk Committee of the Company confirms that:

(a) the methods and procedures for determining the transaction prices of the Interested Person Transactions conducted under the IPT Mandate have not changed since the 2003 EGM; and

(b) the methods and procedures referred to in (a) above continue to be sufficient to ensure that these Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

5. RECOMMENDATION

The Directors who are considered independent for the purposes of the proposed renewal of the IPT Mandate are Mr Philip Yeo Liat Kok, Mr Tan Poay Seng, Mr Chan Soon Hee Eric, Ms Tan Yee Peng and Mr Koh Thiam Hock.

They are of the opinion that the entry into of the Interested Person Transactions (as described in Section 6 of Appendix A) between the CDL EAR Group (as defined in Section 2 of Appendix A) and the Interested Persons (as described in Section 5 of Appendix A) in the ordinary course of business will be entered into to enhance the efficiency of the Group and are in the best interests of the Company. For the reasons set out in Sections 2 and 4 of Appendix A, they recommend that Shareholders vote in favour of Resolution 8 for the renewal of the IPT Mandate at the forthcoming 55th AGM.

THE IPT MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. CHAPTER 9 OF THE LISTING MANUAL

1.1 Chapter 9 of the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Chapter 9**") applies to transactions between a party that is an entity at risk and a counter party that is an interested person. The objective of Chapter 9 (as stated in Rule 901 of the Listing Manual) is to guard against the risk that interested persons could influence a listed company, its subsidiaries or associated companies to enter into transactions with interested persons that may adversely affect the interests of the listed company or its shareholders. The aforementioned terms "entity at risk", "interested person" and "associated companies" are defined below.

1.2 Main terms used in Chapter 9:

(a) An "**entity at risk**" means

(i) the listed company;

(ii) a subsidiary of the listed company that is not listed on SGX-ST or an approved exchange; or

(iii) an associated company of the listed company that is not listed on SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "**listed group**"), or the listed group and its interested person(s), has or have control over the associated company.

(b) An "**associated company**" of a listed company means a company in which at least 20 per cent. but not more than 50 per cent. of its shares are held by the listed company or the listed group.

(c) An "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9.

(d) An "**interested person**", in the case of a company, means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

(e) An "**associate**" in relation to an interested person who is a director, chief executive officer or controlling shareholder of the listed company (being an individual) means an immediate family member (that is, the spouse, child, adopted child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder; the trustees of any trust of which the director and/or his immediate family, or the chief executive officer and/or his immediate family or the controlling shareholder and/or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and any company in which the director and/or his immediate family, or the chief executive officer and/or his immediate family or the controlling shareholder and/or his immediate family has or have an aggregate interest (directly or indirectly) of 30 per cent. or more; and, where a controlling shareholder of the listed company is a corporation, its "associate" means its subsidiary or holding company or fellow subsidiary or a company in which it and/or such other companies taken together have (directly or indirectly) an interest of 30 per cent. or more.

(f) A "**chief executive officer**" of a listed company means the most senior executive officer who is responsible under the immediate authority of the board of directors for the conduct of the business of the listed company.

(g) A "**controlling shareholder**" of a listed company means a person who holds directly or indirectly 15 per cent. or more of the nominal amount of all voting shares in the listed company; or a person who in fact exercises control over a company.

(h) An "**interested person transaction**" means a transaction between an entity at risk and an interested person.

1.3 Materiality thresholds, announcement requirements and shareholders' approval

When Chapter 9 applies to a transaction with an interested person (except for any transaction which is below $100,000 in value and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and are hence excluded from certain requirements of Chapter 9) and the value of the transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the listed company's latest audited consolidated net tangible assets ("**NTA**")[1]), the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for the transaction.

In particular, shareholders' approval is required for an interested person transaction of a value equal to, or exceeding:

(a) 5 per cent. of the listed company's latest audited consolidated NTA[2]; or

(b) 5 per cent. of the listed company's latest audited consolidated NTA, when aggregated with the values of other transactions entered into with the same interested person (such term as construed under Chapter 9) during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

1.4 Shareholders' general mandate

Chapter 9 allows a listed company to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses, which may be carried out with the listed company's interested persons.

2. INTRODUCTION AND RATIONALE FOR THE IPT MANDATE

2.1 Hong Leong Investment Holdings Pte. Ltd. ("**HLIH**"), the controlling shareholder of the Company and its associates (the "**HLIH Group**") are interested persons of the Company.

2.2 Due to the size of the HLIH Group and the diversity of the activities of CDL and its subsidiaries (the "**Group**"), it is anticipated that:

(a) CDL;

(b) subsidiaries of CDL that are not listed on SGX-ST or an approved exchange; and

(c) associated companies of CDL that are not listed on SGX-ST or an approved exchange, provided that the Group or the Group and its interested person(s), has or have control over the associated companies,

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[1] Based on the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2017, the annual consolidated NTA of the Group was $9,566,635,000.

[2] In relation to the Company, for the purposes of Chapter 9, in the current financial year and until such time that the annual consolidated financial statements of the Company and its subsidiaries for the year ending 31 December 2018 are published by the Company, 5 per cent. of the latest annual audited consolidated NTA of the Group would be $478,331,750.

(together, the "**CDL EAR Group**"), or any of them, would, in the ordinary course of its businesses, enter into certain transactions with its interested persons. It is likely that such interested person transactions will occur with some degree of frequency and may arise at any time. Thus, the IPT Mandate is intended to facilitate transactions in the normal course of business of the CDL EAR Group falling within the categories of interested person transactions as set out in Section 6 below (the "**Interested Person Transactions**"), that are transacted from time to time with the interested persons as specified in Section 5 below (the "**Interested Persons**") provided that they are carried out at arm's length and on the Group's normal commercial terms and which are not prejudicial to the interests of the Company and its minority Shareholders.

3. SCOPE OF THE IPT MANDATE

3.1 The IPT Mandate will not cover any Interested Person Transaction which has a value below $100,000 as the threshold and aggregation requirements of Chapter 9 of the Listing Manual of SGX-ST do not apply to such transactions.

3.2 Transactions with interested persons, which do not fall within the ambit of the IPT Mandate (including any renewal thereof), will be subject to the applicable provisions of Chapter 9 and/or any other applicable provisions of the Listing Manual.

4. BENEFITS OF THE IPT MANDATE

4.1 The Directors are of the view that it will be beneficial to the CDL EAR Group to transact or continue to transact with the Interested Persons, especially since the Interested Person Transactions are undertaken on an arm's length basis, on normal commercial terms consistent with the Group's usual business practices and policies and will not be prejudicial to the interests of the Company and its minority Shareholders.

4.2 Where the Interested Person Transactions relate to the provision to, and the obtaining from, Interested Persons of products or services as contemplated in Sections 6(a), (b) and (d), the CDL EAR Group will benefit from having access, where applicable, to competitive quotes from its Interested Persons as well as from unrelated third parties, and may also derive savings in terms of cost efficiencies and greater economies of scale in its transactions with Interested Persons. The provision of products and services to Interested Persons are also an additional source of revenue for the CDL EAR Group, provided that such products and services are provided on arm's length basis and on normal commercial terms. Where the Interested Person Transactions relate to financial and treasury transactions as contemplated in Section 6(c), the CDL EAR Group will benefit from the competitive quotes received from its Interested Persons, thus leveraging on the financial strength and credit standing of the Interested Persons.

4.3 The adoption of the IPT Mandate and the renewal of the same on an annual basis would eliminate the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when such Interested Person Transactions with the Interested Persons arise, thereby reducing substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group. This would also enable the Group to maximise its business opportunities especially in commercial transactions which are time-sensitive in nature. At the same time, the Group would be able to channel the significant amount of administrative resources, including time and expenses, saved towards its other corporate objectives.

5. CLASSES OF INTERESTED PERSONS

The IPT Mandate will apply to transactions with the following classes of Interested Persons:

(a) the HLIH Group; and

(b) Directors, chief executive officer(s) and controlling shareholders of the Company (other than entities who fall under the HLIH Group described in paragraph (a) above) and their respective associates.

6. CATEGORIES OF INTERESTED PERSON TRANSACTIONS

The Interested Person Transactions between the CDL EAR Group and Interested Persons which will be covered by the IPT Mandate relate to recurrent transactions of a revenue or trading nature or those necessary for the Group's day-to-day operations, and are set out as follows:

(a) Property-related Transactions

Transactions within the ambit of this category comprise the leasing or rental of properties; the award of contracts to main contractors, suppliers and consultants for property development projects; the provision and/or receipt of project management services; marketing and property agency services; cleaning, security and building maintenance services; property and estate management services including serviced apartments and serviced offices management services; and carpark management services.

(b) Management and Support Services

This category comprises transactions in relation to the receipt or provision of management services; legal; and financial advisory and consultancy services.

(c) Financial and Treasury Transactions

This category comprises transactions in relation to the placement of funds with Interested Persons, the borrowing of funds from Interested Persons, and the entry into foreign exchange, swap and option transactions with Interested Persons that do not fall under the exceptions to interested person transactions pursuant to Rule 915(6) and Rule 915(7) of Chapter 9[3]; and the subscription by the CDL EAR Group of debt securities issued by any Interested Person and the issue of debt securities by the CDL EAR Group to any Interested Person.

Pursuant to Rule 916(3) of Chapter 9, the provision of a loan by the CDL EAR Group to a joint venture with an Interested Person does not require the seeking of shareholders' approval provided that such loan is extended by all joint venture partners on the same terms and in proportion to their equity interest in the joint venture; the Interested Person does not have an existing equity interest in the joint venture prior to the participation of the CDL EAR Group in the joint venture; and the Company has announced that its Audit & Risk Committee (as defined herein) is of the view that: (i) the provision of the loan is not prejudicial to the interests of the Company and its minority Shareholders; (ii) the risks and rewards of the joint venture are in proportion to the equity of each of the joint venture partners; and (iii) the terms of the joint venture are not prejudicial to the interests of the Company and its minority Shareholders.

(d) General Transactions

This category comprises transactions in relation to the purchase and sale of goods including building materials, electronic and engineering equipment, building automation systems, computer systems (hardware and software), vehicles, parts and accessories, and the provision and receipt of after-sales services.

7. REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS

7.1 In general, there are procedures established by the Group to ensure that Interested Person Transactions, which are reviewed and approved by the management, are undertaken on an arm's length basis, on normal commercial terms consistent with the Group's usual business practices and policies, are not prejudicial to the interests of the Company and its minority Shareholders, and on terms which are generally no more favourable to the Interested Persons than those extended to or received from unrelated third parties.

[3] Pursuant to Rule 915(6) and Rule 915(7) of Chapter 9, the provision or receipt of financial assistance or services by or from a financial institution that is licensed or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business does not constitute an interested person transaction which would require compliance with Rules 905, 906 and 907 of Chapter 9. Rule 905 relates to requirements for immediate announcement of interested person transactions, Rule 906 relates to requirements for seeking shareholders' approval for interested person transactions, and Rule 907 relates to requirements for disclosure of the aggregate value of interested person transactions in the listed company's annual report.

7.1.1 **Property-related Transactions, Management and Support Services, and General Transactions**

All Interested Person Transactions (other than the Financial and Treasury Transactions covered in Section 7.1.2 below) are to be carried out at the published or prevailing rates/prices of the service or product providers (including, where applicable, preferential rates/prices/discounts accorded to a class or classes of customers or for bulk purchases where the giving of such preferential rates/prices/discounts are commonly practised within the applicable industry and may be similarly extended to unrelated third parties), on the service or product provider's usual commercial terms which may also be similarly extended to unrelated third parties, or otherwise in accordance with other applicable industry norms.

In addition, the CDL EAR Group will monitor the Interested Person Transactions (other than the Financial and Treasury Transactions covered in Section 7.1.2 below) as follows:

(a) <u>Property-related Transactions comprising the award of contracts to main contractors, suppliers and consultants for property development projects</u>

(i) an Interested Person Transaction under this sub-paragraph (a) with a value in excess of $10 million shall be reviewed and approved by the audit & risk committee of the Company (the "**Audit & Risk Committee**") prior to the entry into of such Interested Person Transaction, or if it is expressed to be conditional on Shareholders' approval, prior to the completion of such Interested Person Transaction;

(ii) an Interested Person Transaction under this sub-paragraph (a) with a value below or equal to $10 million but in excess or equal to $100,000 shall be reviewed by the Audit & Risk Committee at its quarterly meetings; and

(iii) Interested Person Transactions under this sub-paragraph (a) shall be undertaken based on tenders which may be conducted for the award of such contracts with at least two bids from unrelated third parties to be obtained for comparison purposes. In the absence of tenders or the ability to obtain at least two bids for any tender, an Interested Person Transaction under this subparagraph (a) shall be undertaken based on comparison of rates/prices and terms offered by the Interested Person with the rates/prices and terms offered or generally quoted by at least two unrelated third parties who are engaged in providing similar services or products.

(b) <u>Property-related Transactions comprising the leasing or rental of properties</u>

(i) an Interested Person Transaction under this sub-paragraph (b) with a value in excess of $5 million shall be reviewed and approved by the Audit & Risk Committee prior to the entry into of such Interested Person Transaction, or if it is expressed to be conditional on Shareholders' approval, prior to the completion of such Interested Person Transaction;

(ii) an Interested Person Transaction under this sub-paragraph (b) with a value below or equal to $5 million but in excess or equal to $100,000 shall be reviewed by the Audit & Risk Committee at its quarterly meetings; and

(iii) Interested Person Transactions under this sub-paragraph (b) shall be entered into after comparison of rates quoted to at least two unrelated third parties (in the case of leases granted to Interested Persons) or comparison of rates quoted by or obtained from at least two unrelated third parties (in the case of leases granted by Interested Persons) and after taking into account the prevailing market rental rates for other properties within its vicinity of similar or comparable standing and facilities, the tenure of the lease, the area of the leased premises and any other factor which may affect the rental rates or terms of the lease.

(c) Property-related Transactions (other than those covered under sub-paragraphs (a) and (b) herein), Management and Support Services and General Transactions

(i) an Interested Person Transaction under this sub-paragraph (c) with a value in excess of $3 million shall be reviewed and approved by the Audit & Risk Committee prior to the entry into of such Interested Person Transaction, or if it is expressed to be conditional on Shareholders' approval, prior to the completion of such Interested Person Transaction;

(ii) an Interested Person Transaction under this sub-paragraph (c) with a value below or equal to $3 million but in excess or equal to $100,000 shall be reviewed by the Audit & Risk Committee at its quarterly meetings; and

(iii) Interested Person Transactions under this sub-paragraph (c) shall be entered into, where applicable:

(1) in the case of the provision of services or products by an Interested Person, based on tenders (with at least two bids from unrelated third parties to be obtained for comparison purposes) or comparison of rates and terms offered by or generally quoted by at least two unrelated third parties who are engaged in providing similar services or products; and

(2) in the case of the provision of services or products to an Interested Person, based on comparison of rates and terms offered to at least two unrelated third parties for transactions of a similar nature, size or complexity and taking into account the availability of resources, expertise or manpower for the performance of such services or provision of such goods and the existence of any cost and/or time saving factors.

(d) In the event that comparison quotations cannot be obtained in respect of the Interested Person Transactions covered under sub-paragraphs (a), (b) and (c) above (for example, where there are no unrelated third party providers or users of such services or products, or where the service or product is a proprietary item or due to the nature, speciality or confidentiality of the service or product to be supplied), such Interested Person Transactions shall be entered into only after the senior management staff of the relevant company in the CDL EAR Group (having no interest, direct or indirect, in the interested person transaction and having the authority in such company to approve the entering into of transactions of such nature and value), has evaluated and weighed the benefits of, and rationale for, transacting with the Interested Person and in their report submitted to the Audit & Risk Committee, confirmed that the price and terms offered to or by the Interested Person are fair and reasonable. In such evaluation and confirmation, the factors which may be taken into account include, but shall not be limited, to the following:

(i) in relation to the sale of goods or services to the Interested Person and as determined by the senior management staff of the relevant company in the CDL EAR Group and reported to the Audit & Risk Committee, the terms of supply should be in accordance with the CDL EAR Group's usual business practice and consistent with the margins obtained by the CDL EAR Group in its business operations or the margins obtained for the same or substantially the same type of transactions;

(ii) in relation to the purchase of goods or services from the Interested Person, the terms of supply will be compared to those for the same or substantially the same types of transactions entered into between the Interested Person and unrelated third parties. The review procedures in such cases may include where applicable, reviewing the standard price lists provided by the Interested Person to its customers for such products or services;

(iii) the efficiencies and flexibilities derived by the CDL EAR Group in transacting with the Interested Person as compared with transacting with unrelated third parties; and

(iv) prevailing industry norms.

7.1.2 **Financial and Treasury Transactions**

(a) Placement of Funds

In relation to the placement with any Interested Person by the CDL EAR Group of its funds, the Company will require that quotations be obtained from such Interested Person and at least two principal bankers or financial institutions of the Group ("**Principal Bankers**") for rates offered by such Principal Bankers for deposits of an amount and currency and for a period equivalent to that of the funds to be placed by the CDL EAR Group. The CDL EAR Group will only place its funds with such Interested Person provided that the interest rate quoted is not less than the highest of the rates quoted by such Principal Bankers and after evaluating and taking into account any factor that may materially and adversely affect the credit standing of the Interested Person with whom the funds are to be placed by the CDL EAR Group or the risks associated in the placement of such funds with the Interested Person, and such other factors relevant for consideration.

(b) Borrowing of Funds

In relation to the borrowing of funds from any Interested Person by a company within the CDL EAR Group, the Company will require that quotations be obtained from such Interested Person and at least two bankers of the borrowing company within the CDL EAR Group for rates offered by such bankers for loans of an amount and currency and for a period equivalent to that of the funds to be borrowed by such borrowing company within the CDL EAR Group. The CDL EAR Group will only borrow funds from such Interested Person provided that the interest rate quoted is not more than the lowest of the rates quoted by such bankers.

(c) Foreign Exchange, Swaps and Options

In relation to foreign exchange, swap and option transactions with any Interested Person by the CDL EAR Group, the Company will require that rate quotations be obtained from such Interested Person and at least two Principal Bankers. The CDL EAR Group will only enter into such foreign exchange, swap and option transactions with such Interested Person provided that such rates quoted are no less favourable than the rates quoted by such Principal Bankers.

(d) Subscription of Debt Securities

In relation to the subscription by the CDL EAR Group of debt securities issued by the Interested Persons, the CDL EAR Group will only enter into the subscription of such debt securities provided that the price(s) at which the CDL EAR Group subscribes for such debt securities will not be higher than the price(s) at which such debt securities are subscribed for by unrelated third parties.

In relation to the issue of debt securities by the CDL EAR Group to Interested Persons, the CDL EAR Group will only issue such debt securities to Interested Persons provided that the price(s) at which the CDL EAR Group issues such debt securities will not be lower than the price(s) at which such debt securities are issued to unrelated third parties.

In addition to the foregoing, the following threshold limits will be applied to ensure further monitoring by the Group of the Financial and Treasury Transactions entered into by the CDL EAR Group:

Placement of Funds and Subscription of Debt Securities

Where the aggregate of the outstanding principal amount of funds placed with, and debt securities subscribed from, the same Interested Person (as such term is construed under Chapter 9) shall at any time exceed the equivalent of 10 per cent. of the consolidated shareholders' funds of the Group (based on its latest audited financial statements), each subsequent placement of funds with, or subscription of debt securities from, the same Interested Person shall require the prior approval of the Audit & Risk Committee.

Where the aggregate of the outstanding principal amount of funds placed with, and debt securities subscribed from, the same Interested Person does not at any time exceed the limit set out above, the placement of funds with, and subscription of debt securities from, that Interested Person will not require the prior approval of the Audit & Risk Committee but shall be reviewed by the Audit & Risk Committee at its quarterly meetings.

7.2 A register will be maintained by the Group to record all Interested Person Transactions (and the basis including the quotations, if any and where relevant, obtained to support such basis on which they are entered into) which are entered into pursuant to the IPT Mandate.

The Company shall, on a quarterly basis, report to the Audit & Risk Committee on all Interested Person Transactions, and the basis of such transactions, entered into with Interested Persons during the preceding quarter. The Audit & Risk Committee shall review such Interested Person Transactions at its quarterly meetings except where such Interested Person Transactions are required under the review procedures to be approved by the Audit & Risk Committee prior to the entry thereof.

7.3 The annual internal audit plan shall incorporate a review of the established review procedures for the monitoring of Interested Person Transactions entered into pursuant to the IPT Mandate.

The Audit & Risk Committee shall review the internal audit report on Interested Person Transactions to ascertain that the established review procedures to monitor Interested Person Transactions have been complied with. If, during a review by the Audit & Risk Committee, the Audit & Risk Committee is of the view that the established review procedures are not sufficient or have become inappropriate, in view of changes to the nature of, or the manner in which, the business activities of the CDL EAR Group are conducted, it will take such actions as it deems appropriate and/or institute additional procedures as necessary to ensure that future transactions of a similar nature are on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, and the Company will revert to the Shareholders for a fresh mandate based on new review procedures for transactions with Interested Persons.

For the purpose of the review process, if a member of the Audit & Risk Committee has an interest in the transaction to be reviewed by the Audit & Risk Committee, he will abstain from any decision making by the Audit & Risk Committee in respect of that transaction. For example, where two members of the Audit & Risk Committee have an interest each in the transaction to be reviewed by the Audit & Risk Committee, the review of that transaction will be undertaken by the remaining member(s) of the Audit & Risk Committee.

8. EXPIRY AND RENEWAL OF THE IPT MANDATE

The IPT Mandate will take effect from the date of receipt of Shareholders' approval, and will (unless revoked or varied by the Company in General Meeting) continue in force until the next Annual General Meeting of the Company and will apply to Interested Person Transactions entered into from the date of receipt of Shareholders' approval. Approval from Shareholders will be sought for the renewal of the IPT Mandate at each subsequent Annual General Meeting, subject to review by the Audit & Risk Committee of its continued application to the Interested Person Transactions.

If the Audit & Risk Committee is of the view that the review procedures under the IPT Mandate are not sufficient to ensure that the Interested Person Transactions are transacted on normal commercial terms and will be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh mandate from the Shareholders based on new review procedures for Interested Person Transactions.

9. DISCLOSURE

In accordance with Chapter 9, the Company will disclose in its annual report the aggregate value of the Interested Person Transactions conducted pursuant to the IPT Mandate during the financial year (as well as in the Company's annual reports for subsequent financial years that the IPT Mandate continues to be in force). In addition, the Company will announce the aggregate value of the Interested Person Transactions conducted pursuant to the IPT Mandate for the financial periods which it is required to report on (pursuant to Rule 705 of the Listing Manual) within the time required for the announcement of such report. These disclosures will be in the form set out in Rule 907 of the Listing Manual.

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