

**ANNUAL REPORTS AND RELATED DOCUMENTS::**

## Issuer &amp; Securities

## Issuer/ Manager

CITY DEVELOPMENTS LIMITED

## Securities

CITY DEVELOPMENTS LIMITED - SG1R89002252 - C09

## Stapled Security

No

## Announcement Details

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## Designation

Company Secretary

Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)

Please see the attached.

## Additional Details

## Period Ended

31/12/2018

## Attachments

[CDL\\_AR%202018.pdf](#)[CDL-Letter%20to%20Shareholders%20dated%2027%20March%202019.pdf](#)

Total size =3921K MB

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CITY  
DEVELOPMENTS  
LIMITED

ANNUAL REPORT 2018

G > E > T > R E A D Y

GROWTH > ENHANCEMENT > TRANSFORMATION





City Developments Limited (CDL) is a leading global real estate operating company with a network spanning 103 locations in 29 countries and regions. 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 55 years in real estate development, investment and management, CDL has developed over 43,000 homes and owns over 18 million square feet of lettable floor area globally. Its diversified global land bank offers 4.1 million square feet of developable gross floor area.

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.



PANORAMIC VIEWS OF CENTRAL LONDON FROM  
125 OLD BROAD STREET, LONDON, UK (COVER & FACING)





# G > E > T > R E A D Y

G R O W T H > E N H A N C E M E N T > T R A N S F O R M A T I O N

Over the past 55 years, an enterprising spirit and innovative agility have shaped our growth trajectory and defined our hallmarks of excellence. We have evolved from Singapore's fledging property pioneer into the global real estate conglomerate that we are today.

Embracing disruption with this indomitable spirit and adopting fresh perspectives in 2018, we embarked on our GET strategy – focusing on **G**rowth, **E**nhancement and **T**ransformation, to renew and reposition our business, sharpen our value proposition and expand our asset portfolio to deliver greater performance and superior outcomes.

As we continue to redefine our built environment with architectural landmarks, we stand poised to craft the next chapter of our growth history.

#CDL\_GETready

## OVERVIEW

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ACQUISITIONS & INVESTMENTS

**>\$2.5  
BILLION**

IN SINGAPORE &  
KEY OVERSEAS MARKETS

PROJECTS

**7 LAUNCHES**

EMERALD (CHONGQING), NEW FUTURA,  
SOUTH BEACH RESIDENCES, TEDDINGTON RIVERSIDE (LONDON),  
THE JOVELL, THE TAPESTRY, WHISTLER GRAND

**5 COMPLETIONS**

COCO PALMS, HONG LEONG CITY CENTER – PHASE 2 (SUZHOU),  
IVY AND EVE (BRISBANE), PARK COURT AOYAMA THE TOWER (TOKYO),  
THE CRITERION EXECUTIVE CONDOMINIUM

**BUILDING ON  
OUR VALUES**

DIVERSIFIED GLOBAL  
LAND BANK

**4.1  
MILLION  
SQ FT**

TOTAL PROPOSED  
GROSS FLOOR AREA

LAUNCH PIPELINE

**>2,400  
UNITS**

IN SINGAPORE

SOLD

**1,113 UNITS**

IN SINGAPORE

SALES VALUE

**\$2.2 BILLION**

GROWTH ^

Expanding our property development and asset management businesses, we grew our portfolio with over \$2.5 billion of acquisitions and investments in Singapore and our key overseas markets of China, UK, Japan and Australia.

By 2028, we target to achieve \$900 million in EBITDA for our recurring income segment.

BOULEVARD 88 | SINGAPORE  
ARTIST'S IMPRESSION



# LEVERAGING OUR STRENGTHS

ASSET ENHANCEMENTS

**\$100  
MILLION**

FOR 2 PROPERTIES TO IMPROVE  
SPACE EFFICIENCY &  
ASSET PERFORMANCE

## GLOBAL PORTFOLIO

**18.2 MILLION SQ FT**

TOTAL LETTABLE / GROSS FLOOR AREA OF OFFICE,  
INDUSTRIAL, RETAIL, RESIDENTIAL & HOTEL SPACE

## SINGAPORE OFFICE PORTFOLIO

**91.4%**

COMMITTED OCCUPANCY

## ORGANISATIONAL RESTRUCTURE

TO IMPROVE EFFICIENCY & ACCELERATE  
BUSINESS RESULTS

ENHANCEMENT ^

To deliver performance enhancements in our asset portfolio, we take a two-pronged approach: space renewal to unlock value and driving operational efficiency.

In 2018, we completed a \$30 million asset enhancement initiative (AEI) for Le Grove Serviced Residences, increasing the number of apartment units from 97 to 173. Six months post-AEI, Le Grove has achieved over 85% occupancy. A \$70 million AEI for Republic Plaza – our flagship commercial property – is underway, with expected completion in 2H 2019.

LE GROVE



TOTAL ASSETS

**\$20.9  
BILLION**

## TARGETING ACQUISITIONS

OF LISTED AND UNLISTED REAL ESTATE PLATFORMS

# DIVERSIFYING OUR PORTFOLIO

UK COMMERCIAL PORTFOLIO EXPANSION

**£568 MILLION**

FOR 2 GRADE A FREEHOLD PROPERTIES  
IN LONDON – POTENTIAL SEED ASSETS

FUND MANAGEMENT BUSINESS

**US\$5 BILLION  
AUM BY 2023**

TRANSFORMATION ^

To renew and reposition our business model for the future, we continue to forge new partnerships and invest strategically in new economy and technology ventures, as well as sizable game-changing platforms, that will transform our product offerings and enhance our value propositions.

These new platforms, in addition to our ambition to be a leading Asian fund manager with Assets Under Management (AUM) of US\$5 billion by 2023, will steer our business transformation into the future.



M&C'S GLOBAL HOSPITALITY PORTFOLIO

**139 HOTELS**  
**40,323 ROOMS**

M&C'S GLOBAL PIPELINE

**26 HOTELS**  
**10,800 ROOMS**

ACQUISITIONS

**NZ\$11 MILLION**

THE WATERFRONT HOTEL,  
PLYMOUTH, NEW ZEALAND

**€33 MILLION**

95% INTEREST IN HOTEL CERRETANI  
FLORENCE, MGALLERY BY SOFITEL,  
FLORENCE, ITALY

HOSPITALITY ASSETS

**\$5.4 BILLION**

ASSET ENHANCEMENT & REPOSITIONING

**£50 MILLION**

MILLENNIUM HOTEL LONDON MAYFAIR

**\$20 MILLION**

ORCHARD HOTEL SINGAPORE

# REJUVENATING OUR HOTEL PORTFOLIO

Portfolio rejuvenation and expansion are central themes that similarly take centre stage in our hotel operations segment. In 2018, two new hospitality assets in New Zealand and Italy were acquired.

Our hospitality arm, Millennium & Copthorne Hotels plc (M&C), has continued to reposition its properties to improve competitiveness. This includes a £50 million revamp of its London Mayfair property, which will be rebranded as The Biltmore, Mayfair, in conjunction with Hilton's new LXR Hotels and Resorts collection.



SINGAPORE GOVERNANCE AND  
TRANSPARENCY INDEX 2018

**#7** OUT OF 589 COMPANIES

LISTED ON **12** GLOBAL SUSTAINABILITY INDEXES INCLUDING:  
– GLOBAL 100 MOST SUSTAINABLE CORPORATIONS IN THE WORLD  
ONLY SINGAPORE COMPANY LISTED FOR 10 CONSECUTIVE YEARS

– SUSTAINALYTICS ESG RISK RATING (REAL ESTATE GROUP)  
**#1** OUT OF 541 REAL ESTATE COMPANIES WORLDWIDE

# SHAPING OUR FUTURE

– SUSTAINABLE CITIES & COMMUNITIES

Sustainability is integral to our business and operations. Our robust CDL Future Value 2030 framework integrates climate risks and de-carbonisation into our key businesses, with measurable targets aligned with the United Nations Sustainable Development Goals (SDGs) and Task Force on Climate-related Financial Disclosures (TCFD) framework.

Beyond future-proofing our operations against environmental risks, we are well-poised to leverage opportunities and create sustainable value towards a climate-resilient economy and low-carbon future.

## 100 BCA GREEN MARK AWARDS

FOR BUILDINGS & OFFICE INTERIORS  
– HIGHEST AMONGST LOCAL DEVELOPERS

## SCIENCE BASED TARGETS INITIATIVE 1ST SINGAPORE

REAL ESTATE COMPANY TO HAVE  
CARBON REDUCTION TARGETS VALIDATED

## CLIMATE CHANGE SCENARIO ANALYSIS

BASED ON TCFD RECOMMENDATIONS  
– COMPLETED ANALYSIS UNDER 2°C & 4°C  
WARMING SCENARIOS

## CDL FUTURE VALUE 2030 BLUEPRINT

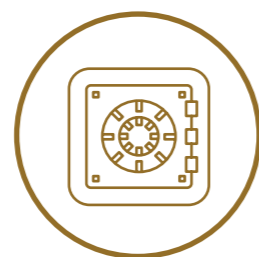
REFLECTS MATERIAL ESG GOALS & TARGETS,  
MAPPED TO 13 SDGS



## 2018 BUSINESS HIGHLIGHTS



RECORD REVENUE  
**\$4.2 BILLION**  
INCREASED 10.3% YOY



EBITDA  
**\$1.2 BILLION**  
INCREASED 12.4% YOY



PATMI  
**\$557.3 MILLION**  
INCREASED 6.7% YOY



TOTAL ASSETS  
**\$20.9 BILLION**  
GREW 8% YOY



NET ASSET VALUE PER SHARE  
**\$11.07**  
INCREASED 7.2% YOY



NET GEARING RATIO  
**31%**  
UP FROM 9% IN 2017



INTEREST COVER  
**14.9x**  
UP FROM 13.5x IN 2017



RETURN ON EQUITY  
**5.6%**  
MAINTAINED YOY



BASIC EARNINGS PER SHARE  
**59.9 CENTS**  
UP FROM 56.0 CENTS IN 2017



ORDINARY DIVIDENDS PER SHARE  
**20 CENTS**  
INCREASED 11.1% FROM 18 CENTS IN 2017

## 5-YEAR FINANCIAL HIGHLIGHTS

| Year  | 2014   | 2015   | 2016   | 2017 <sup>(1)</sup> | 2018                     |
|---|--------|--------|--------|---------------------|--------------------------|
| <b>For the financial year (\$'million)</b>  |        |        |        |                     |                          |
| Revenue   | 3,764  | 3,304  | 3,905  | 3,829               | <b>4,223</b>             |
| Profit before tax   | 1,004  | 985    | 914    | 763                 | <b>876</b>               |
| Profit for the year attributable to owners of the Company (PATMI)                               | 770    | 773    | 653    | 522                 | <b>557</b>               |
| <b>At 31 December (\$'million)</b>  |        |        |        |                     |                          |
| Property, plant and equipment   | 4,918  | 5,175  | 5,136  | 4,999               | <b>5,013</b>             |
| Investment properties   | 3,109  | 2,584  | 2,346  | 2,449               | <b>3,741</b>             |
| Development properties  | 4,793  | 5,515  | 5,209  | 4,308               | <b>5,704</b>             |
| Cash and bank balances (including restricted deposits in other non-current assets)              | 3,898  | 3,565  | 3,887  | 3,990               | <b>2,512</b>             |
| Other assets  | 2,983  | 3,480  | 3,219  | 3,618               | <b>3,916</b>             |
| Total assets  | 19,701 | 20,319 | 19,797 | 19,364              | <b>20,886</b>            |
| Equity attributable to owners of the Company  | 8,410  | 8,996  | 9,294  | 9,391               | <b>10,041</b>            |
| Non-controlling interests   | 2,366  | 2,217  | 2,115  | 2,255               | <b>2,233</b>             |
| Borrowings  | 6,699  | 6,483  | 5,738  | 5,022               | <b>6,327</b>             |
| Other liabilities   | 2,226  | 2,623  | 2,650  | 2,696               | <b>2,285</b>             |
| Total equity and liabilities  | 19,701 | 20,319 | 19,797 | 19,364              | <b>20,886</b>            |
| <b>Per share</b>  |        |        |        |                     |                          |
| Basic earnings (cents)  | 83.2   | 83.6   | 70.4   | 56.0                | <b>59.9</b>              |
| Net asset value (\$)  | 9.25   | 9.89   | 10.22  | 10.33               | <b>11.07</b>             |
| <b>Dividends (cents)</b>  |        |        |        |                     |                          |
| a) Ordinary dividend (gross)  |        |        |        |                     |                          |
| - final   | 8.0    | 8.0    | 8.0    | 8.0                 | <b>8.0<sup>(2)</sup></b> |
| - special interim   | 4.0    | 4.0    | 4.0    | 4.0                 | <b>6.0</b>               |
| - special final   | 4.0    | 4.0    | 4.0    | 6.0                 | <b>6.0<sup>(2)</sup></b> |
| b) Preference dividend (net)  | 3.9    | 3.9    | 3.9    | 3.9                 | <b>3.9</b>               |
| <b>Financial ratios</b>   |        |        |        |                     |                          |
| Return on equity (%)  | 9.2    | 8.6    | 7.0    | 5.6                 | <b>5.6</b>               |
| Net gearing ratio (%) <sup>(3)</sup>  | 26     | 26     | 16     | 9                   | <b>31</b>                |
| Net gearing ratio if fair value gains on investment properties are taken into consideration (%) | 19     | 19     | 12     | 7                   | <b>23</b>                |
| Interest cover ratios (times)   | 12.1   | 13.0   | 12.5   | 13.5                | <b>14.9</b>              |

### NOTES:

<sup>(1)</sup> 2017 comparative figures were adjusted to take into account retrospective adjustments arising from the adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards framework and new standards. Refer to details in notes to the financial statements under Statutory Reports and Accounts.

<sup>(2)</sup> Final and special final tax-exempt (one-tier) ordinary dividends proposed for financial year ended 31 December 2018 will be subject to the approval of the ordinary shareholders at the forthcoming Annual General Meeting.

<sup>(3)</sup> 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 accumulated impairment losses.



# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to report that City Developments Limited Group achieved profit of \$557.3 million — a resilient performance, in spite of challenging global issues and market conditions.

Going forward, the Group will focus on strengthening our foothold in Singapore, and also look abroad to diversify for growth and manage our risk. Our geographically-diversified and income-stable portfolio will help weather cyclical impacts and market shifts, while we continue to enhance existing properties and transform our business through game-changing investments, new fund management platforms and constant innovation.

**KWEK LENG BENG**  
Executive Chairman



Photo credit: Singapore Tatler and Gan

## GROUP PERFORMANCE

For the year ended 31 December 2018 (FY 2018), the Group achieved a record revenue of \$4.2 billion, an increase of 10.3% against the previous corresponding period (Restated FY 2017: \$3.8 billion). Our net attributable profit after tax and non-controlling interests (PATMI) increased by 6.7% to \$557.3 million (Restated FY 2017: \$522.2 million).

## RECORD REVENUE FOR FY 2018

**\$4.2 BILLION**

FY 2018 PATMI

**\$557.3 MILLION**

INCREASED BY 6.7% YOY

In terms of business segments, property development continued to be the lead contributor, making up 71% of FY 2018 pre-tax profits. Its strong performance was underpinned by several local and overseas projects. In Singapore, New Futura, Gramercy Park, The Tapestry and The Criterion Executive Condominium (EC) anchored the contribution while the Group also benefitted from our overseas diversification strategy with profit recognition primarily from Hong Leong City Center (HLCC) in Suzhou and Park Court Aoyama The Tower in Tokyo.

The Group's rental properties segment also reported an increase in both revenue and pre-tax profit, benefitting from two recently acquired investment properties in the UK and several one-off items such as a \$29 million gain from the divestment

of Mercure Brisbane and Ibis Brisbane by the Group's indirect subsidiary, CDL Hospitality Trusts (CDLHT) in Q1 2018, and a \$12 million gain on the sale of a vacant shophouse plot at Jalan Besar in Q3 2018. Comparatively, in FY 2017, a \$30 million gain was recognised on the sale of an office building in Osaka in Q3 2017.

The hotel operations segment, largely comprising the Group's 65.2% subsidiary Millennium & Copthorne Hotels plc (M&C), maintained its topline revenue contribution on par with FY 2017 though its pre-tax profits fell 73%, impacted by substantial impairment losses made on its hotels largely in the US. In addition, the full closure of Millennium Hotel London Mayfair in July 2018 for on-going refurbishment works to reposition it as a luxury flagship hotel also impacted the cash flow and profit from this segment

as the hotel has been a substantial revenue and profit contributor to M&C.

The Group's EBITDA increased 12.4% to \$1.2 billion for FY 2018 (Restated FY 2017: \$1.1 billion), bolstered by the strong recognition of profits from the property development segment.

Basic earnings per share stood at 59.9 cents (Restated FY 2017: 56.0 cents).

As at 31 December 2018, the Group's balance sheet continued to remain robust with cash reserves of \$2.5 billion. Net gearing ratio, excluding any revaluation surpluses from investment properties, was 31% after full settlement of our land tenders and acquisitions in Q4 2018. The Group continues to adopt the conservative accounting policy of depreciating our investment properties. If fair value surpluses of investment properties were accounted for, the net gearing ratio will be reduced to 23%. Interest cover stands at 14.9 times (Restated FY 2017: 13.5 times).

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 ordinary dividend of 6.0 cents per share paid in September 2018, the total dividends for FY 2018 amounts to 20.0 cents per share (FY 2017: 18.0 cents).

## PROPERTY SINGAPORE

The Group, together with our joint venture (JV) associates, sold 1,113 residential units, including ECs, with a total sales value of \$2.2 billion (FY 2017: 1,171 units with total sales value of \$1.93 billion).

The Group's projects launched in 2018 showed a commendable performance.

## SOLD

**1,113 UNITS**

SALES VALUE

**\$2.2 BILLION**

IN SINGAPORE

In January 2018, the Group launched the iconic 124-unit New Futura condominium at Leonie Hill Road and to date, 115 units (about 93%) have been sold at an average selling price (ASP) of over \$3,500 per square foot (psf). Around 80% of the buyers are foreigners and Singapore Permanent Residents, mainly from Asia.

In March 2018, sales commenced for the 861-unit The Tapestry condominium at Tampines Avenue 10 and to date, 580 units (about 67%) have been sold at an ASP of about \$1,350 psf. Launched in March, the development is located within minutes to the established Tampines Regional Centre and the newly completed Our Tampines Hub and is well connected to two MRT lines – Tampines East West Line and new Downtown Line, as well as the Tampines bus interchange.

In September 2018, the 190-unit South Beach Residences was soft launched during the Formula 1 Singapore Grand Prix and to date, 53 units of the 70 released have been sold at an ASP of \$3,450 psf, including a 6,728 sq ft super penthouse which was sold for \$26 million.

In November 2018, the Group launched the 716-unit Whistler Grand development located at West Coast Vale. This 36-storey twin tower development offers panoramic views of the city, Pandan Reservoir and Bukit Timah Nature Reserve, and has over 60 recreational facilities spread across six clubs. It is close to the Jurong Lake District, which is earmarked as Singapore's second Central Business District (CBD), and has convenient access to four MRT stations across different MRT lines, including the upcoming Jurong Region and Cross Island Lines. The project received a good response and to date, 260 units out of the 300 units released have been sold at an ASP of \$1,380 psf.

The Jovell, a 428-unit condominium launched in September in which the Group has a one-third share, has sold 58 units at an ASP of between \$1,250 and \$1,300 psf. This site is part of the Group's legacy land bank in the Flora Drive residential enclave at Upper Changi and is near the new Tampines East MRT station. It is

being developed and marketed by our consortium partner and sister company Hong Leong Holdings. The project has low land cost and there is no pressure to sell out the project within a specified time frame. As there are no new land sites around this enclave, the project will command its own captive market.

The newly refurbished 173-unit Le Grove Serviced Residences on Orange Grove Road has continued to perform above expectations. The occupancy rate has crossed 85% for the month of January 2019.

The office market in Singapore enjoyed strong growth momentum in 2018. Based on Urban Redevelopment Authority (URA) data, prices for office space increased by 5.7% in 2018 compared with the decline of 2.4% in 2017.

Overall rental also increased by 7.4% in 2018, surpassing the marginal 0.4% increase in 2017. This is an encouraging reversal from the decline of 8.2% seen in 2016.

## OFFICE PORTFOLIO

**91.4%**

## COMMITTED OCCUPANCY

The Group's office portfolio continued to enjoy a healthy committed occupancy rate of 91.4% as at 31 December 2018, again outperforming the island-wide occupancy rate of 88%.

The Group's ongoing major asset enhancement initiative (AEI) at Republic Plaza (RP) is progressing well and is on track for completion in 2H 2019.

With the improved market sentiment for CBD office space, RP has achieved a committed occupancy rate of about 90%, with positive rental reversions. In view of the AEI, space optimisation as well as exciting new retail and F&B tenants coming on board, further positive rental reversions and higher income contribution can be expected from this property.



# CHAIRMAN'S STATEMENT

## OVERSEAS MARKETS

### AUSTRALIA

In February 2018, the Group's JV residential project, the 476-unit Ivy and Eve in Brisbane was completed, and majority of the units have been sold with settlements achieved.

The Group's collaboration with Waterbrook Lifestyle Resorts to develop two freehold luxury retirement villages are in the planning stages. Both Waterbrook Bayview in North Sydney and the Waterbrook Bowral in New South Wales are expected to complete in 2021.

### JAPAN

Park Court Aoyama The Tower, a JV residential project in which the Group holds a 20% interest, was completed in January 2018. The freehold 160-unit luxury residential project in Tokyo is strategically located in the prestigious area of Aoyama within Minato ward. To date, 148 units have been handed over to the buyers.

The Group's prime 180,995 sq ft freehold site in the prestigious Shirokane residential enclave within central Tokyo will remain in its land bank, while the Group continues to explore various design options to maximise the development potential of the site.

### UK

Despite the current uncertainty posed by Brexit, the Group believes that notwithstanding a hard or a no-deal Brexit, London, with its established infrastructure and connectivity to the world, will remain a key financial hub in Europe. The Group does not expect the impact to be prolonged as there is still pent-up investment demand from the international community. The Group remains a long-term investor in the UK.

The outlook for Central London's office market is positive with rental growth expected through 2021, bolstered by heightened demand and tightening of both existing Grade A office stock and new supply. The short-term uncertainties surrounding Brexit have presented the Group with off-

market opportunities to acquire high performance assets with deep value.

In 2018, as part of the Group's focus on growing our recurring income, it acquired two prime freehold Grade A commercial buildings in the UK.

In September, Aldgate House, located right beside Aldgate Underground Station, was acquired for £183 million (approximately \$328 million) or £867 psf (approximately \$1,555 psf). It has Net Lettable Area (NLA) of about 211,000 sq ft comprising Grade A office, retail and ancillary spaces over two basements, ground, mezzanine and eight upper floors. The development is within a five-minute walk from six other stations and is 88% leased, with a passing net yield of about 5%. Close to half of the office rentals in the building are significantly below the Aldgate area market rents and there is strong potential for positive rental reversions. The Group is also exploring the possibility of an AEI to add value to the property.

In October, 125 Old Broad Street, a prime freehold Grade A office tower located in the heart of the City of London and the main financial district, was acquired for £385 million (approximately \$687 million) or £1,170 psf (approximately \$2,088 psf). It has NLA of approximately 329,200 sq ft spread over three basement levels and 26 floors with panoramic views of the city. The asset (formerly known as the Stock Exchange Tower) is within a 10-minute walk to seven Underground Stations and a five-minute walk to Liverpool Street Station. It is currently fully tenanted with a passing net yield of about 4.7%.

Both assets possess a relatively long weighted average unexpired lease term (WAULT) that will provide insulation against short-term socio-political uncertainty. They are currently under rented and recent lease renewals have enjoyed strong positive rental reversions.

On the residential front, Teddington Riverside, the Group's 999-year leasehold development in the renowned Borough of Richmond Upon Thames, is close to parks

and international schools and benefits from excellent connectivity to Central London and major airports.

The 240-unit waterfront project comprises apartments that overlook the River Thames and cascading water of the Teddington Lock. Phase One – the five-storey Carlton House (57 units) and seven-storey Shepperton House (19 units), are ready for occupation and its one to three-bedroom apartments are available for sale and lease. In the UK, the on-site marketing suite and three fully-fitted show units are available for viewing. The entire project is on track for completion by Q1 2020. The Group is confident that when the Brexit issue is resolved, sales for this project will progress. Richmond upon Thames is one of London's best and greenest boroughs to live and is a much more affordable alternative than living in Central London.

In Central London, the Group continues to market its two prime 999-year leasehold projects, Chesham Street in Belgravia (six units) and Hans Road in Knightsbridge (three units). Both are fully-fitted and available for viewing by appointment. The project on 90-100 Sydney Street in Chelsea (nine units) overlooks the scenic Chelsea Farmers Market and is on track for completion by Q1 2019.

Due to the UK's introduction of an additional buyer's stamp duty and the political uncertainty surrounding Brexit, homebuyers are being cautious and prefer to rent in the short term. The Group is thus exploring the option of renting out some of our completed residential projects.

The Group's other UK developments are currently going through planning and development stages.

### CHINA

Against the backdrop of China's challenging economy and its ongoing trade tensions, the Group's wholly-owned subsidiary CDL China Limited (CDL China), together with our JV associates, sold 259 residential units and 18 villas in China in 2018, achieving a total sales value of RMB 1.32 billion (approximately \$269 million).

### SOLD

**259** UNITS & **18** VILLAS  
SALES VALUE  
**RMB**  
**1.32 BILLION**  
IN CHINA

HLCC is CDL China's first integrated development located in Suzhou Industrial Park (SIP). Comprising a total of 1,804 residential units, 1,565 (about 87%) have been sold to date, achieving total sales value of RMB 3.74 billion (about \$762 million). Phase 1, comprising Tower 1 (462 units) and Tower 3 (912 units), was completed in December 2016 and is now 93% sold. Phase 2, comprising Tower 2 (430 units) was completed in May 2018 and is now 66% sold. HLCC's 30,000 sqm premium Grade A office tower has been completed and will be fitted out before launching for lease. The five-star M Social Hotel will be operated by M&C and is slated to open in Q1 2020. The HLCC mall, which opened in June 2018, is currently 85% occupied and monthly footfall continues to increase as more events and activities are held to promote the mall.

Hongqiao Royal Lake, in the prime residential enclave of Qingpu District, Shanghai, has to date sold 52 out of the 85 villas with a sales value of RMB 1.11 billion (about \$226 million). As villa development is no longer permitted in China, the Group is in no hurry to sell out the project. Given the scarcity of villas in the future, we may retain some of the villas for long-term investment.

In Chongqing, CDL China has two JV residential projects. Emerald, a 684-unit luxury development in Chongqing's downtown, launched Tower 3 (191 units) for sale in December 2018. To date, 85 units have been sold with a sales value of RMB 301 million (about \$61 million). This project is expected to be completed by end 2020. The completed Eling Palace, comprising 126 luxurious villa-style apartments, was

relaunched in May 2018. To date, 49 units have been sold with a sales value of RMB 270 million (about \$55 million).

Hong Leong Plaza Hongqiao, a five-tower office project in Shanghai's Hongqiao CBD, will begin operations by Q2 2019. Potential tenants in the pipeline include serviced apartment operators and medical care service providers for the five towers. The Group remains positive on the development potential of Hongqiao CBD into an international business, transportation and exhibition hub. The project is also next to the Shanghai Hongqiao International Medical Center and accessible to many business parks and international schools.

Distrii, one of the leading co-working companies in China that the Group has an equity stake in, will be the master tenant of the Group's newly acquired office block within Yaojiang International complex in Shanghai's prime North Bund Business District. The AEI for the interior of the office block is completed and operational since January 2019. The facade works and logo installation is expected to complete by Q1 2019.

As a cornerstone investor in E-House, a leading data-based real estate transaction service provider in China, the Group is in active discussion to market our Singapore, UK and other overseas properties through E-House's platform. The first collaboration is expected to commence by 2019.

### FUND MANAGEMENT

The Group plans to develop our fund management business via organic growth coupled with the acquisition of assets and platforms to achieve assets under management (AUM) of US\$5 billion by 2023.

We will continue to use our strong balance sheet to strategically acquire investment properties in key markets (Singapore, UK, China, Australia and Japan) with caution and discipline, and grow our recurring income base.

The UK's fundamental attraction for international investors remains intact and it is a major target for funds looking at their first wave of international

acquisitions. This bodes well for the Group's recently acquired UK assets which could possibly be transferred to a private fund as seed assets or a REIT vehicle.

Leveraging our expertise and branding, the Group secured a mandate with an Australian trustee to jointly manage an office asset in Sydney, Australia. Located at the fringe of Sydney's CBD, the A\$300 million (about \$290 million) office building is 100% leased to a single tenant. The Group is exploring avenues with various stakeholders to maximise the potential of this site.

As announced, the Group is working with our partners and investors to wind down the three existing Profit Participation Securities (PPS) initiatives as each of them has a short five-year fund life.

For PPS 1, the Group is working with our partners on a mutually favourable way to unwind the structure before its expiry in December 2019. In the meantime, the 240-room W Singapore – Sentosa Cove hotel and the waterfront F&B and retail property, Quayside Isle, are operating within expectations and majority of the 228 apartments at The Residences at W Singapore have been leased.

## US\$5 BILLION AUM TARGET

BY 2023

For PPS 2, in January 2019, the Group, together with Alpha Investment Partners (Alpha), divested Manulife Centre for \$555.5 million or \$2,301 psf to ARA Asset Management and Chelsfield Asia. The Group also acquired the remaining 60% stake in Central Mall Office Tower from Alpha in December 2018, as the site has good redevelopment potential. With the improving office market, plans are underway to divest 7 & 9 Tampines Grande by Q3 2019 before the fund expires in December 2020.

For PPS 3, 67% of the 156 apartments at Nouvel 18 in District 10 is currently leased. The fund expires in December



# CHAIRMAN'S STATEMENT

2021 and there is ample time to explore various options, including the possibility of launching the project for sale if market conditions are favourable.

## HOTEL

M&C posted a PATMI of £43 million for FY 2018 (FY 2017: £124 million). The performance was impacted mainly by impairment losses (net of revaluation gains), higher financing costs as well as the full closure of the Mayfair hotel for refurbishment. In 2018, a total of £36 million (FY 2017: £29 million) of net revaluation and impairment losses were charged to the income statement. Notably, the revaluation gains relate to investment properties as M&C holds them at fair value. However, the Group adopts a conservative approach by accounting for investment properties at cost less accumulated depreciation and accumulated impairment losses.

In constant currency terms, hotel revenue increased by 0.6% to £867 million for FY 2018. Higher hotel contributions from Millennium Hilton New York One UN Plaza (re-branded in August 2017) and M Social Auckland (opened in October 2017) were offset by lower revenue at the Mayfair hotel which was fully closed in July 2018. Reported hotel revenue for the same period fell by £13 million or 1.5%, impacted by the stronger pound against M&C's main trading currencies.

For FY 2018, in constant currency, M&C achieved an increase in property revenue by 10.2% to £65 million (FY 2017: £59 million) due mainly to higher sales of residential sections in New Zealand (NZ) of £3 million and the sale of two units of apartments in Australia of £2 million. In reported currency terms, total revenue for FY 2018 fell by 1.1% to £997 million (FY 2017: £1,008 million), reflecting the impact of the stronger pound. However, in constant currency, total revenue increased by £10 million or 1.0% for the period.

Global revenue per available room (RevPAR) in constant currency increased by 0.7% to £81.57 for FY 2018 (FY 2017: £80.97). On a like-for-like basis (excluding the impact of acquisitions, closures and

refurbishments), RevPAR increased by 2.4% for FY 2018.

In constant currency terms, RevPAR for M&C's London hotels for FY 2018 was down 7.4% compared to FY 2017, mainly due to the closure of the Mayfair hotel. Other regions, such as US, Asia and Australasia registered RevPAR growth for FY 2018: US RevPAR was up 2.1% to £94.52 (FY 2017: £92.61), Asia RevPAR was up 1.7% to £72.29 (FY 2017: £71.09) driven by increases in both average room rates and occupancy, while Australasia was up 6.4% with the inclusion of M Social Auckland and Millennium New Plymouth and driven by growth in international visitor arrivals.

M&C continued to make progress with its AELs in 2018, including the Mayfair hotel in London, the Orchard Hotel in Singapore and smaller scale refurbishment work in other properties to improve its product offering and maintain competitiveness.

Expected to complete in Q2 2019, the Mayfair is being re-positioned as M&C's luxury flagship property and will be renamed "The Biltmore, Mayfair – LXR Hotels & Resorts" operated under Hilton's new brand. The 5-star deluxe hotel will comprise 257 guest rooms, 51 designer's suites and will have a large ballroom with capacity of up to 700 guests. Current work also includes the provision of an all-year round alfresco terrace, a cocktail bar and a large gymtech fitness suite.

In Singapore, ongoing refurbishment works for Orchard Hotel are expected to complete by Q2 2019. As the hotel remains operational during the refurbishment period with phased room closures, revenue impact is not expected to be material.

M&C continued to expand its asset portfolio in 2018. In February 2018, it acquired The Waterfront Hotel in New Plymouth, NZ, for NZ\$11 million (£6 million). The iconic 42-room hotel was rebranded as Millennium Hotel New Plymouth Waterfront in Q2 2018. In November 2018, CDLHT, M&C's REIT associate, acquired a 95% effective interest in the 86-room 4-star Hotel

Cerretani Florence, MGallery by Sofitel in Florence, Italy, for €33 million (£29 million). Earlier in the year, in 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.

In 2018, M&C continued to expand its global footprint, with the opening of five new hotels in the Middle East. As at 31 December 2018, M&C's global portfolio comprises 139 hotels with over 40,000 rooms. It has a global pipeline of 26 hotels with around 10,800 rooms.

## M&C GLOBAL PORTFOLIO

**139 HOTELS**  
**>40,000 ROOMS**

## PROPERTY

### SINGAPORE

Singapore's economy grew by 3.2% in 2018, slowing from 2017's growth of 3.9%. The 2019 growth forecast is maintained at 1.5% to 3.5%, with growth expected to come in slightly below the mid-point of the forecast range. The government warned that uncertainties and downside risks in the global economy have increased. These include the risks of further escalation of trade conflicts, sharper-than-expected slowdown of the Chinese economy and a no-deal Brexit.

Residential property buyers remained cautious due to the drastic cooling measures implemented in July 2018. For the whole of 2018, developers sold 8,795 private residential units (excluding ECs), compared with 10,566 units in 2017. Although lower than 2017, this surpassed the average of 8,659 units sold in the past three years from 2015 till 2017. While sizeable supply is expected to come onstream in 2019 due to the heightened collective sales fever in 2017 and 2018, prime non-landed residential prices are expected to remain stable with developers adopting creative unit mixes and pricing strategies to suit homebuyers' expectations.

While the decline in sales volume was likely influenced by the property cooling measures implemented in July 2018, on the surface, sentiments have since stabilised. This trend is mirrored in the recent Government Land Sales (GLS) where all three bids for Club Street, Kampong Java and Tampines Ave 10 EC received a healthy number of bidders, with the tender for Club Street hotel site setting a record price for a GLS tender for hotel land.

Future land supply is also being managed carefully. Notably, the released list of 1H 2019 GLS sites consists of only five confirmed list sites and nine reserve list sites. The supply of new homes entering Singapore's development pipeline reflects a 20% reduction from the 2H 2018 list – the lowest level in 12 years. This is in anticipation of the oncoming supply expected from collective land sales sites with planning approval and the moderation of demand.

While competition in the private residential market is expected to intensify, the World Bank has ranked Singapore as the world's second easiest place to do business in 2018. Similarly, the World Economic Forum ranked Singapore as the third most competitive economy in the world and the first in Asia for 2017-2018. Singapore continues to remain attractive for investments and talent.

Given the above market sentiments and despite the short-term headwinds, the medium to long-term prospects for Singapore are favourable and should bode well for the residential market. The Group will continue to monitor the market closely to capitalise on available opportunities in our land replenishment exercise while maintaining strong discipline.

In view of the relatively stable market, the Group is planning to launch three projects in 1H 2019.

## PLANNED LAUNCHES FOR 2019

**5 RESIDENTIAL PROJECTS**

**> 2,400 UNITS IN SINGAPORE**

## BOULEVARD 88

The exclusive 154-unit freehold Boulevard 88, along Orchard Boulevard in prime District 10, is above the luxurious 204-room The Singapore EDITION Hotel – a unique lifestyle hotel in partnership with Marriott International. It is a few minutes' walk to the Orchard Road shopping belt and the upcoming Orchard Boulevard MRT station. Boulevard 88 offers panoramic views of Orchard Road and the Bukit Timah lush greenery. It features a generous Sky Club, Sky Gym, an infinity Sky Pool and is complemented with a suite of signature residential services.

## AMBER PARK

The iconic, freehold, 592-unit Amber Park development, is in one of East Coast's most desirable addresses. Surrounded by an array of famed restaurants and cafes, it is only a five-minutes' walk from the upcoming Tanjong Katong MRT station. Amber Park features a unique sky jogging track that overlooks the vast East Coast Park with mesmerising sea views.

## HAUS ON HANDY

The 188-unit Haus on Handy is a modern condominium in prime District 9, within a three-minute walk to Plaza Singapura shopping mall and Dhoby Ghaut MRT station – Singapore's only three-line interchange station. It is also close to prestigious schools such as St Margaret's Primary School, Anglo-Chinese School (Junior), Singapore Management University, School of the Arts, Chatsworth International School and ISS International School. A rare three-storey conservation bungalow from 1892 (formerly called the Tower House) will be converted into a luxurious clubhouse.

Two other projects are slated for launch in 2H 2019.

## SUMANG WALK EC PROJECT - SINGAPORE'S ONLY EC LAUNCH FOR 2019

Sumang Walk is an 820-unit luxurious waterfront EC which is within a 10-minute stroll to Punggol MRT station and Waterway Point Shopping Mall. It is close to reputable schools such as Mee Toh

School, Nan Chiau Primary School and the upcoming campus of the Singapore Institute of Technology. It is near the exciting Punggol Digital District, poised to become Singapore's mini Silicon Valley. The project features an elevated landscaped deck that is surrounded by sprawling lush gardens, tiering towards the beautiful waterway at Punggol, and will feature an elevated clubhouse and gym above the pools with full river view.

## SENGKANG CENTRAL PROJECT

The 680-unit project at Sengkang Central was won through a two-envelope URA tender. This project is a JV with CapitaLand and the Group is honoured to partner with such a distinguished developer. This project will be a distinctive mixed-use development that will be seamlessly integrated with Buangkok MRT station and a new bus interchange. The residential towers are conveniently located above a three-storey mall comprising shops, supermarket, hawker centre, as well as a community club with a child care centre. The residential towers will be curated with stunning landscape of greenery and water bodies, featuring comprehensive facilities for all generations.

The Group is confident that these projects will generate strong interest due to their unique selling propositions and good locational attributes.

The residential property cooling measures appear to have shifted investors' interest towards commercial investments. The improving fundamentals of the office market have reinvigorated interest in commercial real estate. Strong rental growth, reduced risks related to the financial services sector due to tenant diversification and pro-business sentiments are among the reasons.

This healthy trend in the office sector is likely to continue as evidenced by the healthy investment sales volume in recent months with foreign investors snapping up several developments in the CBD. The market is still very active with several major transactions going on. This bodes well for the planned divestment of 7 & 9 Tampines Grande under PPS 2.



# CHAIRMAN'S STATEMENT

## HOTEL

The hospitality industry faced a range of geopolitical and global economic headwinds in 2018, many of which look set to continue in the current year, including US/China trade relations, Brexit and increasing minimum wage levels in many jurisdictions. Operationally, challenges include the shortage of talent – from rank and file to senior management, new hotel supply globally and the growth of Airbnb and serviced apartments.

M&C's priority is to evaluate and develop new and innovative strategic plans to meet the fast-changing operating environment. To progress, it needs to evolve and embrace the industry changes, to stay relevant and profitable in the immediate and medium term. Restoring profitability in its New York hotels remains at the top of its objectives.

Meanwhile, M&C will continue to invest in and reposition its hotels. The re-opening of the Mayfair property – rebranded as The Biltmore, Mayfair – in Q2 2019, will mark M&C's first opening under Hilton's new LXR Hotels and Resorts collection in Europe, and will also mark its debut in the London five-star deluxe market. It aims to fast track its lost earnings to profitable growth at this hotel after it re-opens.

2019 will be another challenging year for M&C with significant capital projects underway and several large hotels earmarked for major renovations. These investments will be carefully managed and phased to deliver the right returns to shareholders and underline M&C's intention to maintain strict control of costs throughout the business.

On the management front, Mr Tan Kian Seng was appointed M&C's interim CEO on 28 September 2018, when the former CEO stepped down. The search for a permanent M&C CEO is underway and M&C remains open to either hiring an external candidate or promoting talent from within.

## GROUP PROSPECTS

2018 was a very challenging year on several fronts. Global financial markets were jittery, rattled by policy risks, economic headwinds and geopolitical tensions that heightened the level of uncertainty, resulting in increased volatility. Domestically, the unexpected residential property cooling measures in July further dampened market sentiments, causing investors to be even more cautious.

The Group is confident that when the global issues are stabilised, Singapore is well-poised to recover given its strong fundamentals. The residential property market sentiments should thereby improve with pent-up demand.

The Group has a geographically-diversified and income-stable portfolio primarily comprising residences, offices, hotels, serviced apartments, integrated developments and shopping malls, which can weather cyclical impacts and market shifts. When one segment is impacted, another class of asset can help cushion and often make up the difference. While the Group will continue to strengthen our foothold in Singapore, we will also look abroad to diversify for growth and to manage our risk.

## CONTINUED FOCUS ON GET STRATEGY: GROWTH > ENHANCEMENT > TRANSFORMATION

In this rapidly expanding global economic system, the Group is cognisant of the complexities of globalisation, rising expectations and an evolving business landscape. Notwithstanding these macroeconomic challenges, the Group will remain focused on executing on our Growth, Enhancement and Transformation (GET) strategy.

We will actively grow our existing businesses of property development and recurring income streams; enhance, reposition or redevelop our properties to drive greater value while continually driving higher operational efficiency; and transform our business through game-changing investments, new fund management platforms, constant innovation and venture capital investments in promising start-ups and technologies. We are confident of navigating through these cyclical headwinds with nimbleness and pragmatism.

## ACKNOWLEDGEMENTS

We welcomed Ms Lim Yin Nee Jenny as the latest member to the Board, pursuant to her appointment as an Independent Non-Executive Director in June 2018. She brings with her extensive experience in corporate advisory, corporate reorganisations, and mergers and acquisitions as well as in enterprise risk functions which would complement and strengthen the core competencies of the Board. The Board would also like to record its deep appreciation to Mr Chan Soon Hee Eric, who stepped down from the Board in June 2018, for his dedicated service during his tenure on the Board.

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.

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.

21 February 2019

# CORPORATE NETWORK

AS AT 28 FEBRUARY 2019



RESIDENTIAL DEVELOPED OVER **43,000**

LUXURIOUS RESIDENCES GLOBALLY



COMMERCIAL OWNS OVER **18 MILLION SQ FT** OF FLOOR AREA OF OFFICE, INDUSTRIAL, RETAIL, RESIDENTIAL AND HOTEL SPACE GLOBALLY



HOTELS GLOBAL FOOTPRINT OF OVER **140** 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 PHILIPPINES

GLOBAL NETWORK OVER **500** SUBSIDIARIES & ASSOCIATED COMPANIES

## 103 LOCATIONS IN 29 COUNTRIES & REGIONS

### ASIA

|  |  |   |  |
|--|--|---|--|
| <b>CHINA</b><br>• Beijing<br>• Chengdu<br>• Chongqing<br>• Dongguan<br>• Fuqing<br>• Hangzhou<br>• Hong Kong<br>• Shanghai<br>• Suzhou<br>• Wenjiang<br>• Wuxi<br>• Xiamen | <b>INDONESIA</b><br>• Jakarta  | <b>MALDIVES</b><br>• Meradhoo Island<br>• Velavaru Island | <b>THAILAND</b><br>• Bangkok<br>• Phuket |
| <b>JAPAN</b><br>• Tokyo  | <b>MALAYSIA</b><br>• Cameron Highlands<br>• Johor Bahru<br>• Kuala Lumpur<br>• Malacca<br>• Penang | <b>SINGAPORE</b><br>• Singapore                           | <b>PHILIPPINES</b><br>• Manila           |
|  |  | <b>SOUTH KOREA</b><br>• Seoul                             | <b>TAIWAN</b><br>• Taichung<br>• Taipei  |

### AUSTRALASIA

|   |  |   |   |
|---|--|---|---|
| <b>AUSTRALIA</b><br>• Brisbane<br>• Perth | <b>NEW ZEALAND</b><br>• Auckland<br>• Bay of Islands<br>• Dunedin<br>• Greymouth<br>• Hokianga | • Masterton<br>• New Plymouth<br>• Paihia<br>• Palmerston North<br>• Queenstown | • Rotorua<br>• Taupo<br>• Te Anau<br>• Wanganui<br>• Wellington |
|---|--|---|---|

### MIDDLE EAST

|  |  |  |  |
|--|--|--|--|
| <b>IRAQ</b><br>• Sulaymaniyah                              | <b>OMAN</b><br>• Muscat<br>• Mussanah<br>• Salalah | <b>SAUDI ARABIA</b><br>• Hail<br>• Madinah<br>• Makkah<br>• Riyadh | <b>UNITED ARAB EMIRATES</b><br>• Abu Dhabi<br>• Dubai<br>• Fujairah<br>• Sharjah |
| <b>JORDAN</b><br>• Amman                                   | <b>PALESTINE</b><br>• Ramallah                     | <b>TURKEY</b><br>• Istanbul  |  |
| <b>KUWAIT</b><br>• Al Jahra<br>• Al Kuwait<br>• Al Salmiya | <b>QATAR</b><br>• Doha                             |  |  |

### EUROPE

|                             |                                      |  |   |
|-----------------------------|--------------------------------------|--|---|
| <b>FRANCE</b><br>• Paris    | <b>ITALY</b><br>• Rome<br>• Florence | <b>UNITED KINGDOM</b><br>• Aberdeen<br>• Birmingham<br>• Cambridge<br>• Cardiff<br>• Dudley<br>• Gatwick<br>• Glasgow<br>• Liverpool | • London<br>• Manchester<br>• Newcastle<br>• Plymouth<br>• Reading<br>• Sheffield<br>• Slough-Windsor |
| <b>GEORGIA</b><br>• Tbilisi | <b>RUSSIA</b><br>• Moscow            | <b>THE NETHERLANDS</b><br>• Amsterdam<br>• Utrecht   |   |
| <b>GERMANY</b><br>• Munich  |                                      |  |   |

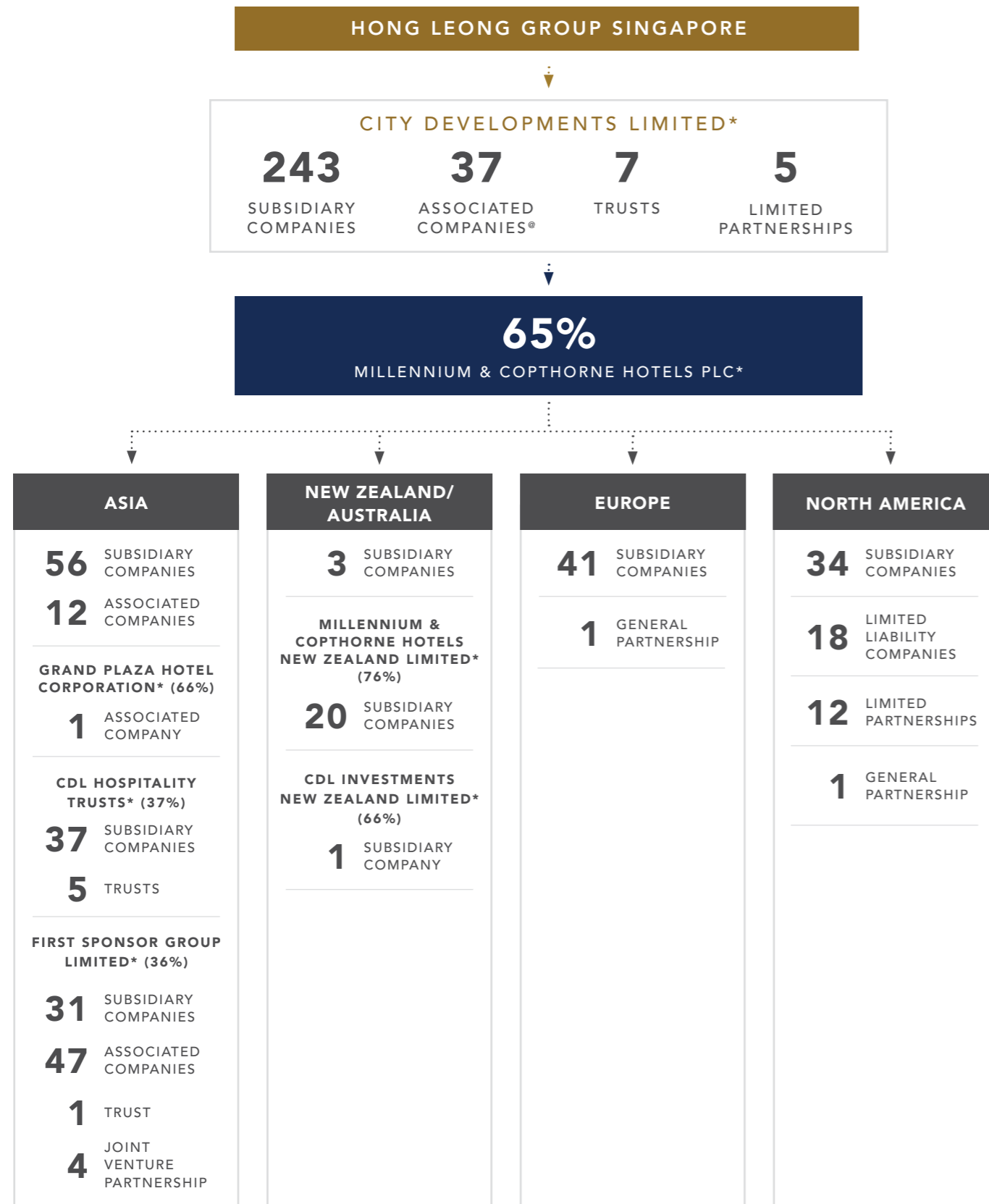
### NORTH AMERICA

|  |   |   |  |
|--|---|---|--|
| <b>UNITED STATES</b><br>• Anchorage<br>• Avon<br>• Boston<br>• Boulder | • Buffalo<br>• Chagrin Falls<br>• Chicago<br>• Cincinnati | • Durham<br>• Kissimmee<br>• Los Angeles<br>• Minneapolis | • Nashville<br>• New York<br>• Scottsdale<br>• Sunnyvale |
|--|---|---|--|



# CORPORATE STRUCTURE

AS AT 28 FEBRUARY 2019



\* LISTED COMPANIES/TRUST.  
 @ INCLUDES LIMITED LIABILITY CORPORATIONS.

# HIGHLIGHTS OF THE YEAR

## 1ST QUARTER (JANUARY – MARCH)

- On 1 January, Mr Sherman Kwek assumed full responsibilities as **Group Chief Executive Officer (CEO)**. On 1 February, Mr Frank Khoo was appointed as **CDL Group Chief Investment Officer** to spearhead the Group's fund management business and execute new investment opportunities.
- CDL was one of two Singapore companies listed in the inaugural sector-neutral **Bloomberg Global Gender-Equality Index** and was ranked for the ninth consecutive year on the **2018 Global 100 Most Sustainable Corporations in the World** in January.
- New Futura**, CDL's 124-unit luxury freehold development located along Leonie Hill Road, held its Phase 1 launch (64-unit South Tower) in January.
- Phase 2 (60-unit North Tower) was launched in May.
- CDL secured three 99-year leasehold development sites through Government Land Sales (GLS) tenders:
  - January
    - Handy Road** (51,626 sq ft site): \$212.2 million
    - West Coast Vale** (210,883 sq ft site): \$472.4 million
  - February
    - Sumang Walk EC** (291,235 sq ft site): \$509.4 million (with 40% JV partner – TID Pte. Ltd.)
- The Criterion Executive Condominium (EC)** obtained its Temporary Occupation Permit (TOP) in February. The fully-sold 505-unit EC in Yishun was jointly developed by CDL and TID Pte. Ltd..
- Park Court Aoyama The Tower**, CDL's 160-unit freehold joint venture (JV) residential development in central Tokyo, was completed in January.
- Ivy and Eve**, CDL's 476-unit freehold JV residential project in Brisbane, Australia, was completed in February.
- Millennium & Copthorne Hotels plc (M&C), CDL's 65%-owned hotel subsidiary, acquired The Waterfront Hotel in New Plymouth, New Zealand (NZ) for NZ\$11 million in February. The acquisition was made through its NZ-listed subsidiary, M&C Hotels NZ Limited. The 42-room waterfront hotel has been rebranded the **Millennium Hotel New Plymouth, Waterfront**.
- In March, CDL launched its 861-unit **The Tapestry** condominium at Tampines Avenue 10.

## 2ND QUARTER (APRIL – JUNE)

- Phase 2 of the 944-unit **Coco Palms** condominium received its TOP in April, following the TOP for Phase 1 in January. Located at Pasir Ris Grove, the project was developed by CDL and its JV partners, Hong Leong Holdings Limited (HLH) and Hong Realty (Private) Limited.
- In May, Distrii opened its first international co-working centre at CDL's flagship commercial building Republic Plaza. At 62,000 sq ft, **Distrii Republic Plaza** is Singapore's single largest co-working facility. CDL is a strategic investor in Distrii, China's leading co-working space operator and is its second largest shareholder after its founder.
- Phase 2 of **Hong Leong City Center (HLCC)**, CDL's integrated development in Suzhou, China, was completed in May. This comprises Tower 2 (430-residential block), Tower 4 (30,000 sqm Grade A office tower) and HLCC mall (56,000 sqm retail podium block). **HLCC mall** was officially opened in June and is 85% occupied. The hotel component – 5-star M Social Hotel – is expected to open by Q1 2020.
- CDL announced new **senior appointments** with Ms Yvonne Ong as CEO, Commercial to head the Asset Management division and Ms Lee Mei Ling as Executive Vice President, Head of Property Development with effect from June.





## HIGHLIGHTS OF THE YEAR

### 3RD QUARTER (JULY – SEPTEMBER)

- CDL invested HK\$237.81 million in the Initial Public Offering (IPO) of China's leading data-based real estate agency **E-House**, which listed on the Hong Kong Stock Exchange on 20 July. Beyond being the only Singapore cornerstone IPO investor, the Group has a strategic agreement with E-House that provides priority access to market its Singapore and London properties to Chinese buyers through its platform.
- CDL's 173-unit **Le Grove Serviced Residences**, on Orange Grove Road, re-opened in mid-July following the completion of its \$30 million refurbishment.
- CDL completed two 999-year residential projects in Central London, in July and August respectively:
  - **Knightsbridge** (Hans Road): 3 units
  - **Belgravia** (Chesham Street): 6 units
- In August, CDL, with 50% JV partner CapitaLand Limited, clinched a prime mixed-use GLS site in **Sengkang Central** for \$777.78 million via a two-envelope tender system. The 99-year leasehold 3.7-hectare site will be redeveloped into an integrated community hub with 680 residential units, three-storey retail mall and amenities.
- CDL embarked on its **inaugural share buyback** exercise on 16 August in accordance with CDL's Share Purchase Mandate which was renewed at its 55th Annual General Meeting on 25 April. In 2018, the Group has repurchased 2.4 million shares for a total consideration of \$21.4 million from the open market.
- The Group acquired an office block within the **Yaojiang International** complex in Shanghai's prime North Bund Business District for RMB 148 million. A long master lease agreement has been signed with Distrii.
- CDL invested RMB 60 million in **Dragonrise Pan-AI High-Tech Fund** (against a total of RMB 250 million committed).
- CDL acquired **Aldgate House**, a prime Grade A commercial building in Central London beside Aldgate Underground Station, for £183 million in September. The 211,000 sq ft freehold property is 88% occupied with strong potential for positive rental reversions.
- In conjunction with the Singapore Grand Prix in September, private previews for the 190-unit luxury **South Beach Residences** were held. The project is part of the Group's JV South Beach integrated development on Beach Road.
- **The Jovell**, CDL's 428-unit JV development with HLH and TID Pte. Ltd. on Flora Drive, was launched in end September.

### 4TH QUARTER (OCTOBER – DECEMBER)

- In October, CDL launched Phase 1 of the 240-unit **Teddington Riverside** project in London. Located in the renowned Borough of Richmond Upon Thames, the 999-leasehold waterfront development overlooks the River Thames and enjoys excellent connectivity to Central London and major airports.
- Further expanding its UK commercial portfolio, CDL also acquired **125 Old Broad Street**, the former home of the London Stock Exchange, for £385 million in October. Located within Central London's main financial district, the 329,200 sq ft freehold Grade A landmark office tower is fully occupied.
- In November, CDL launched the 716-unit **Whistler Grand** development at West Coast Vale. Comprising two 36-storey towers, the 99-year leasehold project has excellent connectivity to the future Jurong Lake District, Singapore's 2nd CBD.
- CDL Hospitality Trusts (CDLHT), M&C's REIT associate, marked its maiden entry into Italy through the acquisition of a 95% effective interest in the 86-room 4-star **Hotel Cerretani Florence**, MGallery by Sofitel in Florence, Italy, for €33 million in November.
- In December, the Group's wholly-owned subsidiary – CDL China Limited – launched Tower 3 (191 units) of **Emerald**, its 684-unit JV luxury development in Chongqing.
- CDL acquired the remaining 60% stake in **Central Mall Office Tower** from Alpha Investment Partners. The property is part of a \$1.1 billion portfolio of three office assets injected into the Group's Profit Participation Securities (PPS) 2 platform in 2015.



## AWARDS & ACCOLADES

### BUSINESS & PERFORMANCE EXCELLENCE\*

- **ASEAN Corporate Governance Scorecard Award**
  - #6 out of Top 100 Singapore-listed Companies
  - Top 50 ASEAN Public Listed Companies
- **Bloomberg Gender-Equality Index (GEI) 2018**
- **Euromoney Real Estate Survey 2018**
- **Top Employer in Singapore Influential Brands 2018**  
Real Estate Developer
- **Institutional Investor All-Asia Executive Team 2018**
  - Asia's Most Honoured Company (#3 in Singapore)
  - Asia's Best CFO (Yiong Yim Ming – #3 in Singapore)
  - Asia's Best IR Companies (#3 in Singapore)
  - Asia's Best ESG/SRI Metrics (#2 in Singapore)
- **IR Magazine Awards – South East Asia 2018**  
Best ESG Communications
- **Securities Investors Association (Singapore) Investors' Choice Awards 2018**
  - Sustainability Award (Winner)
  - Most Transparent Company Award (Runner-Up, Properties)
- **Singapore Governance and Transparency Index (SGTI) 2018**  
#7 out of 589 companies
- **Total Defence Awards 2018**  
NS Advocate Award

### SUSTAINABILITY<sup>^</sup>

- **Asia Sustainability Reporting Rating 2018**  
Platinum
- **STOXX® Global ESG Leaders Indices 2018**
- **CDP (formerly known as Carbon Disclosure Project)**  
Global A-List for Corporate Climate Change
- **Dow Jones Sustainability Indices (World & Asia Pacific) 2018**
- **FTSE4Good Index Series**
- **Global 100 Most Sustainable Corporations in the World 2018**
- **Global Real Estate Sustainability Benchmark (GRESB) 2018**  
Sector Leader for Office, Asia
- **Green Bond Pioneer Award 2018**  
New Countries Taking Green Bonds Global
- **MSCI ESG Leaders & ESG SRI Indexes 2018**  
Highest 'AAA' rating
- **Patron of the Arts Award 2018**
- **Sustainable Business Awards Singapore 2018**
  - Overall Winner
  - Special Recognition, Workforce
  - Best Climate Change
  - Best Land Use and Biodiversity
- **Workplace Safety and Health Awards 2018**  
Developer Award

### PRODUCT EXCELLENCE\*

- **Building and Construction Authority Awards 2018**
  - Built Environment Leadership Award – Platinum Star
  - Quality Excellence Award – Quality Champion Platinum
  - BCA-MSF Universal Design Mark for Family-Friendly Business – Platinum City Square Mall
  - Green Mark Award – Pearl Prestige City Square Mall
  - Green Mark Award – Pearl Manulife Centre<sup>#</sup> Republic Plaza Tower 2
  - Green Mark Award – Platinum 7 & 9 Tampines Grande City Square Mall
  - Green Mark Award – Platinum Fuji Xerox Towers
  - Green Mark Award – Platinum Palais Renaissance
  - Green Mark Award – Platinum Republic Plaza
  - Green Mark Award – Platinum Singapore Sustainability Academy
  - Green Mark Award – Platinum The Singapore EDITION
  - Green Mark Award – Gold<sup>PLUS</sup> The Tapestry
  - Green Mark Award – Gold<sup>PLUS</sup> 11 Tampines Concourse
  - Green Mark Award – Gold<sup>PLUS</sup> Forest Woods
  - Green Mark Award – Gold<sup>PLUS</sup> M Hotel Singapore
  - Green Mark Award – Gold<sup>PLUS</sup> Novotel Singapore Clarke Quay
  - Green Mark Award – Gold<sup>PLUS</sup> Universal Design Mark Award – Gold<sup>PLUS</sup> D'Nest
  - Construction Productivity Award – Gold The Venue Residences and Shoppes
  - Construction Excellence Award Jewel @ Buangkok
  - Construction Excellence Award – Merit Gramercy Park
  - Construction Excellence Award – Merit HAUS@SERANGOON GARDEN
  - Construction Excellence Award – Merit Lush Acres
  - Construction Excellence Award – Merit The Venue Residences and Shoppes
- **EdgeProp Excellence Awards 2018**
  - Top Development Excellence New Futura (Completed – Central)
  - Top Development Excellence D'Nest (Completed – Non-Central)
  - Top Executive Condominium Excellence Lush Acres
  - Sustainability Excellence The Venue Residences and Shoppes (Completed – Central)
  - Value Creation Coco Palms
- **FIABCI Singapore Property Awards 2018**  
New Futura (Winner, Residential – High Rise)
- **FIABCI World Prix d'Excellence Awards 2018**  
Gramercy Park (World Gold Winner, Residential – High Rise)



\* Not exhaustive. For a full listing of our corporate and project awards, please refer to [www.cdl.com.sg](http://www.cdl.com.sg).  
<sup>^</sup> Not exhaustive. For a full listing of our sustainability awards, please refer to [www.cdlsustainability.com](http://www.cdlsustainability.com).  
<sup>#</sup> Divested in January 2019.



# CORPORATE DIRECTORY

## BOARD OF DIRECTORS

### Executive Director

Kwek Leng Beng, Executive Chairman

### Lead Independent Director

Lim Yin Nee Jenny

### 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  
Tan Yee Peng  
Koh Thiam Hock  
Lim Yin Nee Jenny

## AUDIT & RISK COMMITTEE

Lim Yin Nee Jenny, Chairman  
Tan Yee Peng  
Koh Thiam Hock

## NOMINATING COMMITTEE

Philip Yeo Liat Kok, Chairman  
Kwek Leng Beng  
Tan Yee Peng  
Lim Yin Nee Jenny

## REMUNERATION COMMITTEE

Lim Yin Nee Jenny, Chairman  
Philip Yeo Liat Kok  
Koh Thiam Hock

## BOARD SUSTAINABILITY COMMITTEE

Tan Yee Peng, Chairman  
Philip Yeo Liat Kok  
Tan Poay Seng  
Sherman Kwek Eik Tse

## 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: shareregistry@mncsingapore.com

## REGISTERED OFFICE

9 Raffles Place  
#12-01 Republic Plaza  
Singapore 048619  
Tel: +65 6877 8228  
Fax: +65 6225 2746  
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.  
MUFG Bank, Ltd.  
Oversea-Chinese Banking Corporation  
Limited  
Sumitomo Mitsui Banking Corporation  
The Hongkong and Shanghai Banking  
Corporation Limited  
The Royal Bank of Scotland plc  
United Overseas Bank Limited

# BOARD OF DIRECTORS



**KWEK LENG BENG**

## KWEK LENG BENG / 78

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 re-elected as a Director on 25 April 2018. He also sits on the Board Committee (BC) and the Nominating Committee (NC) of CDL.

He is the non-executive Chairman of Millennium & Copthorne Hotels plc (M&C) which he founded, 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 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 has vast experience in real estate business, hotels, as well as trading and manufacturing.

Mr Kwek's other appointments include being 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 has received numerous accolades starting from 1997, when he was named "Businessman of the Year 1996" by Singapore Business Awards, organised by The Business Times and DHL. In 2012, he was jointly awarded the "Partners in the Office of the CEO" award in the Brendan Wood International – Securities Investors Association Singapore (SIAS) TopGun CEO Designation Award with the late Mr Kwek Leng Joo (former Deputy Chairman of CDL). This award is given to CEOs who are best in class rated by shareholders. In 2014, he received the inaugural Real Estate Developers' Association of Singapore (REDAS) Lifetime Achievement Award which honours a pioneering group of real estate leaders.

He received the Singapore Chinese Chamber of Commerce and Industry (SCCCI) SG50 Outstanding Chinese Business Pioneers Award in 2015. The award honours the Republic's outstanding Chinese business pioneers

and their exemplary contributions to nation-building. That same year, he was accorded the Lifetime Achievement Award from Hotel Investment Conference Asia Pacific (HICAP). This accolade honours exceptional individuals who have distinguished themselves through accomplishments and contributions to the hotel industry.

In 2017, he was presented the Lifetime Achievement Award at the Asia Pacific Entrepreneurship Awards organised by Enterprise Asia, a regional non-governmental organisation for entrepreneurship. The award was in recognition of his outstanding achievements, visionary leadership and steadfast dedication that led to the successful growth of the Hong Leong Group for over five decades. That same year, he clinched the inaugural Global Blue Ocean Shift Award, given at the Global Entrepreneurship Community Summit in Kuala Lumpur. Most recently, Mr Kwek was awarded the Singapore Tatler Diamond Award (Lifetime Achievement) 2018, in recognition of his exceptional leadership that led the Hong Leong Group to grow into a globally-diversified enterprise.





**KWEK LENG PECK**

**KWEK LENG PECK / 62**

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 25 April 2018. He is a member of the BC of CDL.

Mr Kwek is the Executive Chairman of HLA. He is also an Executive Director of HLIH and Hong Leong Corporation Holdings Pte Ltd (HLCH), 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, CYI and HLCH 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 / 72**

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 will be seeking re-election as a Director at the 2019 AGM.

Mr Yeo is Chairman of Economic Development Innovations Singapore Pte Ltd (EDIS) which provides strategic advice



**PHILIP YEO LIAT KOK**

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 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 / 52**

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



**TAN POAY SENG**

on the BSC of CDL. Mr Tan will be seeking re-election as a Director at the 2019 AGM.

Mr Tan is the Managing Director of Magni-Tech Industries Berhad, an investment holding company listed on the Main Market of Bursa Securities Malaysia Berhad, and Coronation Springs (M) Sdn. Bhd., a niche property development company. 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.

**TAN YEE PENG / 45**

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 is also the Chairman of the BSC and a member of the BC, the ARC and the NC of CDL.

Ms Tan graduated with First Class Honours degree in Accountancy from Nanyang Technology University (NTU) and has more than 18 years of accounting and auditing experience, and previously served as an audit partner with KPMG LLP ("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 YEE PENG**

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 practicing 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. Ms Tan was an Adjunct Associate Professor of the Nanyang Business School, NTU, till 2018. Besides academia, 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.

Ms Tan is a Fellow of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors.

**KOH THIAM HOCK / 68**

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



**KOH THIAM HOCK**

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.



**LIM YIN NEE JENNY**

**LIM YIN NEE JENNY / 65**

NON-EXECUTIVE AND  
LEAD INDEPENDENT DIRECTOR

Appointed a Director of CDL on 22 June 2018, Ms Lim is the Lead Independent Director and is also the Chairman of the ARC and the RC, and a member of the BC and the NC of CDL. Ms Lim will be seeking election as a Director at the 2019 AGM.

Ms Lim was an Independent Non-Executive Director of both M&C REIT Management Limited, the manager of CDL Hospitality Real Estate Investment Trust, and M&C Business Trust Management Limited, the trustee-manager of CDL Hospitality Business Trust from 2006 until she stepped down on 26 April 2017. During her tenure as a Director on the two boards, she was also the Lead Independent Director and chairman of the Audit and Risk Committees.

Ms Lim was admitted as a partner of KPMG in 1983. She started her career with KPMG, first in audit and subsequently specialised in taxation. Prior to her retirement from professional practice on 31 December 2001, she was the Head of KPMG's Tax Practice and a member of KPMG's International Tax Committee. She remained as an Advisor to KPMG until 31 January 2004.

Ms Lim is a retired fellow member of the Association of Chartered Certified Accountants, United Kingdom (ACCA). She was previously ACCA's examiner for both the Taxation and Advanced Taxation papers, an adjunct professor with the Singapore Management University, a facilitator with the Tax Academy of Singapore and a board member of Raffles Institution. Presently, Ms Lim is the President of Viriya Community Services, a charitable organisation.



# KEY MANAGEMENT PERSONNEL



LEFT TO RIGHT: KWEK EIK SHENG, YIONG YIM MING, SHERMAN KWEK, CHIA NGIANG HONG, FRANK KHOO

## SHERMAN KWEK GROUP CHIEF EXECUTIVE OFFICER

Mr Sherman Kwek assumed his current role as CDL's Group Chief Executive Officer (CEO) in January 2018. Since April 2016, he has also held the position of Executive Chairman of CDL China. He was previously the Deputy CEO and Chief Investment Officer of CDL. He has been spearheading the Group's expansion in China, Japan and Australia for almost a decade and in recent years has also broadened the Group's presence in Singapore and the UK.

Throughout his career, Mr Kwek has held various senior management roles including serving as the CEO of Hong Kong-listed City e-Solutions Limited and

the Chief Operating Officer of Singapore-listed Thakral Corporation Ltd. He also worked at RECAP Investments Limited, a real estate private equity fund. He started his career in New York in venture capital and investment banking before eventually joining the US division of Millennium & Copthorne Hotels plc. 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.

Mr Kwek is currently a Council Member of the Singapore Chinese Chamber of Commerce and Industry (SCCCI), and is also a member of the Council for Board Diversity, formerly known as 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 around 40 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 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 assists the Group CEO to source and execute new investment opportunities, and also establish a dedicated fund management platform.

With over 20 years of international experience in fund management, private experience in fund management, 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 Chartered 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. She is a Council Member of the Institute of Singapore Chartered Accountants and is also a Member of the Board of Trustees for the Singapore University of Social Sciences.

## SENIOR MANAGEMENT

**MARK YIP**  
Chief Revenue Officer  
Chief Executive Officer, CDL China Limited

**YVONNE ONG**  
Chief Executive Officer, Commercial

**LEE MEI LING**  
Executive Vice President &  
Head, Property Development

**ESTHER AN**  
Chief Sustainability Officer

**IVAN NG**  
Chief Technology Officer

**STEVEN TAN**  
Chief Human Resource Officer



# 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 2018 (organised by SIAS) in September 2018:

**“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 2018, CDL:
  - was declared a runner-up winner in the Properties category for the Most Transparent Company Award, which recognised listed companies that have excellent corporate governance practices and shareholder interests; and
  - continued to be a Sustainability Award winner, 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 8th position in 2017 to the 7th position in 2018. 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 achieved 6th position in the top 100 ranked Singapore-listed companies in the ASEAN Corporate Governance Scorecard 2018 (Singapore country scorecard) and went on to be ranked within the top 30 public listed companies in the six ASEAN countries (namely, Singapore, Malaysia, Thailand, Philippines, Indonesia and Vietnam) for the overall ASEAN Corporate Governance Awards 2018.
- 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. In recognition of its commitment to transparency in gender reporting and advancing gender diversity in the workplace, CDL was listed once again in the 2019 Bloomberg GEI. CDL was the only real estate

management and development company to be listed on the GEI for two consecutive years.

- CDL was placed on the SGX Fast Track programme in April 2018, a programme which was launched by Singapore Exchange Regulation (SGX RegCo) in recognition of listed companies which have maintained good corporate governance standing and compliance track record. Companies under this programme will receive prioritised clearance on selected corporate action submissions to SGX RegCo.

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. The Company has also taken note of the updated principles and guidelines in the revised Code of Corporate Governance 2018 (“2018 Code”), and where the Company’s practices are already aligned with the new provisions under the 2018 Code, these are highlighted within this report.

The Company’s principal subsidiary, Millennium & Copthorne Hotels plc (“M&C”), is listed on the London Stock Exchange, and there are other key listed entities within M&C’s group of companies, namely, CDL Hospitality Trusts (a Singapore Stock Exchange listed hospitality trust), Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited, both of which are listed on the New Zealand Stock Exchange. The independent boards and board committees of the Group’s listed subsidiaries are responsible to uphold high standards of corporate governance and oversee the effectiveness of their internal controls and risk management systems. Further information on the governance regime, corporate governance practices, and the assurances on the adequacy and effectiveness of the internal controls and risk management systems of these listed subsidiaries can be found in their respective corporate governance statements as published in their annual reports.

## 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 Sustainability Committee (“BSC”) assists the Board in the review and consideration of the Company’s sustainability issues and approach to sustainability reporting. The BSC comprises four members, namely three independent non-executive Directors, and the Group Chief Executive Officer (“Group CEO”). 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 Company’s 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 Company’s sustainability practices are set out in the Sustainability Board Statement on pages 63 to 75 of this Annual Report 2018 (“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 previous Integrated Sustainability Reports were 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 in its Integrated Sustainability Report 2018 issued in the second quarter of 2018. The Company will be issuing its Integrated Sustainability Report 2019 in the first

quarter of 2019. These Sustainability Reports are available on CDL’s corporate website.

## DIRECTORS’ OBJECTIVE DISCHARGE OF DUTIES & DECLARATION OF INTERESTS

All Directors, being fiduciaries, 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 (“NC”) 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 and decision-making 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 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 required composition, authority and responsibilities of the Committees, and provide for each Committee to submit at least an annual report of its activities to the Board (*Note: aligned with Provision 1.4 of the 2018 Code*). 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:

| Committees                     | Composition  |
|--------------------------------|--|
| Board Committee                | Kwek Leng Beng (Chairman)<br>Kwek Leng Peck<br>Tan Yee Peng<br>Koh Thiam Hock<br>Lim Yin Nee Jenny |
| Audit & Risk Committee         | Lim Yin Nee Jenny*<br>Tan Yee Peng<br>Koh Thiam Hock   |
| Nominating Committee           | Philip Yeo Liat Kok*<br>Kwek Leng Beng<br>Tan Yee Peng<br>Lim Yin Nee Jenny                        |
| Remuneration Committee         | Lim Yin Nee Jenny*<br>Philip Yeo Liat Kok<br>Koh Thiam Hock  |
| Board Sustainability Committee | Tan Yee Peng*<br>Philip Yeo Liat Kok<br>Tan Poay Seng<br>Sherman Kwek Eik Tse (non-Board member)   |

\* 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 six times a year. Seven Board meetings were held in 2018. At the regular quarterly Board meetings, the Board agenda includes updates by the Senior Management and other key executives on the Group's strategic initiatives and implementation status, updates on the Group's investments and developments in Singapore and overseas, and the Group's financial performance. In addition to these quarterly Board meetings, two additional Board meetings are scheduled annually for the Board to focus on the review of the Company's strategic direction, including specific business strategies, capital and geographical allocation, and risk appetite and tolerance limits, where applicable.

A meeting of the non-executive Directors ("NEDs"), chaired by the Lead Independent Director ("Lead ID"), was held in 2018. 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 some of these Committees, no separate meeting of the IDs was required to be convened in 2018.

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 2018, is disclosed on page 35 of this AR. 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 2018

|                                    | Board                               | ARC                | NC                 | RC                 | BSC                | NEDs                | AGM                 |
|------------------------------------|-------------------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| Number of meetings held in 2018    | 7                                   | 6                  | 4                  | 2                  | 2                  | 1                   | 1                   |
| Name of Directors                  | Number of meetings attended in 2018 |                    |                    |                    |                    |                     |                     |
| Kwek Leng Beng <sup>(4)</sup>      | 7/7                                 | N.A.               | 4/4                | N.A.               | N.A.               | N.A.                | 1                   |
| Kwek Leng Peck                     | 7/7                                 | N.A.               | N.A.               | N.A.               | N.A.               | 1                   | 1                   |
| Philip Yeo Liat Kok <sup>(4)</sup> | 6/7                                 | N.A.               | 3/4                | 2/2                | 2/2                | 1                   | –                   |
| Tan Poay Seng                      | 5/7                                 | N.A.               | N.A.               | N.A.               | 2/2                | 1                   | 1                   |
| Chan Soon Hee Eric <sup>(1)</sup>  | 3/3 <sup>(1)</sup>                  | 3/3 <sup>(1)</sup> | 3/3 <sup>(1)</sup> | 1/1 <sup>(1)</sup> | 1/1 <sup>(1)</sup> | 1 <sup>(1)</sup>    | 1 <sup>(1)</sup>    |
| Tan Yee Peng <sup>(2)</sup>        | 7/7                                 | 6/6                | 4/4                | N.A.               | 1/1 <sup>(2)</sup> | 1                   | 1                   |
| Koh Thiam Hock                     | 6/7                                 | 6/6                | N.A.               | 2/2                | N.A.               | 1                   | 1                   |
| Lim Yin Nee Jenny <sup>(3)</sup>   | 4/4 <sup>(3)</sup>                  | 3/3 <sup>(3)</sup> | 1/1 <sup>(3)</sup> | 1/1 <sup>(3)</sup> | N.A.               | N.A. <sup>(3)</sup> | N.A. <sup>(3)</sup> |

### NOTES:

- <sup>(1)</sup> Mr Chan Soon Hee Eric resigned as a Director, the Lead ID, Chairman of ARC, RC and BSC and a member of the NC on 22 June 2018.  
<sup>(2)</sup> Ms Tan Yee Peng was appointed the Chairman of the BSC on 22 June 2018.  
<sup>(3)</sup> Ms Lim Yin Nee Jenny was appointed a Director, the Lead ID, Chairman of ARC and RC and member of the Nominating Committee on 22 June 2018.  
<sup>(4)</sup> All Directors, including Mr Kwek Leng Beng (the Chairman of the Board) and Mr Chan Soon Hee Eric (the former chairman of the ARC, RC and BSC), except Mr Philip Yeo Liat Kok (the chairman of the NC), were in attendance at the AGM in 2018, 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 decisions over the strategic direction and policies of the Group and its 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; acquisition and disposal of assets/business undertakings based on an authorisation matrix approved by the Board; 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 in connection with the Group's investments for its property development, property investment, asset management and fund management platforms.

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.

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 Entity Director ("LED") 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 LED 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 Company has noted that such training for first-time directors is now mandatory under the revised SGX Listing Rules.

Ms Lim Yin Nee Jenny was appointed an independent non-executive Director in June 2018. Ms Lim was previously an independent non-executive director of the manager and trustee-manager for CDL Hospitality Trusts from 2006 until she stepped down in April 2017. During her tenure as a director on these two boards, she was also the lead independent director and chairman of their audit and risk committees. With her experience as a director of a listed entity, there is no requirement for Ms Lim to undergo the basic training modules under the LED Programme. In addition to the abovementioned induction programme

conducted for Ms Lim, she also met with the various heads of department within the Company's operations and was briefed on their key functions.

The Directors are also provided with updates and/or briefings from time to time by professional advisers, auditors, the 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.

Two in-house seminars were conducted by invited external speakers in 2018, on the following topics:

- 1 Innovation in the Marketplace: Emerging Trends and Insights, with focus on Blockchain Technology, Fintech and Smart Buildings
- 2 Ethical Standards and Culture: The Role of the Board
- 3 Unlocking Business Value from Sustainable Development Goals (SDG) Integration
- 4 Driving Business Performance through Sustainability Reporting
- 5 Sustainability Reporting by SGX-ST listed companies

The ARC members were also provided with regular briefings from the Company's external auditors on applicable Accounting Standards Updates during the year.

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 and decision-making 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, Ms Tan Yee Peng, Mr Koh Thiam Hock and Ms Lim Yin Nee Jenny. In accordance with SGX Listing Rule 210(5)(d), none of the 5 IDs are currently employed or have been employed at any time during the past three financial years by the Company or any of its related corporations. None of the 5 IDs have immediate family members who are currently employed or have been employed at any time during the past three financial years by the Company or any of its related corporations, and whose remuneration is determined by the RC. For purposes of determining independence, the 5 IDs have also provided confirmation that they are not related to the Directors and 5% 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.

In June 2018, Mr Chan Soon Hee Eric, who had served on the Board for more than six years, resigned as an independent non-executive Director of the Company and consequently also stepped down as Lead ID and from his other appointments on the various Committees. The Board extends its appreciation to Mr Chan for his dedicated service during his tenure on the Board.

Ms Lim Yin Nee Jenny was appointed as an independent non-executive Director in June 2018. Ms Lim was previously an independent non-executive director of the manager and trustee-manager for CDL Hospitality Trusts from 2006 until she stepped down in April 2017. During her tenure as a director on these two boards, she was also the lead independent director and chairman of their audit and risk committees. In addition to her experience as a director for a public listed entity, the NC also considered her extensive experience in corporate advisory, corporate reorganisations, and mergers and acquisitions as well as in enterprise risk functions, culled from her background as a partner of KPMG LLP from 1983 up to her retirement in 2001, and was of the view that her appointment to the Board would complement and strengthen the core competencies of the Board. Her appointment further advanced the Company's objective to promote diversity, especially gender diversity, on the Board. The Board currently has two female directors out of a total Board size of seven members.

Mr Philip Yeo Liat Kok, who will be seeking re-election at the Company's Annual General Meeting in April 2019, has served slightly more than nine years since his appointment to the Board on 11 May 2009. The NC and the Board concurred that Mr Yeo had maintained his independence throughout his service on the Board, having observed many instances of Mr Yeo's contribution

and objectivity in the review and evaluation of 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. The NC and the Board therefore recommend the re-appointment of Mr Yeo as an independent Director of the Company.

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 had 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 2018, 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. At the recommendation of the NC, the Board had already adopted in 2017 a formal Board Diversity Policy, setting out its policy and framework for promoting diversity on the Board (*Note: aligned with Provision 2.4 of the 2018 Code*). 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.

75% of the Board attended various training seminars and workshops in 2018 = Accounted for more than 90 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, based on the NC's recommendation 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



# CORPORATE GOVERNANCE

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 initial recommended target to achieve a level of at least 20% female representation on its Board by 2020. With the appointment of Ms Lim Yin Nee Jenny in 2018, the Board achieved its target ahead of 2020 with a female representation of 28.5% on the Board.

In this regard, the NC will try to ensure that:

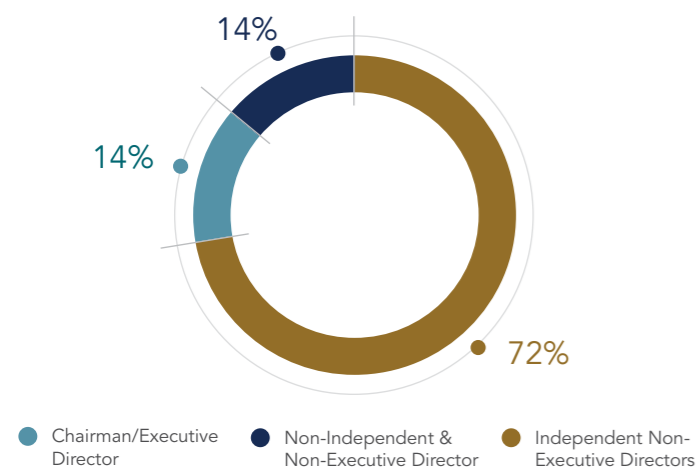
- (a) if external search consultants are used to search for candidates for Board appointments, the brief will include a requirement to also present female candidates;
- (b) when seeking to identify a new Director for appointment to the Board, the NC will request for female candidates to be fielded for 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.

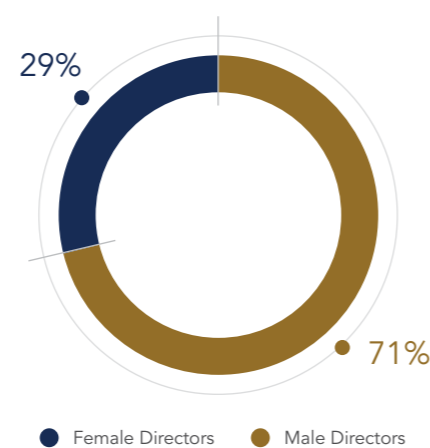
The Board currently comprises business leaders and professionals with real estate, hospitality, financial (including audit and accounting), legal, risk management and business management qualifications and backgrounds. When reviewing candidates for Board appointment, the NC will be considering candidates from other disciplines e.g. legal and information technology, in order to provide more diverse viewpoints and introduce new skills set to the Board.

The Board has two female members, 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.

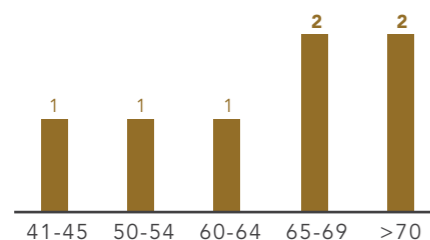
## BOARD COMPOSITION, DIVERSITY AND BALANCE INDEPENDENCE



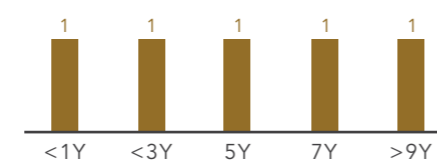
## GENDER DIVERSITY



## AGE GROUP OF OUR DIRECTORS (AS OF 31 DECEMBER 2018)



## INDEPENDENT DIRECTOR'S LENGTH OF SERVICE (AS OF 31 DECEMBER 2018)



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 2018 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, leading the Board in its review of the Group's strategies for sustainable growth. 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, is responsible for setting and implementing the business direction and strategies for the Group as endorsed by the Board, and for management oversight of the Group's performance. He is related to the Executive Chairman, being his elder 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 Ms Lim Yin Nee Jenny as Lead ID on 22 June 2018 to serve as a sounding board for the Board Chairman and also as an intermediary between the NEDs and the Board Chairman. This position of Lead ID was previously held by Mr Chan Soon Hee Eric, prior to his resignation from the Board on 22 June 2018. 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 2018. Under the chairmanship of the Lead ID, a meeting of the NEDs was convened in 2018 without the presence of Management or the Board Chairman, and the views expressed by the NEDs was communicated 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 ("Group GM"), 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. Four NC meetings were held in 2018. 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 Philip Yeo Lai Kok and Mr Tan Poay Seng are due to retire by rotation at the forthcoming AGM ("2019 AGM") and have

offered themselves for re-election at the 2019 AGM. Ms Lim Yin Nee Jenny, being a Director appointed by the Board in 2018, will also retire and has offered herself for election at the 2019 AGM. The NC has considered their contribution and performance and recommended to the Board to nominate their re-election/ election at the 2019 AGM.

As mentioned on page 37 of this report, Mr Philip Yeo Liat Kok, who will be seeking re-election at the 2019 AGM, has served slightly more than nine years since his appointment to the Board on 11 May 2009. The NC and the Board concurred that Mr Yeo had maintained his independence throughout his service on the Board, having observed many instances of Mr Yeo's contribution and objectivity in the review and evaluation of 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. The NC and the Board therefore recommend the re-appointment of Mr Yeo as an independent Director of the Company.

## 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, the Council for Board Diversity 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 or she has any issue with competing time commitments which may impact his or her ability to provide sufficient time and attention to his or her 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 are 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 six 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 or her time commitments with the proposed new appointment and in the case of an independent Director, to also ensure that his or her 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; 'Additional Information on Directors seeking election/re-election at the 56th Annual General Meeting'; and the Notice of AGM for information on Directors proposed for re-election at the 2019 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 Chan Soon Hee Eric, an independent NED, who had served on the Board for more than six years, stepped down as Director in June 2018. He was replaced by Ms Lim Yin Nee Jenny who was appointed an independent NED at the same time. The NC had considered her extensive experience in corporate advisory, corporate reorganisations, and mergers and acquisitions as well as in enterprise risk functions, culled from her background as a partner of KPMG LLP from 1983 up to her retirement in 2001, and was of the view that her appointment to the Board would complement and strengthen the core competencies of the Board. She also had the relevant audit and accounting background and experience to chair the ARC of the Company.

On 1 January 2018, Mr Sherman Kwek assumed full responsibilities as the Group CEO of the Company. Mr Sherman Kwek had previously held the role of Deputy CEO and thereafter, taken on the role of CEO-Designate when the Company had announced the resignation of Mr Grant Lewis Kelley as CEO of the Company and his effective date of departure on 31 December 2017. This process allowed for a smooth transition and continuity of leadership at the Senior Management level.

In January 2018, the Board also announced the appointment of a Group Chief Investment Officer, Mr Frank Khoo, who assists 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.



## 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 2018 are set out in the paragraph 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 Group GM, 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 2018.

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 2018.

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:



## CORPORATE GOVERNANCE

- 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 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 or her own remuneration.

Each of the Directors receives a base Director's fee. The Lead ID also receives an additional fee to reflect his or her 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 payable to Directors of the Company for FY 2018 is as follows:

| Appointment                     | Per annum |
|---------------------------------|-----------|
| Board of Directors              |           |
| – Base fee                      | \$90,000  |
| Audit & Risk Committee          |           |
| – ARC Chairman's fee            | \$90,000  |
| – ARC Member's fee              | \$70,000  |
| Nominating Committee            |           |
| – NC Chairman's fee             | \$22,000  |
| – NC Member's fee               | \$15,000  |
| Remuneration Committee          |           |
| – RC Chairman's fee             | \$22,000  |
| – RC Member's fee               | \$15,000  |
| Board Sustainability Committee  |           |
| – BSC Chairman's fee            | \$8,000   |
| – BSC Member's fee              | \$5,000   |
| Lead Independent Director's fee | \$12,000  |

### 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 Group CEO's remuneration for FY 2018, 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*<br>% | Variable Bonuses/<br>Allowances*<br>% | Board/<br>Committee<br>Fees**<br>% | Other<br>Benefits<br>% | Total<br>\$'000 |
|--------------------------------------|-------------------|---------------------------------------|------------------------------------|------------------------|-----------------|
| <b>Executive Director</b>            |                   |                                       |                                    |                        |                 |
| Kwek Leng Beng <sup>^</sup>          | 15                | 77                                    | 7                                  | 1                      | 8,868           |
| <b>Non-executive Directors</b>       |                   |                                       |                                    |                        |                 |
| Kwek Leng Peck <sup>^</sup>          | –                 | –                                     | 100                                | –                      | 198             |
| Philip Yeo Liat Kok                  | –                 | –                                     | 100                                | –                      | 132             |
| Tan Poay Seng                        | –                 | –                                     | 100                                | –                      | 95              |
| Chan Soon Hee Eric <sup>(1)</sup>    | –                 | –                                     | 100                                | –                      | 112             |
| Tan Yee Peng                         | –                 | –                                     | 100                                | –                      | 179             |
| Koh Thiam Hock                       | –                 | –                                     | 100                                | –                      | 175             |
| Lim Yin Nee Jenny <sup>(2)</sup>     | –                 | –                                     | 100                                | –                      | 121             |
| <b>Group Chief Executive Officer</b> |                   |                                       |                                    |                        |                 |
| Sherman Kwek Eik Tse <sup>(3)^</sup> | 38                | 60                                    | ^^                                 | 2                      | 2,258           |

#### 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 2018, which are subject to approval by shareholders as a lump sum at the 2019 AGM.

<sup>^</sup> Remuneration of these Directors includes remuneration paid or payable by subsidiaries of the Company.

<sup>^^</sup> Not meaningful.

<sup>(1)</sup> Mr Chan Soon Hee Eric resigned as a Director of the Company on 22 June 2018 and the Board and Committee fees payable to him are pro-rated for FY 2018 accordingly.

<sup>(2)</sup> Ms Lim Yin Nee Jenny was appointed as a Director of the Company with effect from 22 June 2018 and the Board and Committee fees payable to her are pro-rated for FY 2018 accordingly.

<sup>(3)</sup> Mr Sherman Kwek Eik Tse was appointed as Group Chief Executive Officer with effect from 1 January 2018.

#### 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 Group CEO) in 2018 have been identified as follows:

1. Mr Chia Ngiang Hong, Group General Manager
2. Mr Kwek Eik Sheng, Group Chief Strategy Officer
3. Mr Frank Khoo, Group Chief Investment Officer
4. Ms Yiong Yim Ming, Group Chief Financial Officer

The aggregate remuneration paid to all of the above top KMPs of the Company in FY 2018, including the Group CEO, is \$8,205,855 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 KMPs and provided disclosure of the aggregate remuneration paid to these KMPs for FY 2018. 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 KMPs, shareholders are provided an insight into the level of remuneration paid to the identified KMPs.

## REMUNERATION OF DIRECTORS' IMMEDIATE FAMILY MEMBERS FOR FY 2018

There are no other employees of the Company who are immediate family members of a Director or the Group CEO, and whose remuneration exceeds \$100,000 during the year.

## 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 the adequacy 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 and their board committees, comprising a majority of independent directors, of the Group's separately listed subsidiaries are responsible for the oversight of their respective groups' corporate governance, and to ensure the adequacy and effectiveness of their respective groups' internal controls and risk management systems. The Directors of the Company rely on the boards and board committees of these listed subsidiaries to ensure that steps are taken for adoption and implementation of appropriate corporate governance practices, internal controls and risk management systems within their respective groups. Further information on the corporate governance practices, internal controls and risk management systems of the Group's listed subsidiaries can be found in the corporate governance statements of these public listed subsidiaries as published in their respective annual reports.

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. In this regard, the ARC takes into account the primary responsibility of the boards and audit and risk committees of the Group's listed subsidiaries for their own internal controls and risk management systems.

The Company has in place an Enterprise Risk Management Framework, which was reviewed and updated in 2018. 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. The risk management framework includes a periodic review of the risk appetite statements and risk tolerance limits for these strategic risks, which statements and limits are considered and endorsed by the ARC and the Board.

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 55 to 60 of this 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.

- (i) Taking into account Provision 9.2 of the 2018 Code: written assurance was received from the Group CEO and the Group CFO that 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) written assurance was received from the Group CEO and the KMPs that the Group's risk management and internal controls systems in place were adequate and effective to address the financial, operational, compliance and IT risks in the context of the current scope of the Group's business operations.

The Group's separately listed subsidiaries are all subsidiaries/ associated companies under M&C, the Group's London-listed subsidiary. As their respective boards are responsible for the oversight of their respective groups' internal controls and risk management systems, written assurance is received from the CEO and CFO of M&C, on the adequacy and effectiveness of the risk management and internal controls systems of M&C Group. Furthermore, the Audit & Risk Committee of M&C provides written confirmation of the adequacy and effectiveness of the internal controls and risk management systems of M&C Group.

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 2018 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.



# CORPORATE GOVERNANCE

## 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 two years 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 Ms Lim Yin Nee Jenny and Ms Tan Yee Peng, were previously partners of the Company's existing auditors, KPMG LLP, they have ceased to be partners more than 10 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 2018, 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 | <p>The ARC considered the approach and methodology applied in assessing the net realisable values of development properties especially development properties with low margins.</p> <p>Where applicable, the ARC reviewed either the Management's or the valuers' underlying assumptions on estimated future selling prices by comparing to recent transacted price or prices of comparable properties located in the vicinity of the Group's development projects. The ARC also noted the historical accuracy of the Management's estimate of future selling prices in assessing the reasonableness of the estimated future selling prices.</p> <p>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 2018. Refer to page 110 of this AR.</p>                        |
| Valuation of hotel assets           | <p>The ARC considered the approach and methodology applied in assessing the valuation of the hotel assets.</p> <p>The ARC noted that more than 90% of the hotel assets is owned by M&amp;C, a subsidiary in which the Group owns 65.2% and which is listed on the London Stock Exchange. The ARC reviewed the approach adopted by the Management of this listed subsidiary and its external auditors which included the review of the reasonableness of key assumptions used in the valuation of hotel properties, including forecasted cashflows, future market growth, occupancy rates, average room rate growth, discount rates and terminal rates in the valuation model.</p> <p>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 2018. Refer to page 111 of this AR.</p> |



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 2018:

- ACRA-SGX-SID Audit Committee Seminar 2018
- SID AC Chapter Pit-Stop Series: The AC's Role in Crisis Management
- NTU: Data Analytics Training
- ISCA: SFRS(I) 1-40: Investment Property
- Wolters Kluwer Singapore: SFRS(I) 16: Leases
- ISCA: SFRS(I) 1-16: Property, Plant and Equipment

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 2018. 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 2018 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 2018. 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 2018, please refer to note 30 of the Notes to the Financial Statements.

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2019, 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 2019 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 2018 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 2019 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 2018 (excluding transactions less than \$100,000 and transactions conducted under the IPT Mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted in FY 2018 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than \$100,000)   |
|---|---|--|
|   | \$'000  | \$'000   |
| Hong Leong Investment Holdings Pte. Ltd. group of companies | <p>Joint Venture Shareholders' Loans*</p> <p>12,641</p> <p>Corporate Secretarial Services Provision of corporate secretarial services to interested persons</p> <p>1,282</p>        | <p>Property-related (a) Provision to interested persons of:</p> <p>(i) project management services;</p> <p>(ii) property management and maintenance and customer services;</p> <p>(iii) marketing services; and</p> <p>(iv) security services.</p> <p>(b) Lease of premises to interested persons.</p> <p>Management and Support Services Provision to interested persons of accounting and financial services.</p> <p>33,903</p> <p>1,515</p> |
|   | Total:  | 35,418   |
| 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 2018, which were announced on 20 February 2019 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 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 submission of reports and the identity of the whistle-blower concerned will not be disclosed 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](http://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. 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 and received regular reports during 2018 on the progress of the audit work under the IA plan. All IA reports are given to the ARC, the Group CFO, the relevant KMP and the Heads of the relevant business divisions with a summary report provided to the Board Chairman and Group CEO. 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 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.cdli.com.sg](http://www.cdli.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 2018 results in February 2019. 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 61 and 62 of this 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, RC and BSC and the external auditors were present at the last 2018 AGM. Although Mr Philip Yeo Liat Kok, the chairman of the NC could not attend the 2018 AGM, the other members of the NC were present at the AGM. The Board Chairman and the chairmen of the ARC, NC, RC and BSC and the external auditors will endeavour to be present at the 2019 AGM to assist the Directors in addressing queries raised by the shareholders. All Directors, except Mr Philip Yeo Liat Kok, attended the 2018 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 to be proposed at the 2019 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 2019 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 2019 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:

- 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.
- 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.
- 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 is an integral part of CDL's business, as risk is inherent in the markets in which we operate. CDL adopts a proactive approach to risk management as we continue our disciplined pursuit of opportunities, innovations, and revenue streams. We aim to identify risks early, so that they can be understood and managed, to reduce uncertainties as well as safeguard the interest of the company and our shareholders. A proactive approach to risk management requires close collaboration with our stakeholders, and a comprehensive Enterprise Risk Management (ERM) framework. Our ERM framework takes reference from the Singapore Code of Corporate Governance, International Organisation for Standardisation (ISO) 31000:2018, and Guidebook for the Board Risk Committee.

In FY 2018, we reviewed our ERM framework to ensure it remains relevant to CDL's circumstances. Our revised ERM framework encompasses the steps of our risk review process. It comprises four key pillars that serve as the foundation of ERM execution and implementation.



The Board of Directors (Board) holds overall responsibility for risk governance, and ensuring that Management maintains a sound system of risk management and internal controls. The Audit & Risk Committee (ARC) assists the Board in carrying out the Board's responsibility in overseeing CDL's risk management framework and policies. Our Risk Management Committee (RMC) highlights significant risk issues for discussion with the ARC and the Board to keep them fully informed in a timely manner. All ARC members, including the Chairman of the ARC, are non-executive independent directors.

### RISK STRATEGY

Our risk strategy is based on the belief that risk management is the responsibility of everyone and that it must be integrated into strategy formulation, capital allocation, decision making, and day-to-day operations. With a focus on cultivating a strong and sustainable 'self-driven' risk culture, we have defined guiding principles for our ERM operating model.

#### ERM Guiding Principles

- **Line managers are to own risks and be accountable.**
- **Risk management activities hinge not only on processes and systems, but equally on a right mindset and attitude.**
- **Risk management is to be benchmarked against global best practices.**

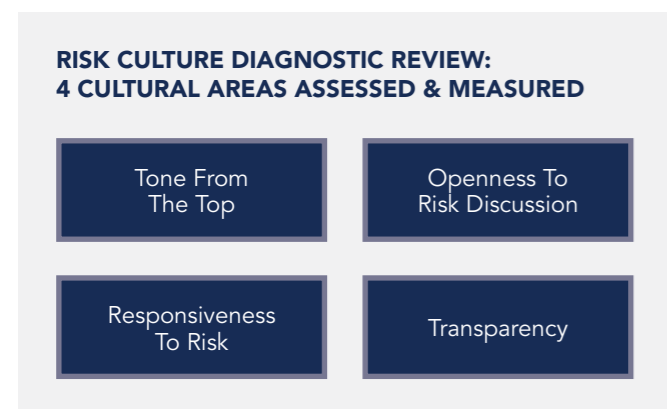
### RISK CULTURE

We believe that effective risk management requires a strong 'risk aware' culture to instill a mentality of 'doing the right thing'. Our Management is fully committed to fostering a strong risk-centric culture, setting the appropriate tone at the top, and demonstrating strong support for risk management. Annually, the ERM department enhances risk management knowledge and concepts by conducting workshops for all levels and functions. The aim is to promote a culture of risk awareness and embed risk management principles in decision making and business processes. Risk management is also incorporated into CDL's orientation programme, to ensure all new employees are familiar with our risk management philosophy and practices. Sharing of best practices and project post-mortem analyses also provide further avenues for learning.



# RISK MANAGEMENT

Towards the end of FY 2018, the ERM department facilitated CDL's first risk culture diagnostic review to assess and profile the 'As-Is' culture state, identify vulnerabilities, and develop an improvement roadmap towards a desired risk culture state. The review involved middle to senior management employees across the CDL Property Group.



The four main areas assessed were referenced against guidance to good risk culture provided by the Institute of Risk Management, as well as good practices highlighted in the Board Risk Committee Guide issued by the Singapore Institute of Directors.

## RISK APPETITE

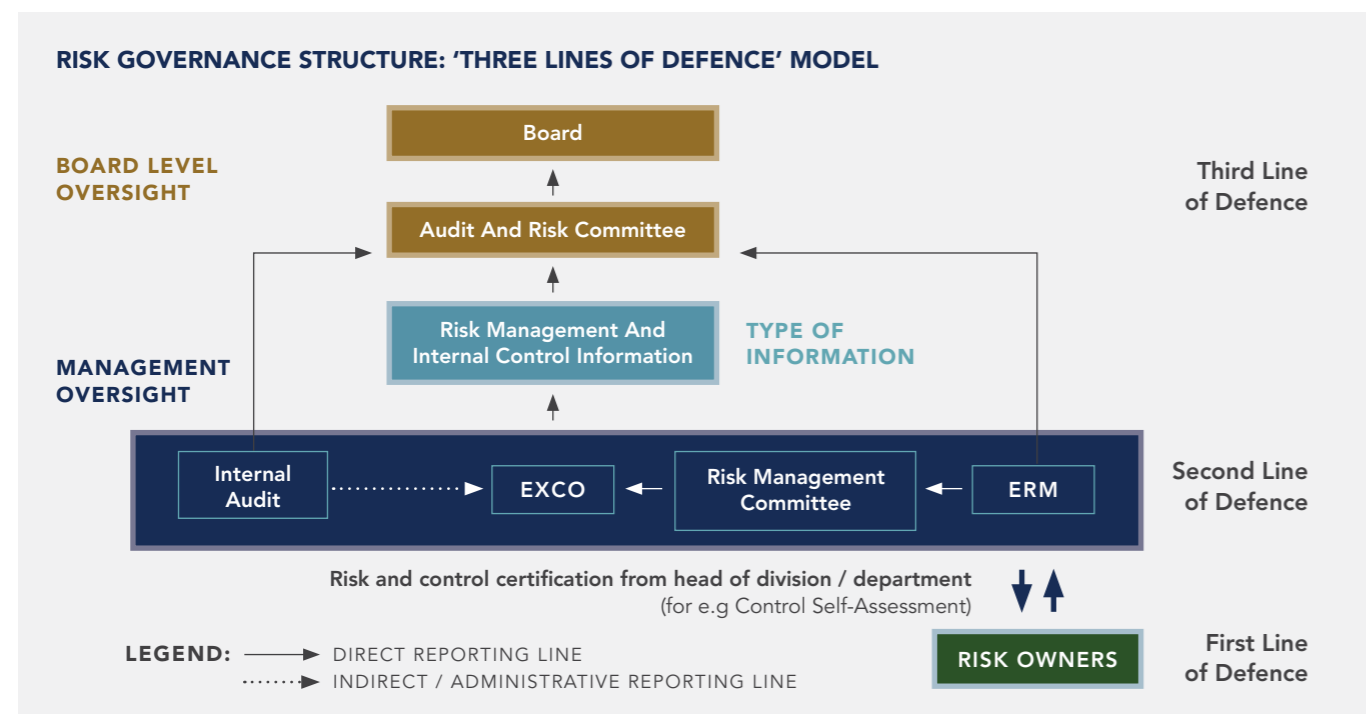
CDL's risk appetite statement reflects the nature and extent of risks we are willing to take to achieve our strategic objectives. The accompanying risk tolerance limits establish the operating boundaries, in both quantitative and/or qualitative terms, and provide a framework within which CDL's

business plans are executed and risks are taken. In FY 2018, the Board approved the following risk appetite statements:

- CDL shall continue to focus on business activities in identified core markets. Except for core markets, CDL shall not be overly exposed to any other single country.
- CDL is prepared to undertake new investments and innovations that commensurate with rewards and/or are in line with CDL's core strengths and strategic objectives. Each and every investment undertaking at the point of acquisition should not have potential loss exposure that might significantly threaten CDL's going-concern assumption.
- CDL will avoid any situation and action resulting in a negative impact on our reputation and brands, and if an undesirable situation arises, CDL will manage it aggressively to preserve our reputation and brand image.
- CDL shall maintain adequate liquid assets to cover planned cash outflows and shall not take speculative positions on interest rates and foreign exchange.
- CDL shall maintain a 'zero-tolerance' position towards environmental, health and safety breaches or lapses, non-compliance with laws and regulations, as well as acts such as fraud, corruption, bribery and extortion.
- CDL shall minimise operational and IT risks, subject to cost-benefit trade-off.

## RISK GOVERNANCE STRUCTURE

In FY 2018, CDL refined its risk governance structure by adopting a 'Three Lines of Defence' model seeking to better illustrate how specific duties related to risk and control should be assigned and coordinated within CDL, to facilitate timely risk identification, escalation, and assurance to the Board.



## RISK MANAGEMENT PROCESS

CDL adopts an integrated top-down and bottom-up risk review process to enable comprehensive identification and prioritisation of all material risks throughout CDL. An integral part of our process towards effective risk management is continuous

communication and consultation with internal and external stakeholders. This enables CDL to understand the importance of risk management and appreciate the decisions made within, as well as to implement the best policies necessary for the overall benefit of CDL.

### Top Down Process

- RMC, chaired by the Group Chief Executive Officer and comprising senior management personnel from the respective business units, meets quarterly to review and discuss the top-tier risks and examine any other risk issues that they consider important. This forum offers an opportunity for management to identify and respond to emerging risks early, voice risk concerns, share risk insights, and provide risk management guidance.
- The ERM department facilitates the review of emerging risks by compiling relevant information from both internal and external sources.
- Emerging risks that are identified and considered material are further assessed and monitored by relevant business units or group functions.

### Bottom-Up Process

- Business units and group functions are required to submit their risk report and highlight any other risk issues to the ERM department on a quarterly basis.
- Through a diligent process of aggregation, filtering, prioritising, and consultation, the ERM department will compile a quarterly risk management report for review and discussion at the RMC forum.
- Upon approval, the report is submitted to the ARC on a quarterly basis. "Deep dive" presentations on selected risks are presented to the ARC for a more detailed review.
- Annually, the ERM department facilitates a Group-wide risk review exercise that requires business units to proactively identify, assess and document material risks as well as the corresponding key controls and mitigating measures needed to address them.

## MATERIAL RISKS TO CDL

CDL categorises its risk profile into four key areas: Strategic, Treasury & Financial, Operational & Compliance, and Information Technology. Many of these affects not just our businesses, but

also other businesses in and outside the real estate industry. These risks vary widely, and many are beyond CDL's control. CDL is committed to mitigate its exposure through appropriate risk management strategies and internal controls.

### Strategic Risk

A large part of CDL's strategic risks comprises market-driven forces, evolving business landscapes, changing customer demands and disruptive innovation. CDL remains vulnerable to uncertainties in the major economies, implications from geo-political developments and keen competition in the real estate industry.

### Market & Competition

CDL operates in areas that are highly competitive, and failure to compete effectively in terms of price, product quality and specification or levels of service can have an adverse impact on CDL's results. The market demand and supply conditions are also one of the significant factors impacting CDL's performance.

We manage by:

- Monitoring macroeconomic trends, market conditions, developments and formulate responses and preemptive strategies accordingly.
- Strengthening our brand and competitiveness through product differentiation, quality excellence, asset enhancement initiatives, operational efficiency and transformation through innovation and creation of new revenue generating platforms.
- Diversifying the portfolio across geographies, focusing on core markets and cities where CDL has operational scale, and where underlying economic fundamentals are more robust.

### Reputation

CDL's reputation is one of its most valuable assets, playing a major part in the continued success of the business. The assessment of reputational risk is, due to the nature of this type of risk, constantly evolving and dependent on numerous factors at any given point in time. It is therefore not possible to define all matters and circumstances which may pose reputational risk, or to set out all the considerations which should be applied as part of the decision-making process.

We manage by:

- Undertaking active monitoring of both traditional and social media platforms, responding actively to them and managing them aggressively when an undesirable situation arises.
- Focusing on being customer-centric and monitoring customer satisfaction closely through surveys, feedback, inspections and other forms of engagement.
- Striving to avoid any situation and action that could result in a negative impact on our reputation and brands.



# RISK MANAGEMENT

|  |   |
|--|---|
| <p><b>Climate Change</b></p> <p>CDL recognises climate change as one of the key long-term global risks that has the potential to impact our assets, revenue, operations and supply chain. Aside from the physical risks from climate change, there are also regulatory transition risks associated with climate change, which could result in stricter emissions standards, higher carbon taxes, water prices and potentially stricter building design requirements.</p> | <p>We manage by:</p> <ul style="list-style-type: none"> <li>Implementing and maintaining a climate change strategy to accelerate efforts towards a low-carbon model, and adopting best practices such as setting science-based carbon emissions reduction targets.</li> <li>Pushing the envelope in innovative building designs, and sustainable construction technologies and materials, to enhance our developments' resilience against physical and transitional risks posed by climate change. CDL continues to explore new frontiers in innovation and sustainable investing.</li> <li>Identifying the potential impact of climate change on our business and assets in the longer term e.g. climate change scenario analysis conducted in 2018 and continual review.</li> </ul> |
| <p><b>Regulatory Changes</b></p> <p>Introduction of new government regulations or sudden policy changes without sufficient consultation could adversely affect our business performance.</p>   | <p>We manage by:</p> <ul style="list-style-type: none"> <li>Actively engaging with regulatory bodies and professional firms on updates to laws and regulations.</li> <li>Continually monitoring and assessing the impact of regulatory changes, reaction in the market, and formulating our strategies accordingly.</li> </ul>  |

In addition to addressing the above strategic risks faced by CDL, other externally driven risks, such as geo-political tensions, global economic uncertainties, disruptive innovations and/or technologies, and other adverse business events that may affect our business performance, are monitored closely and reviewed periodically during the year.

**Treasury & Financial Risk**

Given CDL's diversified global business portfolio, we are exposed to liquidity risk, interest rate risk and foreign currency risk. We have established policies, guidelines and control procedures to manage and report exposure to such risks.

|  |  |
|--|--|
| <p><b>Liquidity</b></p> <p>CDL's ability to meet short-term financial obligations.</p>   | <p>We manage by:</p> <ul style="list-style-type: none"> <li>Monitoring and maintaining a level of cash and cash equivalents and credit facilities.</li> <li>Having in place Medium-Term Note (MTN) programmes to provide a further avenue to support planned growth and investment opportunities.</li> <li>Maintaining a relatively conservative gearing ratio.</li> </ul>                               |
| <p><b>Interest Rate</b></p> <p>The interest rate risk carried by CDL relates primarily to interest-bearing financial assets and debt obligations.</p>  | <p>We manage by:</p> <ul style="list-style-type: none"> <li>Maintaining a debt portfolio with both fixed and floating interest rate.</li> <li>Leveraging on interest rate derivatives to hedge against interest rate exposure for specific underlying debt obligations after considering prevailing market conditions.</li> </ul>  |
| <p><b>Foreign Exchange</b></p> <p>CDL is exposed to foreign currency fluctuations arising from sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of CDL's entities.</p> | <p>We manage by:</p> <ul style="list-style-type: none"> <li>Pursuing 'natural hedge' by matching receipts and payments, and asset purchases and borrowings in each individual currency, where possible.</li> <li>Leveraging on forward foreign exchange contracts or cross-currency swaps to manage foreign exchange exposure.</li> <li>Monitoring foreign exchange risk on a periodic basis.</li> </ul> |

For more information on the CDL's Financial Risk Management, please refer to the Financial Risk Management section on page 215 of this annual report.

## Operational & Compliance Risk

CDL's operations are exposed to a variety of operational risks relating to project management, environmental, health and safety (EHS), human capital, data privacy, adverse regulatory changes, fraud, bribery, corruption and compliance, as well as that from climate change.

|  |   |
|--|---|
| <p><b>Project Management</b></p> <p>Though minimal risks have been encountered, CDL remains vigilant against project risks such as schedule delay, cost overrun, quality, contractor's capability and performance, as well as contract disputes, that will affect our reputation and sales.</p>  | <p>We manage by:</p> <ul style="list-style-type: none"> <li>Adopting a systematic assessment and monitoring process to identify and manage the key risks for each project. CDL adopts a rigorous project management process to ensure that project cost, quality and time objectives are met and have put in place stringent pre-qualification and tendering procedures to appoint well-qualified vendors.</li> <li>Benchmarking our quality assurance processes against all industry standards. We voluntarily subscribe to the BCA Construction Quality Assessment System (CONQUAS) and Quality Mark (QM) Assessment System.</li> <li>Allocating appropriate attention to technically challenging and high-value projects.</li> </ul>   |
| <p><b>Investment Execution</b></p> <p>As CDL accelerates the momentum of our investment, the balancing of risk and returns across asset types and geographic regions and ensuring investment fit are crucial to achieve corporate profitability and portfolio growth.</p>  | <p>We manage by:</p> <ul style="list-style-type: none"> <li>Undertaking rigorous due diligence evaluation for each investment proposal to ensure its fit with CDL's strategy and investment objectives.</li> <li>Ensuring all major investment proposals are tabled to the Board for approval.</li> <li>Ongoing performance monitoring and asset management of new and existing investments to ensure that the investment portfolio creates value for stakeholders on a risk-adjusted basis.</li> </ul>   |
| <p><b>Business Continuity</b></p> <p>CDL recognises the importance and the need to recover from an operational disruption quickly to minimise impact to our customers, operations and assets.</p>  | <p>We manage by:</p> <ul style="list-style-type: none"> <li>Remaining committed to maintaining a high level of operational resilience through review and testing of our incident response, disaster recovery and Business Continuity Plan (BCP).</li> <li>Monitoring and reviewing areas of business operations and tracking of adverse external events, that otherwise may have an implication on our operations.</li> </ul>   |
| <p><b>Environment, Health and Safety</b></p> <p>CDL is committed to be a socially and environmentally responsible organisation that advocates a 'Safe and Green' corporate culture. In this regard, it is of paramount importance that we maintain a high level of EHS standard across CDL and particularly at the ground level.</p>   | <p>We manage by:</p> <ul style="list-style-type: none"> <li>Maintaining an integrated ISO 14001 and OHSAS 18001 EHS Management System (EHSMS) across all key operations within Singapore, to manage the environmental impact of our operations and the safety, health and well-being of employees and workers.</li> <li>Monitoring contractors' onsite EHS performance through use of an independent audit tool – CDL 5-Star EHS Assessment System.</li> <li>Recognising product safety and responsibility and customer well-being as a priority.</li> <li>Practising responsible supply chain and sourcing as part of our commitment to reduce CDL's environmental footprint.</li> <li>Cultivating an EHS-centric culture amongst internal and external stakeholders through periodic workshops and trainings, as well as regular communications to ensure that they are kept updated on safety best practices.</li> </ul> |
| <p><b>Human Capital</b></p> <p>As we seek new avenues of growth, a key differentiator alongside access to innovation will be the ability to attract and sustain talent, including new skills and capabilities. The loss of some or all our key executives or the inability to attract or retain key talent, could materially and adversely affect our business in the medium to long-term.</p> | <p>We manage by:</p> <ul style="list-style-type: none"> <li>Benchmarking and reviewing the competitiveness of our remuneration package periodically.</li> <li>Investing in human capital development of our existing workforce, as well as current and emerging capabilities through professional hires and targeted recruitment.</li> <li>Empowering employees to be innovative through in-house programmes to yield a capable and more agile workforce in business support goals.</li> <li>Rolling out leadership development programmes to groom talent and establish succession planning for key positions.</li> </ul>  |
| <p><b>Data Privacy</b></p> <p>CDL recognises that data privacy breaches may undermine customer confidence and result in litigation from customers and/or regulatory fines and penalties.</p>   | <p>We manage by:</p> <ul style="list-style-type: none"> <li>Adopting a pragmatic 'Data-light, Data-tight' approach in our business conduct.</li> <li>Adopting a risk-based approach to data protection.</li> <li>Conducting awareness training to ensure employees who are directly and/or indirectly handling personal data understand data protection requirements and are equipped with the right knowledge to carry out good data protection practices in their day-to-day activities.</li> <li>Enforcing the same data protection requirements on our data processors.</li> </ul> <p>For more information on how we manage personal data, please refer to the data privacy policy listed on our website: <a href="https://www.cdl.com.sg/index.php/privacy-policy">https://www.cdl.com.sg/index.php/privacy-policy</a></p>   |



## RISK MANAGEMENT

### Compliance

Compliance risk refers to the risk of CDL not being able to successfully conduct our business because of any failure to comply with laws, regulatory requirements, industry codes or standards of business and other relevant applicable standards of professional conduct. This includes laws and regulations applicable to the licensing and conducting of sales, leasing, construction or property development, financial crime such as anti-money laundering and countering the financing of terrorism, and fraud, bribery and corruption.

We manage by:

- Maintaining a zero-tolerance policy and 'tone from the top' towards fraud, bribery and corruption. CDL currently benchmarks our practices against the SS ISO37001 to ensure compliance with industry standards.
- Conducting trainings and adopting e-learning modules to raise awareness and train employees on ways to avoid or prevent non-compliant behaviour. Annually, an annual declaration exercise is to be done through e-Declaration form. All employees are required to acknowledge that they have read and understood a list of CDL's policies.
- Maintaining an effective whistleblowing reporting and communication channel for employees, contractors, customers and stakeholders of CDL to report any unethical, fraudulent or corrupt practices, in good faith, without fear of retaliation, for investigation and action subject to applicable laws.

### Information Technology Risk

With the increased reliance on information systems and technology as a business enabler, a service disruption of critical IT systems or malicious and deliberate attempt of hackers to breach our IT systems could adversely affect CDL's business continuity and reputation.

### Cyber Threat

CDL recognises that cyber threat remains a key concern as attackers become increasingly creative with attack methods and increasingly destructive payloads that better target system vulnerabilities.

We manage by:

- Maintaining an Information Technology (IT) security framework to address evolving IT security threats such as hacking, malware, mobile threats and loss of data. Various measures have also been taken to safeguard against loss of information, data security, and prolonged service disruption of critical IT systems.
- Dedicating IT expertise to keep abreast of the latest developments, innovation and threats in technology, and assessing their risk and impact.
- Conducting vulnerabilities and penetration testing and guided self-assessments to identify IT security gaps.
- Conduct training, including assessment exercises, to educate and heighten our users' awareness to cyber threats.
- Maintaining a cyber threat incident response protocol and disaster recovery plan. CDL carries out disaster recovery plan testing at least once annually.

### MILLENNIUM & COPTHORNE HOTELS PLC (M&C)

The Group's separately listed subsidiaries are all subsidiaries/ associated companies under Millennium & Copthorne Hotels plc ("M&C"), the Group's London listed subsidiary. The respective boards are responsible for the oversight of the risk management system.

M&C Group's risk management framework has been developed to align with the best practice risk management standard ISO 31000. The framework consists of a group risk management process for standardised assessment, reporting and monitoring of risks to ensure a robust and consistent standard in line with the M&C Group's risk appetite.

The M&C Board have established a clear organisational structure for the management of its risks, with well defined roles and responsibilities. The M&C Board retains overall responsibility and accountability of the effectiveness of the risk management framework and internal control systems.

In 2018, M&C Board decided to amalgamate the duties of their Risk Committee and Audit Committee given the commonalities of their remits and recognising the progress made towards establishing a robust risk management framework within the Group, and the new M&C's Audit & Risk Committee commenced operation in May 2018.

Supporting the M&C's Audit & Risk Committee, the M&C's Group Management Risk Committee has accountability for ensuring effective risk management at the operational level in line with the M&C's Board-approved risk appetite limits. The M&C's Group Management Risk Committee is comprised of the principal risk owners, including regional operational heads and functional heads, and is led by M&C's Group Chief Executive Officer.

To support this structure, M&C appointed a Global Director of Compliance and Risk Management to work with the M&C's Group Management Risk Committee and the business. A third-party risk management consultancy also continues to assist the M&C Group in embedding risk management within the business.

More information on M&C's principal risks and risk management can be found in its most recent annual report on its website ([www.millenniumhotels.com](http://www.millenniumhotels.com)).

### MOVING FORWARD

We are committed to continually improve our risk management framework, capabilities, and culture across CDL to ensure the long-term growth and sustainability of our business. By leveraging training initiatives to raise employees' risk management awareness and capabilities, we can continuously enhance the Group's 'risk-centric' culture, and integrate risk management effectively in our businesses.

## INVESTOR RELATIONS

CDL is committed to building investor confidence and trust through effective open, two-way communication with our shareholders and the investment community.

Our Investor Relations (IR) Policy, available on the CDL corporate website ([www.cdl.com.sg](http://www.cdl.com.sg)), outlines the principles and framework in which we communicate and engage with investors, analysts and other IR stakeholders to provide balanced, clear and pertinent information.

To help investors better understand the Group's business and growth drivers, regular updates on our strategies, operations and financial performance are provided across multiple platforms.

### BUILDING CONFIDENCE: EFFECTIVE COMMUNICATION CHANNELS

The Group's quarterly financial results, investor presentations, annual and sustainability reports, media statements and other material announcements, are disseminated on SGXNET ([www.sgx.com](http://www.sgx.com)) and published on the 'Investors & Media' section of our corporate website. In addition, we leverage other communication platforms such as our e-publication, City News ([www.cdl.com.sg/citynews](http://www.cdl.com.sg/citynews)) and social media channels (LinkedIn, Twitter and Instagram) for latest updates on the Group's business and performance milestones. Investors can subscribe to email alerts on the CDL website or follow our social media channels to receive updates on our latest news.

### BUILDING TRUST: ACTIVE ENGAGEMENT WITH THE INVESTMENT COMMUNITY

The CDL senior management and IR team engage with the investment community through various platforms such as its Annual General Meeting (AGM), post-results luncheons, non-deal roadshows (NDRs), conferences, meetings and site visits. Biannual results briefings are held for covering analysts and media. Investors can view 'live' webcasts and archived videos of

the briefings, which are available on our corporate website for up to three years.

In 2018, CDL senior management and IR team met with over 200 investors, through conferences and NDRs held in Singapore, Hong Kong and Japan, as well as group or one-on-one meetings. In addition, we facilitated and hosted site visits to our Singapore and overseas developments for fund managers and analysts.

Apart from facilitating corporate access for investors, the IR team also maintains regular communication with over 20 sell-side equity research analysts that cover our stock. Each year, we host CDL Analyst Socials at our new developments. This event provides sell-side analysts with the opportunity to engage in open interaction with CDL's senior management under a less formal setting.

### ENHANCING SHAREHOLDER VALUE: INAUGURAL SHARE BUYBACK EXERCISE

Global equity markets were impacted by heightened volatility in 2018 weighed down by global trade tensions, policy risks, slowing global growth, tightening liquidity conditions and other macroeconomic headwinds.

In Singapore, the Straits Times Index (STI) fell by 9.8% in 2018, led by losses in property counters following the unexpected introduction of additional property cooling measures by the Singapore Government in July.

In August 2018, CDL initiated our inaugural share buyback exercise in accordance with CDL's Share Purchase Mandate, which was renewed at our 55th AGM on 25 April 2018.

A total of 2.4 million shares were repurchased in 2018 – representing approximately 0.3% of CDL's issued share capital prior to the share buyback – for a total consideration of \$21.4 million. The average repurchase price of \$8.91 per share represents a discount of 19.5% to Net Asset Value per share of \$11.07<sup>^</sup>. The repurchased shares will be held as

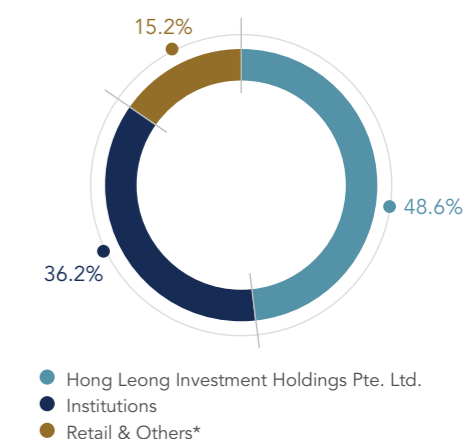
treasury shares and a portion of it may be deployed for the Company's Long-Term Incentive Plans.

CDL is committed to delivering dividends to our shareholders at least once a year. We endeavour to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy.

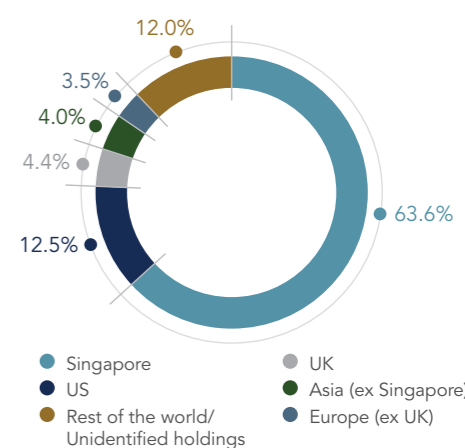
For 2018, total ordinary dividends amounted to 20 cents per share, an increase of 11.1% (2017: 18 cents).

### SHARE OWNERSHIP<sup>^</sup> TOTAL: 906.9 MILLION SHARES

#### INVESTOR TYPE



#### GEOGRAPHIC DISTRIBUTION



\* Including shares held by brokers and undisclosed holdings

<sup>^</sup> As at 31 December 2018



2018 INVESTOR RELATIONS CALENDAR

|                                   |   | Location               |
|-----------------------------------|---|------------------------|
| <b>1st Quarter</b><br>(Jan – Mar) | CDL Analyst Social at New Futura  | Singapore              |
|                                   | CDL FY 2017 Financial Results Briefing to Media & Analyst – Live Webcast                        | Singapore              |
|                                   | Post FY 2017 Results Tea hosted by Goldman Sachs  | Singapore              |
| <b>2nd Quarter</b><br>(Apr – Jun) | Non-Deal Roadshow hosted by Bank of America-Merrill Lynch                                       | Hong Kong              |
|                                   | CDL 55th Annual General Meeting   | Singapore              |
|                                   | Bank of Singapore Investor Forum 2018<br>Deutsche Bank 9th Annual dbAccess Asia Conference 2018 | Singapore<br>Singapore |
| <b>3rd Quarter</b><br>(Jul – Sep) | CDL 1H 2018 Financial Results Briefing to Media & Analyst – Live Webcast                        | Singapore              |
|                                   | Post 1H 2018 Results Luncheon hosted by Morgan Stanley  | Singapore              |
|                                   | Macquarie ASEAN Conference 2018   | Singapore              |
|                                   | Mizuho Investment Conference Tokyo  | Tokyo                  |
| <b>4th Quarter</b><br>(Oct – Dec) | CLSA Investors' Forum Hong Kong   | Hong Kong              |
|                                   | SGX – Credit Suisse Real Estate Corporate Day 2018  | Singapore              |
|                                   | BNP Paribas Sustainable Future Forum<br>Bank of America-Merrill Lynch Chairman-Board Day        | Singapore<br>Singapore |

CALENDAR OF FINANCIAL EVENTS

FINANCIAL YEAR ENDED 31 DECEMBER 2018

| Date                     | Event  |
|--------------------------|--|
| <b>11 May 2018</b>       | <b>Announcement of Results:</b><br>Announcement of First Quarter Results<br>Announcement of Second Quarter and Half Year Results<br>Announcement of Third Quarter and Nine-Month Results<br>Announcement of Fourth Quarter and Full Year Results   |
| <b>8 August 2018</b>     |  |
| <b>8 November 2018</b>   |  |
| <b>21 February 2019</b>  |  |
| <b>7 June 2018</b>       | <b>Books Closure and Dividend Payment Dates:</b><br>Books closure date for Preference Dividend <sup>^</sup><br>Payment of Preference Dividend <sup>^</sup><br>Books closure date for Special Interim Ordinary Dividend<br>Payment of Special Interim Ordinary Dividend<br>Books closure date for Preference Dividend <sup>^</sup><br>Payment of Preference Dividend <sup>^</sup> |
| <b>2 July 2018</b>       |  |
| <b>28 August 2018</b>    |  |
| <b>12 September 2018</b> |  |
| <b>6 December 2018</b>   | Books closure date for proposed 2018 Final and Special Final Ordinary Dividends*<br>Proposed payment of 2018 Final and Special Final Ordinary Dividends*   |
| <b>31 December 2018</b>  |  |
| <b>3 May 2019</b>        |  |
| <b>23 May 2019</b>       | <b>Shareholders' Meeting:</b><br>56th Annual General Meeting   |
| <b>26 April 2019</b>     |  |

NOTES:

<sup>^</sup> The Preference Dividend is paid semi-annually in arrears.

\* The declaration and payment of the 2018 Final and Special Final Ordinary Dividends are subject to approval of Ordinary shareholders at the 56th Annual General Meeting.

FINANCIAL YEAR ENDING 31 DECEMBER 2019

| Date                 | Event  |
|----------------------|--|
| <b>May 2019</b>      | <b>Announcement of Results:</b><br>Proposed Announcement of First Quarter Results<br>Proposed Announcement of Second Quarter and Half Year Results<br>Proposed Announcement of Third Quarter and Nine-Month Results<br>Proposed Announcement of Fourth Quarter and Full Year Results |
| <b>August 2019</b>   |  |
| <b>November 2019</b> |  |
| <b>February 2020</b> |  |
| <b>April 2020</b>    | <b>Shareholders' Meeting:</b><br>57th Annual General Meeting   |

SUSTAINABILITY  
BOARD STATEMENT

Climate change is no longer a distant threat. Climate scientists have ascertained that extreme weather is a clear signal of global warming<sup>1</sup> and regard climate change as an immense threat to humanity. In 2018, the cost of natural disasters is estimated to be US\$155 billion<sup>2</sup>.

Globally, financial institutions see that their lending and investment decisions have a major impact on making the transition to a climate-resilient future economy. More sovereign wealth funds, pension funds and investors recognise that the non-financial, long-term impact of a company's operations should also be taken into consideration as part of their fiduciary duty as stewards of capital. In January 2019, Fitch Ratings launched a new system that studies ESG factors when compiling credit ratings while Moody's warned that debt worth US\$2.2 trillion across 11 sectors could be downgraded due to environmental risks<sup>3</sup>. Financiers are also increasingly pegging lending rates to the ESG performance of corporate borrowers.

In the push for sustainable development, sustainable financing has continued to grow rapidly. Global green bond issuance is estimated to reach US\$250 billion in 2019, up from US\$167.3 billion in 2018<sup>4</sup>.

2018 IN REVIEW – A YEAR OF INTENSE CLIMATE ACTIONS

• PIONEERING EFFORTS TO CONDUCT CLIMATE CHANGE SCENARIO PLANNING

CDL was the first property firm in Singapore to embark on a Climate Change Scenario Analysis, as advocated in the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). Commenced in Q1 2018, the study covered CDL's operations in Singapore and two key overseas markets, looking through future lens at the potential financial impact of a two-degree-

warmer and four-degree-warmer world by 2030. Through scenario planning, CDL will be able to better assess the financial implications of climate-related risks and capture potential opportunities.

• PROACTIVE ADOPTION OF SCIENCE BASED TARGETS INITIATIVE (SBTi) FOR CARBON REDUCTION TARGET SETTING

In July 2018, CDL became the first Singapore developer to voluntarily validate its carbon emissions intensity reduction target under the SBTi, in accordance with recommendations under the Paris Agreement. As part of CDL's low carbon strategy, it has raised targets for carbon emissions intensity reduction, from 38% to 59% by 2030, against the baseline year of 2007. CDL also aims to reduce embodied carbon in building materials by 24% compared to their conventional equivalents. The initiative has included inputs from Millennium & Copthorne Hotels plc (M&C), the major listed subsidiary of the CDL Group, which has committed to set science-based targets by 2025.

• AMONG FIRST IN SINGAPORE TO USE BLOCKCHAIN ENABLED MARKETPLACE FOR RENEWABLE ENERGY CERTIFICATES

CDL was one of the two pioneer buyers of Renewable Energy Certificates (RECs) using a blockchain-enabled platform in Singapore. This digital platform enables convenient, seamless and secure transactions. Tapping on this innovative REC marketplace launched by the SP Group in October 2018, CDL procured RECs from solar providers to raise the use of renewable energy. By procuring locally-sourced RECs, 100% of electricity consumed by the operations of CDL's headquarters in 2018 can be attributed to renewable sources.

• COMMITMENT TO SUPER LOW ENERGY BUILDINGS

In climate-stressed Singapore, the future is "super low energy" (SLE) buildings<sup>5</sup>. As part of the national plan to lower carbon emissions and fight climate change, Singapore has introduced a new standard to produce SLE non-residential buildings. CDL was among the first 14 developers and building owners to pledge their commitment to achieve at least one SLE project in the next five years. The new SLE programme was launched by the Building and Construction Authority (BCA) at the Singapore Green Building Week 2018 to kickstart the next wave of green building movement and actions to support the national goal. To achieve SLE status, buildings need to attain at least 60% energy savings based on the 2005 building code by adopting energy-efficient measures and onsite renewable energy.

• CONTINUED RECOGNITION BY PROMINENT SUSTAINABILITY RANKINGS AND AWARDS

CDL's excellence in ESG integration and sustainability has earned favourable ratings on 12 prominent international benchmarks. Some of the global recognitions achieved in 2018 include: the MSCI ESG Leaders Indexes (since 2009), the Dow Jones Sustainability Indices (since 2011), the FTSE4Good Index Series (since 2002).

Recognising CDL's rigorous climate strategy and disclosure in 2018, it became the first and only Singapore company and also the only company in the Hong Kong and Southeast Asia region to have attained the CDP A-List. CDL made a tremendous improvement to 25th place among the Global 100 Most Sustainable Corporations in the World, as announced at the World Economic Forum 2019. This marks CDL's tenth consecutive year of being listed on Global 100 – the first

<sup>1</sup> The Summary for Policymakers of Intergovernmental Panel on Climate Change (IPCC) Special Report on Global Warming of 1.5° C

<sup>2</sup> News Release by Swiss Re, 18 December 2018

<sup>3</sup> "How ESG Can Affect Your Credit Rating" by The Corporate Treasurer, 8 January 2019

<sup>4</sup> Estimates by Climate Bonds Initiative

<sup>5</sup> News Release by Building and Construction Authority, 5 September 2018



# SUSTAINABILITY BOARD STATEMENT

and only Singapore company with this accomplishment. For the second year, CDL also remained the Sector Real Estate Sustainability Benchmark (GRESB) announced in 2018, and the Bloomberg Gender-Equality Index announced in 2019.

- **SINGAPORE SUSTAINABILITY ACADEMY ON TRACK TO PROMOTE A GREENER AND MORE SUSTAINABLE FUTURE**

Conceptualised and developed by CDL, the Singapore Sustainability Academy

(SSA) is the first ground-up initiative and zero-energy facility in Singapore dedicated to advocacy, thought leadership, collaboration and capacity building for climate action and green causes. The Academy promotes the United Nations Sustainable Development Goals (UN SDG) in partnership with the Sustainable Energy Association of Singapore (SEAS), and is supported by six government agencies and 15 industry and non-governmental organisation (NGO) partners. As at 31 December 2018, SSA reached out to some 8,800 stakeholders through conducting

and hosting 214 sustainability-themed events which included 89 training courses by its NGO partner SEAS. In the span of 18 months since its official opening on 5 June 2017, SSA has become an impactful hub, serving as an effective platform that brings government leaders, industry champions and young changemakers from around the world together to be a force for sustainable development.

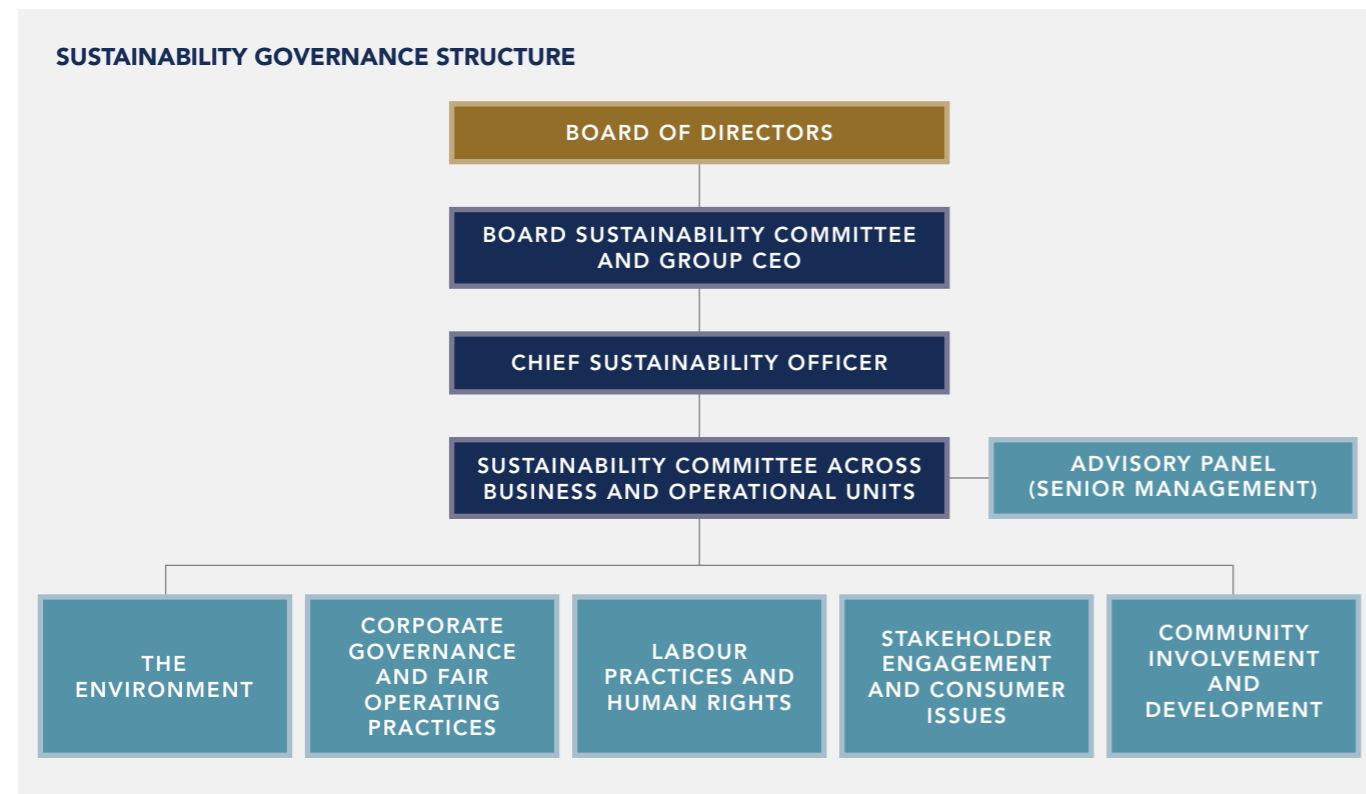
## STRONG LEADERSHIP COMMITMENT TO SUSTAINABILITY

Reflective of its leadership commitment to sustainability integration, CDL implemented the unique structure of having the Sustainability function report directly to the Board Sustainability Committee (BSC) in February 2018. The BSC, comprising three independent directors and CDL's Group CEO, has direct

advisory supervision on the company's sustainability strategy, workplans and performance targets to advance CDL's ESG leadership. While remaining independent, the Sustainability function led by the Chief Sustainability Officer (CSO) works closely with all business and operational units to maintain CDL's strategic ESG integration and best practices. The CSO also chairs the Sustainability Committee, which cuts across all departments and operational units in CDL. Line managers are held

accountable for their ESG performance, which is linked to their remuneration and appraisal.

On a quarterly basis, CDL publishes an online Sustainability Report on its microsite at [www.cdl.sustainability.com](http://www.cdl.sustainability.com). This voluntary initiative that started in July 2017 sets benchmarks for the transparency and timeliness of ESG disclosures to investors and stakeholders.



## STRATEGIC MANAGEMENT OF MATERIAL ISSUES

Globally, sustainability reporting has become more mainstream for businesses in recent years. There has been an increasing demand for greater levels of detail and transparency by investors, regulators and various stakeholders along the value chain. There is also an increased blending of materiality between financial and ESG (formerly referred as non-financial) performance. The principle of materiality is becoming the essential

filter to determine which ESG indicators are most significant to reporters and their stakeholders. In late 2014, CDL embarked on materiality assessments with a comprehensive study conducted amongst key stakeholders to identify what matters most to its business and investors. In early 2016, a condensed materiality review was conducted to validate the key issues. Both studies covered online survey and one-on-one stakeholder interviews.








In November 2017, CDL conducted a second comprehensive materiality









study to get updated insights of key stakeholders' thoughts and expectations in the fast-changing business landscape. This provided strategic business insights for CDL's reporting initiatives, and helped to enhance its stakeholders' trust in CDL. The risks and opportunities surrounding CDL's most material ESG issues have been mapped to 13 relevant SDGs and the four pillars of TCFD (Governance, Strategy, Risk Management, Metrics and Targets), as presented below:

| CDL's Material ESG Issues  | Risks   | Opportunities  |
|--|---|--|
| <b>Innovation</b><br>Supporting SDGs:<br><br>TCFD Pillars:<br>Strategy, Risk Management  | Services and products of conventional business models can be displaced by the advent of disruptive technology and by market innovators.   | Identified as the top material issue since 2017, innovation is deemed key to driving CDL's business to the next level.<br><br>Through an Enterprise Innovation Committee formed in early 2018, company-wide initiatives are carried out at CDL to spur creative thinking and promote a culture of innovation among employees.<br><br>Solutions from sustainability-linked startups or vendors, where feasible, are piloted in CDL's building projects or operations to test the viability of emerging technologies and innovative solutions. An example is the food waste treatment system piloted at Le Grove Serviced Residences since Q4 2018.<br><br>In partnership with NUS, the Tropical Technologies Lab (T <sup>2</sup> Lab) was opened in early 2018 to develop smart, green building technologies.   |
| <b>Energy-Efficiency and Renewable Energy</b><br>Supporting SDGs:<br><br>TCFD Pillars:<br>Governance, Strategy, Risk Management, Metrics & Targets | Carbon tax and subsequent hikes will impact the cost of electricity and business operational costs.<br><br>Globally, more countries are also expected to capture the external costs of carbon emissions. In CDL's key overseas markets – China, UK, Japan and Australia, carbon pricing is currently set at a range of US\$1 to US\$46 per tonne of carbon emissions, subject to changes in global pricing. | CDL has a strong track record as well as expertise in green buildings and solar energy to raise energy-efficiency through a building's life-cycle. It can maximise in-built and natural efficiencies, minimise embodied carbon, and increase renewable energy consumption in both new developments and asset enhancement.<br><br>Beyond brick and mortar, CDL can influence its supply chain and building users to adopt sustainable practices, solutions and lifestyles. 100% of CDL's commercial tenants have subscribed to its Green Lease Partnership Programme and more electric vehicles (EV) charging stations are being installed at its buildings.<br><br>Price of renewable energy has been falling in tandem with technological advancements and increased market access to renewable energy. When Singapore's blockchain-enabled marketplace for RECs was launched in end 2018, CDL was one of the first two corporate purchasers in Singapore to adopt this digital platform. |
| <b>Product Quality and Responsibility</b><br>Supporting SDGs:<br><br>TCFD Pillars:<br>Strategy, Risk Management                                    | Failure to deliver on quality and responsibility affects corporate reputation and sales.  | CDL's stringent quality assurance processes, e.g. voluntary subscription to the Construction Quality Assessment System (CONQUAS) by BCA, has produced high-quality projects. CDL was the first and only private sector developer to be conferred the inaugural Built Environment Leadership Platinum Star Award by BCA in 2018. It was also the only developer to win BCA's Quality Excellence Award – Quality Champion Platinum for six consecutive years.<br><br>CDL's developments have consistently excelled under the CONQUAS scheme, entrenching its reputation as one of the highest scoring CONQUAS developers. This has differentiated CDL's branding, products and enhanced stakeholders' confidence in its properties.  |



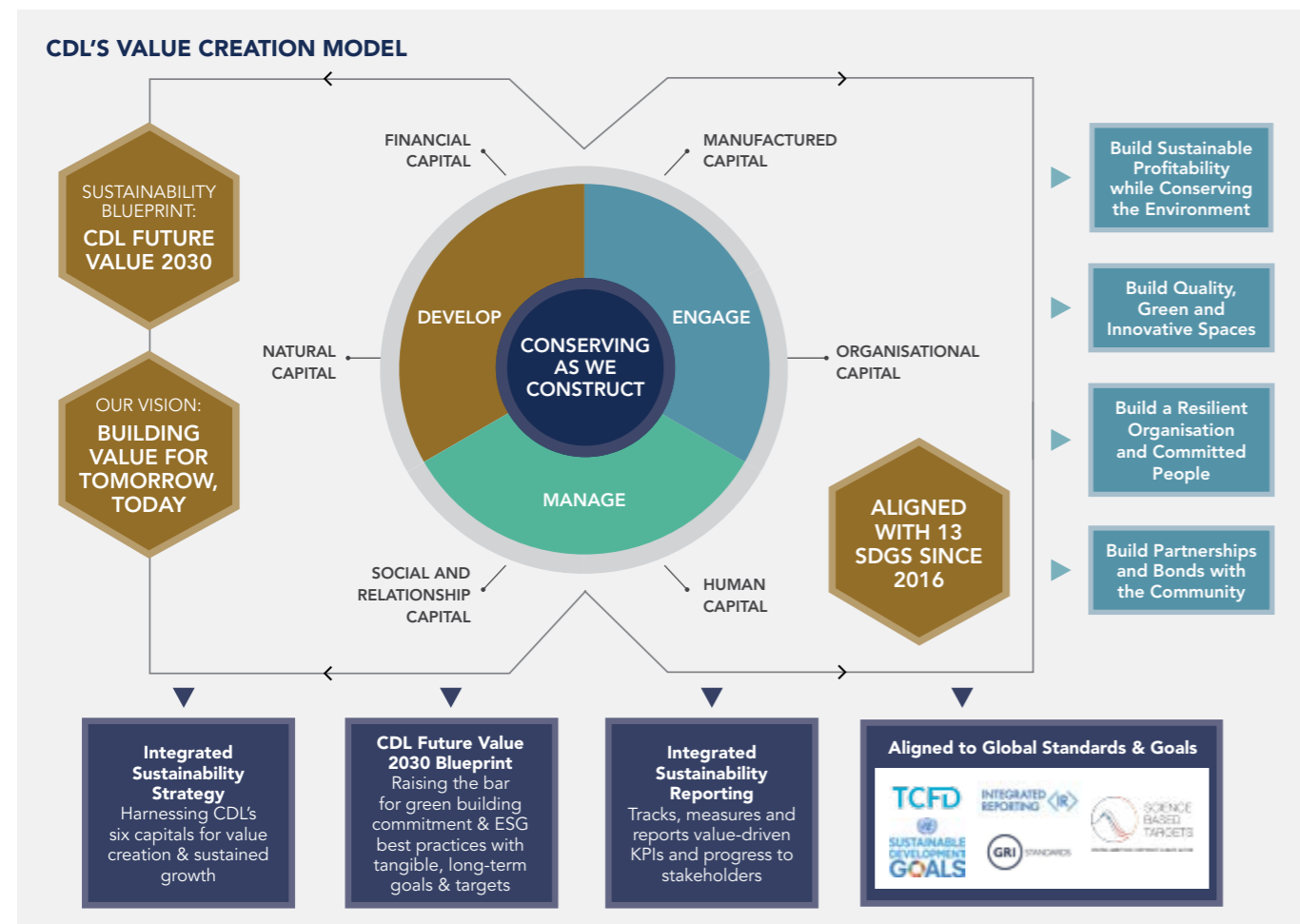
# SUSTAINABILITY BOARD STATEMENT

| CDL's Material ESG Issues   | Risks  | Opportunities   |
|---|--|---|
| <b>Occupational Health, Safety and Well-being</b><br><br>Supporting SDGs:<br> <br><br>TCFD Pillars:<br>Strategy, Risk Management, Metrics & Targets   | <p>The safety, health and wellness of employees and contractors' workers may affect work performance and productivity.</p> <p>As most activities at construction sites and managed buildings are carried out by appointed contractors, developers and landlords are exposed to safety and health risks if their management of contractors is not sufficiently stringent.</p>   | <p>CDL established its first Environmental, Health and Safety (EHS) policy and 5-Star EHS Assessment System since the early 2000s. These were enhanced in scope and standard over the years. CDL is committed to providing a safe, healthy and conducive work environment for its employees, workers of contractors and building users.</p> <p>In 2017, CDL integrated its various ISO14001 and OHSAS18001 EHS Management System across all its key operations in Singapore, to effectively manage the safety, health and well-being of its employees and workers, directly or indirectly hired.</p>  |
| <b>Anti-Corruption</b><br><br>Supporting SDGs:<br><br><br>TCFD Pillars:<br>Governance, Risk Management   | <p>Bribery and corruption are amongst the highest risks for businesses that can lead to financial and reputational loss. Such criminal cases and scandals have threatened the survival of many corporations globally.</p>  | <p>CDL's zero-tolerance policy towards fraud, bribery and corruption provides assurance to all its stakeholders including investors and customers. Currently, it has benchmarked its practices with the voluntary SS ISO37001 Anti-bribery Management Systems to ensure that gaps, if any, are narrow and in accordance with globally-recognised best practices.</p> <p>Continued training and refresher of the anti-corruption practices are provided to employees to ensure clear understanding of CDL's anti-corruption commitment.</p>  |
| <b>Business Ethics and Compliance</b><br><br>Supporting SDGs:<br><br><br>TCFD Pillars:<br>Governance, Risk Management  | <p>Legal non-compliances may result in fines and non-financial sanctions which will disrupt operations and affect business reputation. Failure to comply with local and international laws will also threaten a company's licence to operate.</p>  | <p>CDL has in place clear policies and risk management systems to continuously monitor and validate business processes and benchmarks them against industry best practices. Within its robust EHS management system, 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. Such good practices and track records have enhanced CDL's branding and investors' and stakeholders' trust in the company.</p>   |
| <b>Climate Change</b><br><br>Supporting SDGs:<br>  <br><br>TCFD Pillars:<br>Governance, Strategy, Risk Management, Metrics & Targets | <p>The building sector has strong environmental impact and is heavily reliant on natural resources for its operations.</p> <p>Building material cost is expected to increase with depleting natural resources globally. Climate-related litigation, new policies and more stringent regulations such as carbon pricing, water tariffs hike and stricter building standards are expected. Rising energy cost and carbon pricing will pose challenges to maintaining profitability and sustained growth.</p> | <p>CDL's voluntary target to achieve Green Mark Gold<sup>PLUS</sup> for all new developments, two levels above legal compliance, has driven it to adopt design and features that raise energy-efficiency. Early adoption of solar power has helped CDL lower its carbon footprint.</p> <p>CDL has two zero-energy developments amongst the handful of such buildings in Singapore. CDL also boasts a strong track record in the adoption of solar energy for both commercial and residential developments, e.g. D'Nest and South Beach. Adopting prefabricated construction technology and sustainable building materials such as cross-laminated timber has not only raised productivity and EHS performance, but also helped CDL to reinforce its leadership and expertise in best practices.</p> |
| <b>Cyber Security and Data Governance</b><br><br>Supporting SDGs:<br><br><br>TCFD Pillars:<br>Governance, Risk Management  | <p>Malicious cyber-attacks can inflict serious disruptions to businesses and affect the reputation of and stakeholders' trust in a company.</p> <p>Businesses also need to be mindful of compliance requirements for international and local data privacy protection laws.</p>   | <p>Besides having holistic IT governance structures, robust detection and mitigation measures in place to protect CDL's critical business systems and data, CDL's IT response plans are tested by independent external and internal auditors and benchmarked against best industry practices.</p>   |

| CDL's Material ESG Issues   | Risks   | Opportunities  |
|---|---|--|
| <b>Economic Contribution to Society</b><br><br>Supporting SDGs:<br>  <br> <br><br>TCFD Pillars:<br>Strategy, Governance  | <p>CDL's financial performance impacts the vested interests of its shareholders, employees and vendors.</p>   | <p>CDL's contributions to the community at large are through its outreach programmes for youth development, supporting the arts, helping the less fortunate and environmental conservation.</p>  |
| <b>Product Safety and Customer Well-being</b><br><br>Supporting SDGs:<br> <br><br>TCFD Pillars:<br>Strategy, Risk Management  | <p>Failure to meet legal obligation and contractual responsibility to ensure the safety of the occupants at its residential, office, commercial and industrial developments can lead to reputational and financial loss.</p>  | <p>To ensure compliance and prevent latent defects, CDL has in place a robust policy to identify design risks and assess the severity of EHS impacts throughout the construction stages of its developments.</p> <p>In addition to promoting product safety, CDL encourages its employees and tenants to go green and stay healthy. CDL is one of the first six companies to participate in the BCA-HPB Green Mark for Healthier Workplaces when the scheme was launched in October 2018. It also encourages participation in this scheme among its tenants.</p>   |
| <b>Responsible Supply Chain and Sourcing</b><br><br>Supporting SDGs:<br>  <br>  <br><br>TCFD Pillars:<br>Governance, Strategy, Risk Management, Metrics & Targets | <p>Natural resources are finite, and the availability and rising costs of these resources have significant impact on a developer's bottom line and financial performance.</p> <p>Selection and procurement of building materials have an impact on CDL's ESG performance, e.g. carbon reduction and worksite health and safety.</p> | <p>CDL has a strong track record in supply chain management by engaging contractors and consultants that abide to its ethos of 'Conserving as we Construct' since 1995.</p> <p>It has built a supply chain that shares CDL's firm commitment to EHS through the CDL 5-Star EHS assessment. The CDL Green Procurement Guidelines within the EHS Management System has given clear guidance to suppliers. Their support has helped CDL adapt effectively to challenges posed by climate change or shortage of resources, for long-term business sustainability.</p>  |
| <b>Talent Attraction, Retention and Development</b><br><br>Supporting SDGs:<br>  <br><br>TCFD Pillars:<br>Strategy, Risk Management  | <p>The outflow of talent will impact on CDL's human capital, operational efficiency and sustained growth.</p>   | <p>As an employer committed to fair and equal opportunity for its employees, CDL promotes diversity at the workplace and strives to be an employer of choice.</p> <p>Its focus on staff development and innovative culture has helped to attract and retain talents as well as strengthen its positive standing.</p>   |
| <b>Water Management and Efficiency</b><br><br>Supporting SDGs:<br>  <br><br>TCFD Pillars:<br>Governance, Strategy, Risk Management, Metrics & Targets  | <p>Singapore was ranked 'most at risk of facing high water stress' by the World Resource Institute in 2015. Water price went up by 30% between 2017 and 2018.</p> <p>Developers and landlords face the challenge of securing long-term reliable supplies of clean water at a reasonable cost.</p>                                   | <p>CDL has a strong track record in adopting technologies to raise water-efficiency such as rainwater harvesting at residential and commercial developments. Its developments are designed with a strong focus on water sustainability throughout the lifecycle of the asset.</p> <p>As the water market grows and emerging technologies become more accessible and affordable, CDL will further enhance its water management by adopting new technologies and solutions to reduce fresh water consumption, increase its reuse and recycling of wastewater, and improve the quality of treated wastewater.</p> |



# SUSTAINABILITY BOARD STATEMENT



## CDL FUTURE VALUE 2030 GOALS, TARGETS AND PROGRESS

### Legend: Progress Tracking

- Meet interim targets, maintain performance towards meeting 2030 target
- 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 2018)  | Interim Annual Targets for 2018                                 | FY2018 Performance   |
|---|---|---|--|
| <b>Goal 1:</b><br>Building Sustainable Cities and Communities<br><br> | Achieve Green Mark certification for <b>80%</b> of CDL-owned and/or managed buildings                                 | ≥75%  | ○●●<br>75% achieved  |
|   | Maintain <b>100%</b> tenant participation in CDL Green Lease Partnership Programme                                    | Achieve 100%  | ○●●<br>100% maintained   |
|   | <b>Double</b> its commitment to adopt innovations and technology of green buildings                                   | Average of two innovations or new technology adoptions per year | ○●●<br>1. Adoption of solutions by two sustainability-linked local start-ups, Gush! and UglyGood<br>2. Implementation of a food waste treatment system at Le Grove Serviced Residences |
|   | <b>Double</b> resources devoted to advocacy of sustainability practices, stakeholder engagement and capacity building | ≥100 training programmes and events held in the SSA per year    | ○●●<br>146 comprising 60 trainings and 86 events   |

| Future Value 2030 Goals   | 2030 Targets (Effective from 2018)   | Interim Annual Targets for 2018  | FY2018 Performance   |
|---|--|--|--|
| <b>Goal 2:</b><br>Reducing Environmental Impact<br><br>   | Achieve science-based target of reducing carbon emissions intensity by <b>59%</b> <sup>6</sup> from 2007 levels                            | 40% reduction  | ○●○<br>32% reduction<br>The lower than expected reduction was due to the refrigerant systems approaching end-of-life. Systems will be progressively replaced in due course.  |
|   | <i>For Corporate Office &amp; Asset Management<sup>7</sup>:</i> Reduce energy usage intensity <sup>8</sup> by <b>35%</b> from 2007 levels. | 29% reduction  | ○●○<br>27% reduction<br>Performance in this area will be closely monitored, as performance has fallen short of interim target by a small margin.   |
|   | <i>For Property Development :</i> Achieve an energy usage intensity of 95 kWh/m <sup>2</sup>   | Property Development : ≤ 105 kWh/m <sup>2</sup>  | Property Development: 102 kWh/m <sup>2</sup>   |
|   | <i>For Corporate Office &amp; Asset Management<sup>7</sup>:</i> Reduce water usage intensity by <b>38%</b> from 2007 levels.               | 32% reduction  | ○●●<br>32% reduction   |
|   | <i>For Property Development:</i> Achieve a water usage intensity of 0.60 m <sup>3</sup> /m <sup>2</sup> .                                  | Property Development: ≤ 1.75 m <sup>3</sup> /m <sup>2</sup>  | Property Development: 0.65 m <sup>3</sup> /m <sup>2</sup>  |
|   | <i>For Corporate Office &amp; Asset Management<sup>7</sup>:</i> Reduce total waste intensity by 7% from 2016 levels.                       | 0.7% reduction   | ○●○<br>2.7% increase<br>There was an improvement in waste reduction with a 5% absolute reduction of waste disposed. However, total waste intensity increased due to reduced leased area. An inter-departmental waste minimisation taskforce has been set up to review current practices and targets. |
|   | <i>For Property Development:</i> Achieve a waste intensity of 30 kg/m <sup>2</sup> .   | Property Development: ≤ 50 kg/m <sup>2</sup>   | Property Development: 30 kg/m <sup>2</sup>   |
|   | Ensure that <b>100%</b> of appointed suppliers are certified by recognised EHS standards   | <i>For Asset Management:</i> ≥30% of suppliers appointed;<br><i>For Property Development:</i> 100% of main contractors and ≥30% of consultants appointed | ○●●<br>70% of suppliers appointed by Asset Management Division;<br>100% of main contractors and 75% of consultants appointed by Property Development Division.   |
| Reduce embodied carbon of building materials by 24% compared to other conventional equivalents <sup>9</sup> | ≥ 7% reduction for new projects awarded from 2018 onwards  | Data to be reported at the end of 2020   |  |

<sup>6</sup> To align with CDL's newly validated science-based target, this intensity only includes emissions from Scope 1 and 2 and excludes the emissions from construction activities by CDL's construction contractors reported under Scope 3 emissions. Separate targets have been set to address its Scope 3 emissions for capital goods and investment, including the reduction of embodied carbon of building materials. For more information on CDL's science-based target, please visit [www.sciencebasedtargets.org](http://www.sciencebasedtargets.org).

<sup>7</sup> Scope of the environmental targets has been revised to align with the sector classification of GRI Business Activity Group Descriptions as recommended by the SBTi. Through this revision, the current scope includes only the corporate office and asset management divisions. Targets and performance for property development are tracked separately.

<sup>8</sup> Energy usage intensity indicated here is for purchased electricity, as base year levels were calculated using purchased electricity only.

<sup>9</sup> Based on the life-cycle of its property development projects, embodied carbon data for building materials are only available two years after a project has been awarded. This target replaces the previous construction materials derived from recycled content, low carbon sources or certified by recognised environmental organisations as this new target provides a more direct measure on the carbon emissions reduction which is in line with the newly validated science-based target.



# SUSTAINABILITY BOARD STATEMENT

| Future Value 2030 Goals                                       | 2030 Targets (Effective from 2018)   | Interim Annual Targets for 2018 | FY2018 Performance                                  |
|---|--|---------------------------------|---|
| <b>Goal 3:</b><br>Ensuring Fair, Safe and Inclusive Workplace | Maintain <b>Zero</b> corruption and fraud incident across CDL's core operations                        | Zero                            | ○○●<br>Zero corruption and fraud incident           |
|   | Maintain <b>Zero</b> fatality across CDL's operations and direct suppliers in Singapore                | Zero                            | ○○●<br>Zero fatality                                |
|   | Maintain <b>Zero</b> occupational disease across CDL's operations and direct suppliers in Singapore    | Zero                            | ○○●<br>Zero occupational disease                    |
|   | Maintain <b>Zero Accident Frequency Rate (AFR)</b> <sup>10</sup> for its employees within CDL premises | ≤ 1.9 <sup>11</sup>             | ○○●<br>1.3<br>One reportable incident <sup>12</sup> |
|   | Maintain <b>AFR of 1 or less</b> for direct suppliers at CDL construction sites                        | ≤ 1                             | ○○●<br>0.4<br>One reportable incident <sup>12</sup> |
|   | Maintain <b>AFR of 1 or less</b> for direct suppliers at CDL managed properties                        | ≤ 1.9 <sup>11</sup>             | ○○●<br>0.9<br>One reportable incident <sup>12</sup> |

<sup>10</sup> Accident Frequency Rate (AFR) refers to the number of workplace accidents per million manhours worked.  
<sup>11</sup> Based on the 2017 Real Estate Services Industry AFR published in the Workplace Safety and Health Report 2017 by the MOM and WSH Institute.  
<sup>12</sup> Reportable incident refers to work-related accident, workplace accident, dangerous occurrence and occupational disease that require statutory reporting to the MOM, as mandated by the Singapore WSH Act.

## ENVIRONMENTAL IMPACT AND PERFORMANCE

Effective management of natural capital has long been a key priority for CDL. It has in place a host of policies and practices to mitigate its environmental impact and maintain a strong natural capital for CDL.

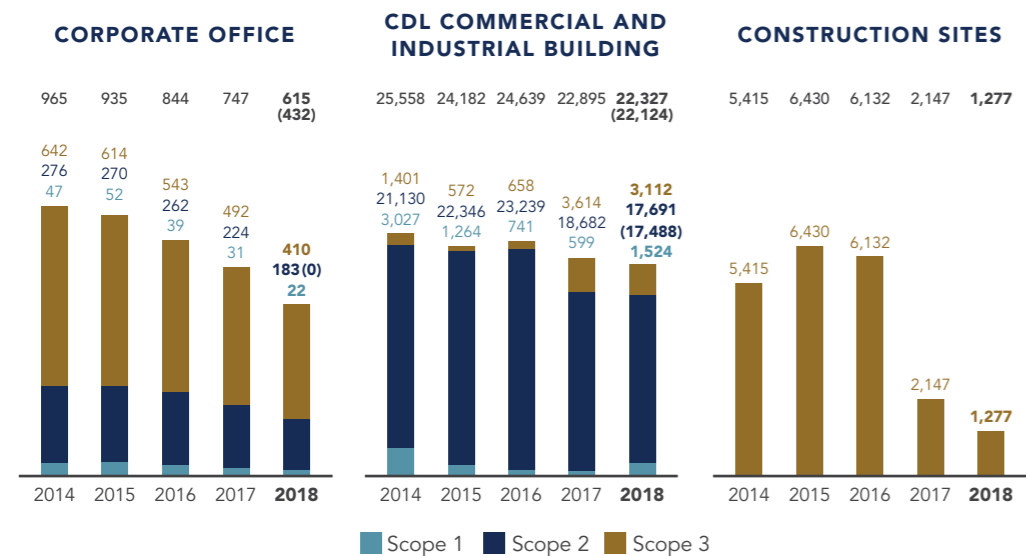
The Environment Sub-Committee under the company-wide Sustainability

Committee identifies significant environmental aspects and manages impacts that result from CDL's corporate operations, property development and facilities management activities. CDL continually tracks its material environmental aspects which include carbon emissions, energy use, water use, waste and resource management. In addition, CDL also monitors and reports to its stakeholders

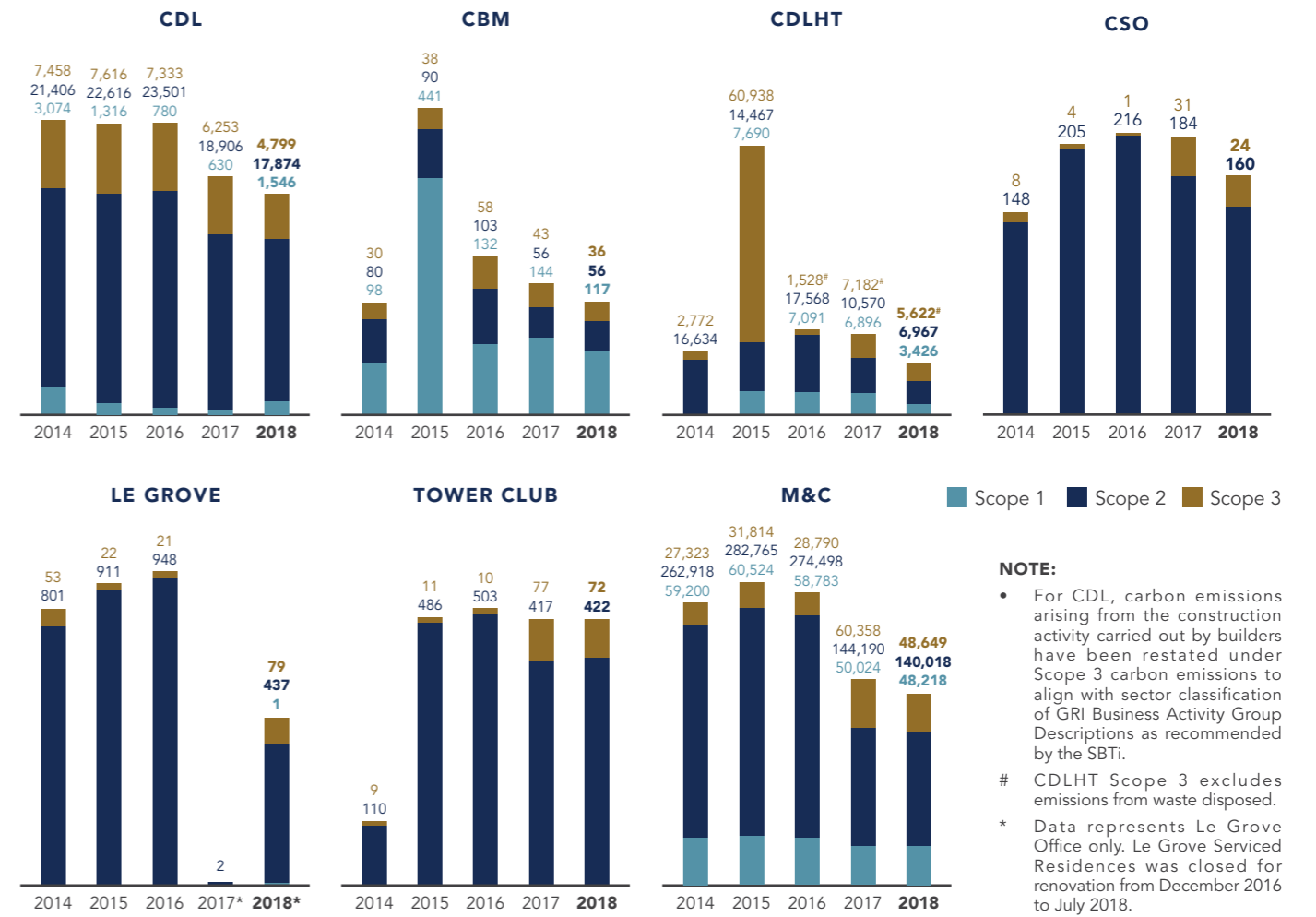
other aspects of environmental impact such as biodiversity and noise.

More information on CDL's ESG management, resource-efficiency and reduction of its carbon footprint can be found on CDL's sustainability microsite: [www.cdlsustainability.com](http://www.cdlsustainability.com).

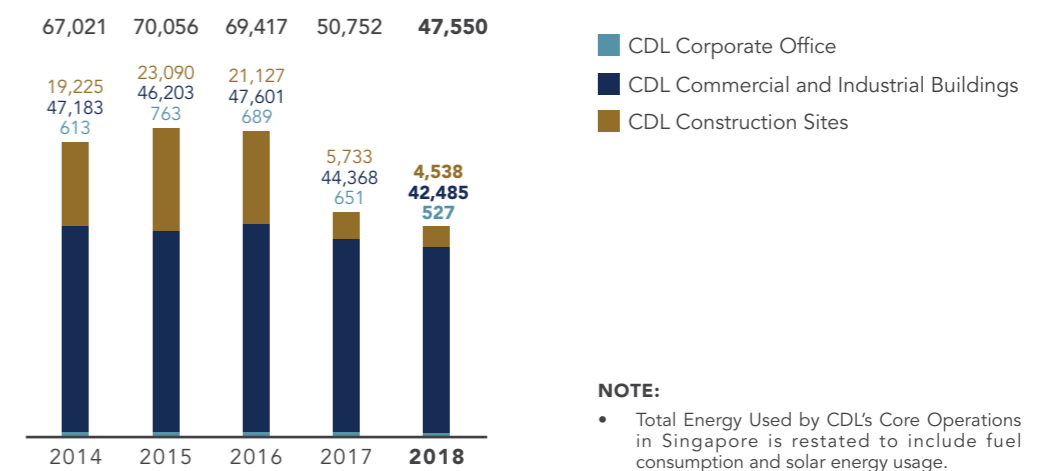
## TOTAL CARBON EMISSIONS FROM CDL'S CORE OPERATIONS IN SINGAPORE: CORPORATE OFFICE, MANAGED PROPERTIES, DEVELOPMENT PROJECTS (TONNES CO<sub>2</sub>e)



## TOTAL CARBON EMISSIONS FROM CDL'S CORE OPERATIONS IN SINGAPORE AND SIX KEY SUBSIDIARIES (TONNES CO<sub>2</sub>e)



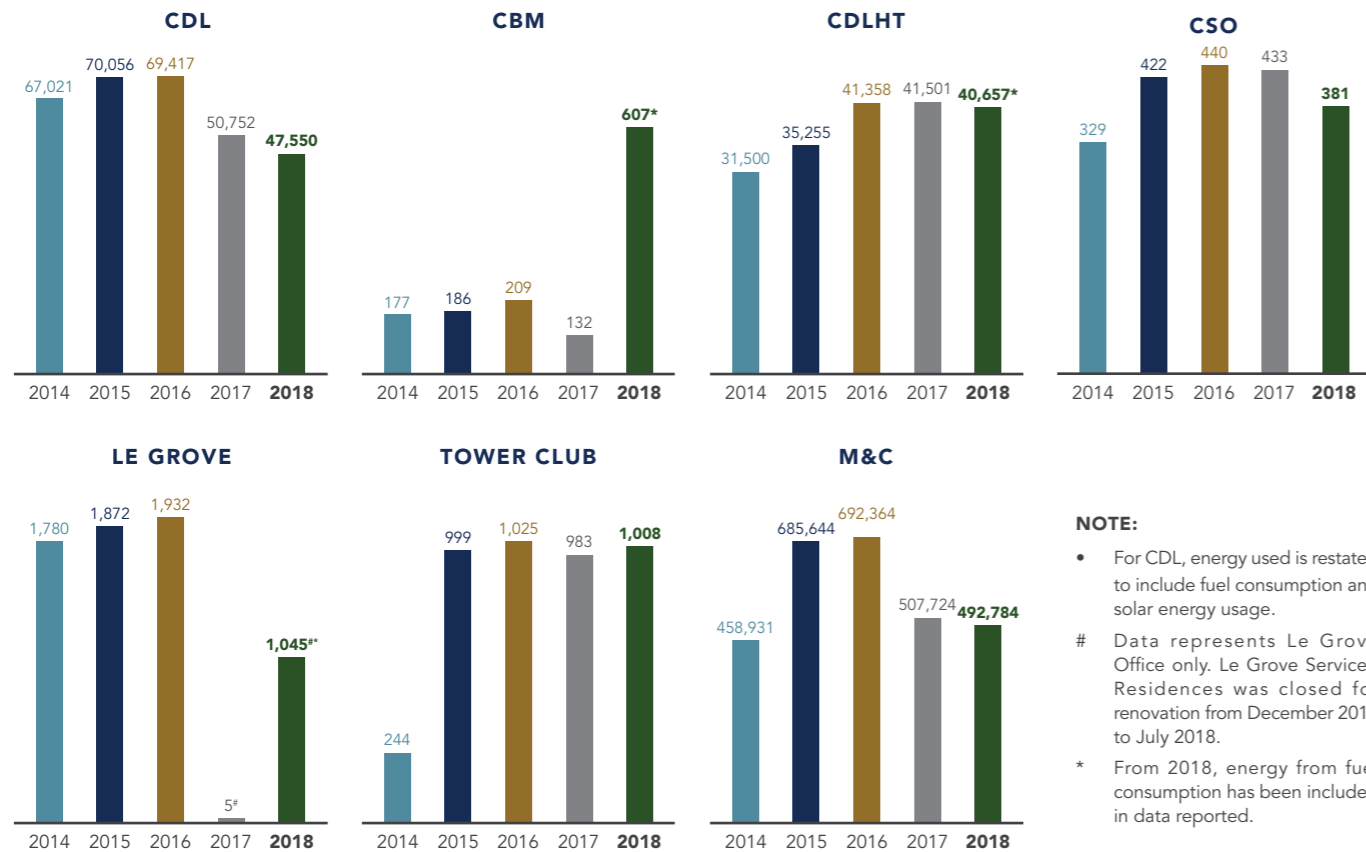
## TOTAL ENERGY USED BY CDL'S CORE OPERATIONS IN SINGAPORE: CORPORATE OFFICE, MANAGED PROPERTIES, DEVELOPMENT PROJECTS (MWh)



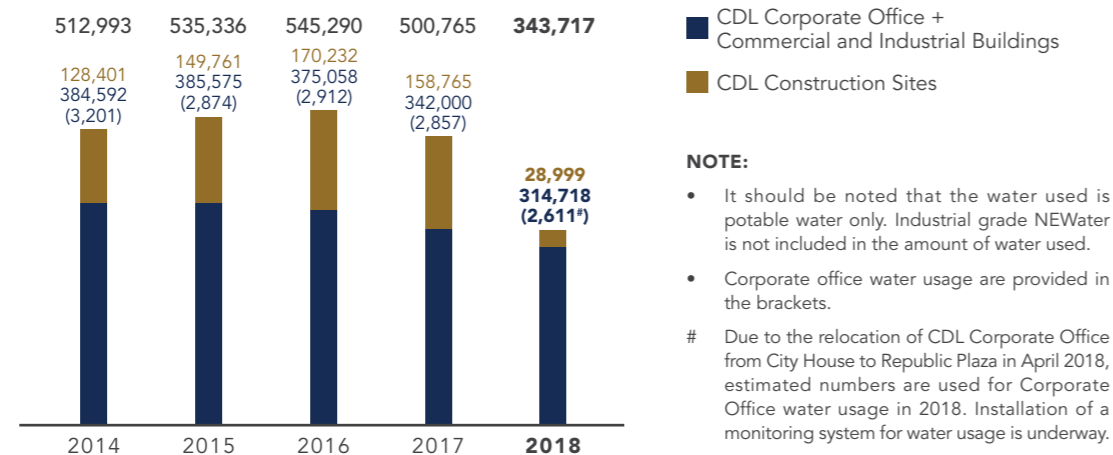


# SUSTAINABILITY BOARD STATEMENT

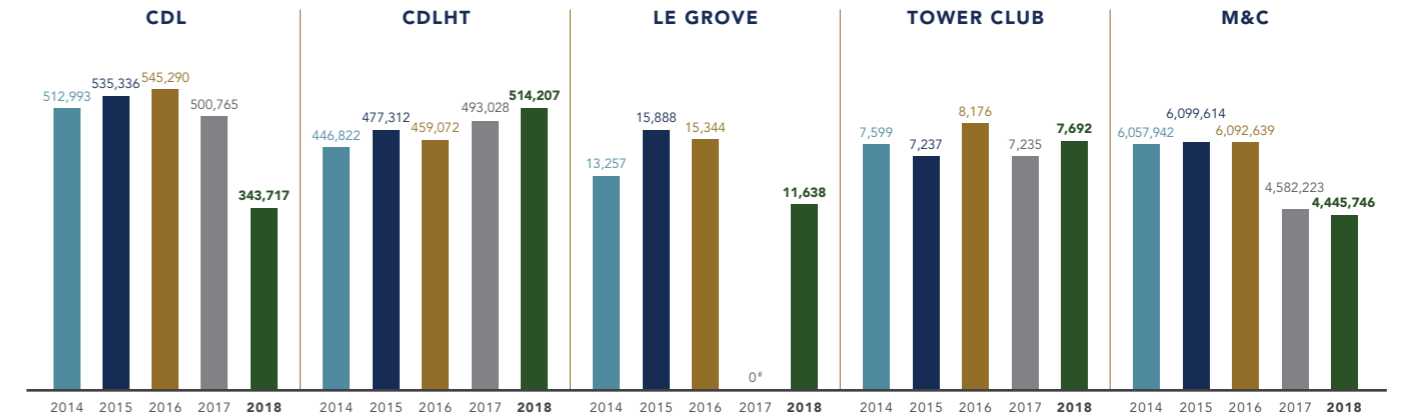
## TOTAL ENERGY USED BY CDL'S CORE OPERATIONS IN SINGAPORE AND SIX KEY SUBSIDIARIES (MWh)



## TOTAL WATER USED BY CDL'S CORE OPERATIONS IN SINGAPORE: CORPORATE OFFICE, MANAGED PROPERTIES, DEVELOPMENT PROJECTS (m<sup>3</sup>)



## TOTAL WATER USED BY CDL'S CORE OPERATIONS IN SINGAPORE AND SIX KEY SUBSIDIARIES (m<sup>3</sup>)



**NOTE:**

- CBM and CSO are tenants within a building and hence do not have separate meters to track respective water usage within their facilities.
- # No water data as Le Grove Serviced Residences was closed for renovation from December 2016 to July 2018.

## SOCIAL IMPACT AND PERFORMANCE

### HUMAN CAPITAL

CDL strives to be an employer of choice where its people can build fulfilling careers and grow with CDL in a conducive and inclusive environment. In affirmation of its proactive Human Resource policies and practices to create a nurturing and positive workplace, CDL won the Top Employer Brand 2018 Award conferred by Influential Brands, under the real estate developer category.

It upholds the UN Global Compact principles on human rights and labour. CDL has been a signatory of the Employers' Pledge of Fair Employment Practices with the Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP) since 2008.

### HEALTH AND SAFETY

In 2018, there was one reportable injury, zero fatality and zero occupational diseases involving CDL employees across its core operations in Singapore. Workers at CDL's construction sites and managed properties are key resources to long-term business viability. As a result of various safety initiatives and engagement programmes with its builders

and their workers, CDL maintained zero fatalities and occupational diseases at its construction sites and managed properties in 2018. The AFR for its direct suppliers remains below the industry average and stands at 0.4 and 0.9 at its construction sites as well as managed properties respectively.

CDL's Health & Safety (H&S) goals and targets across its operations in Singapore are tracked under the CDL Future Value 2030 sustainability blueprint and the performance is reported on page 68.

### JOB CREATION AND EMPLOYMENT

In 2018, the CDL Group provided employment for more than 15,000 employees worldwide. As at 31 December 2018, CDL hired a total of 400 employees for its core operations headquartered in Singapore, where most of its business in property development and asset management is based.

### EMPLOYEE RETENTION

CDL's successful employee engagement is evident from its employees' length of service. The average tenure of its employees is about 8.8 years. More than 50% of its employees have been with CDL for more than five years. In 2018, CDL's employee resignation rate of 17.3%

continued to remain significantly lower than the national average of 22.0%. CDL experienced an involuntary turnover rate of about 4.1%, of which 69% is a result of retirement.

### TRAINING AND DEVELOPMENT

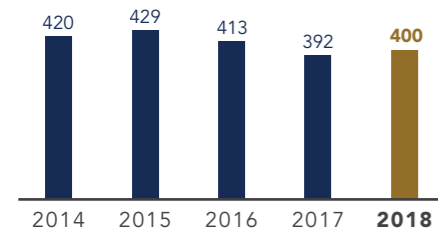
In 2018, CDL invested more than \$130,000 and clocked over 14,000 hours in training and development. 47% of the workforce achieved an average of four training days. More details on CDL's HR policies and practices, including Human Rights, Remuneration, Talent Development and Retention, can be found on [www.cdlsustainability.com](http://www.cdlsustainability.com).

### DIVERSITY AND INCLUSION

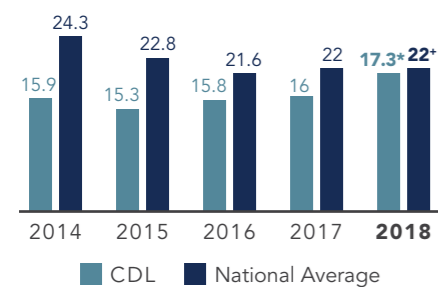
CDL is committed to providing equal opportunities throughout employment. Its recruitment process adheres to strict guidelines on non-discrimination and fair treatment, regardless of gender, ethnicity, religion, or age. With women forming about 70% of CDL's workforce and 50% of its heads of departments (HODs), CDL's efforts to empower women in the workplace and support their pursuit for career development are evident. The internal Diversity and Inclusion Task Force was formed in 2017 to promote the awareness and adoption

# SUSTAINABILITY BOARD STATEMENT

## TOTAL NUMBER OF EMPLOYEES AT CDL'S CORPORATE OFFICE

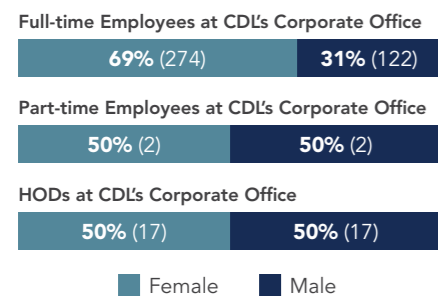


## EMPLOYEE TURNOVER RATE (%) AT CDL'S CORPORATE OFFICE



\* 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.  
+ Annualised from Q1 to Q3 2018 figures, from MOM website, as the annual average was not ready at time of publication

## GENDER DIVERSITY AT CDL'S CORPORATE OFFICE



of diversity and inclusion within its workplace and the wider community.

CDL's policies in advancing gender diversity at the workplace has led to its inclusion in the sector-neutral Bloomberg Gender Equality Index (GEI) 2018 and 2019. CDL is the only real estate management and development company in Singapore and one out of four Singapore companies to be listed on GEI 2019.

## COMMUNITY INVESTMENT

CDL's community outreach initiatives are aligned with UN SDG 11: Sustainable Cities and Communities and SDG 17: Partnerships for the Goals. It actively initiates and provides sustained support over the years for programmes that deliver lasting and positive impact, focused on these key areas:

- Environmental Conservation
- Youth Development
- Inspiring Sustainability through Art
- Caring for the Less Fortunate

More details on the impact and outcomes of CDL's community initiatives can be found on [www.cdlsustainability.com](http://www.cdlsustainability.com).

## EMPLOYEE VOLUNTEERISM

Apart from monetary donations, CDL has always believed in engaging stakeholders through fostering employee volunteerism to deliver greater impact in its community contributions.

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 2018, its employees supported various community projects, achieving a participation rate of 93.5%, and 2,899 volunteer manhours.

## LOOKING AHEAD

The Singapore Government has announced in its 2019 budget greater investments and long-term plans to protect Singapore against climate change. Businesses are expected to contribute to the national climate and carbon targets. 2019 is also set to be a year where CDL intensifies its climate actions. In the face of unprecedented climate threats as well as uncertain political and economic outlook worldwide, CDL's strong track record in ESG integration will continue to help it stay future-ready through strategic initiatives for the year ahead:

## STEPPING UP ON INNOVATION AND A SHARING ECONOMY MODEL

To stay ahead of competition and remain relevant in today's disruptive business landscape, CDL puts its priority on continued innovation of products, investments, asset enhancement and customer engagement.

Complementing Singapore's designation of 2019 as the Year Towards Zero Waste, more focus will be put on CDL's sustainable consumption and production to reduce its total waste intensity. Since last year, it has tapped on the potential of sustainability-linked innovations by two start-ups in Singapore. Gush!, a start-up founded in 2015, is currently involved in a pilot programme at the Nouvel 18 project to test out their mould-prevention solution for buildings. CDL also enabled another start-up, UglyGood, to implement a trial for their environmentally-safe, enzyme-based cleaning solution for CBM Pte Ltd, CDL's subsidiary specialising in facilities and building management.

CDL has also stepped up its internal and external stakeholder engagement for waste reduction at its corporate office and managed properties. It kick-started a pilot project to turn food waste into water and compost in late 2018 at Le Grove Serviced Residences involving in-sink grinders and food waste treatment systems. A partnership with the NEA and Public Utilities Board, the pilot if proven successful aims to reduce food waste in residential developments on a national level. This pilot is set to be a milestone in Singapore's food waste reduction and will contribute significantly to a sustainable nation.

With the opening of Distrii, the next-generation technology-driven co-working facility at Republic Plaza in May 2018, CDL offers complimentary space to international NGOs which are committed to advocating climate action, sustainable development and responsible practices.

## CREATING COMMUNITY SPACES OF THE FUTURE

Satellite data from NASA revealed that Singapore is heating up twice as fast as the rest of the globe. By the turn of the century, daily temperatures could hit 37 degrees Celsius. Compounded by the humidity in Singapore's air, this sweltering heat can pose health threats to people<sup>13</sup>. This risk also poses an opportunity for CDL to create high-performance buildings in Singapore and embrace innovative building technologies such as hybrid cooling systems and clean energy to tackle the planet's rising heat. The NUS-CDL Smart Green Home and NUS-CDL Tropical Technologies Laboratory represent CDL's long-term investments into the R&D and testbed of solutions that can deliver comfortable and green living spaces.

## RAISING THE BAR FOR SUSTAINABLE CONSUMPTION AND PRODUCTION

As part of CDL's sustainability strategy, green procurement policies and practices are regularly reviewed to promote responsible sourcing in the supply chain since 2008. CDL's corporate EHS Policy encourages the use of eco-friendly alternatives and recycled materials to reduce the total emissions impact. All its builders, suppliers and vendors of new development projects are subject to these guidelines. Moving ahead, CDL will continue to enhance its supply chain engagement and step up its efforts by using certification bodies for low-carbon construction material sourcing.

## CONTRIBUTING TO SINGAPORE'S GREEN BUILDING TARGETS

In support of the national objective to green 80% of all buildings by 2030, CDL will continue its long-standing commitment to achieve Green Mark Gold<sup>PLUS</sup> and above, two levels above mandatory requirement, for CDL's new and existing properties. Recognising that green buildings offer occupants better indoor environment quality and comfort, CDL will expand its stakeholder

engagement to raise public awareness on the benefits of green workplaces on users' health, well-being and productivity.

## SUPPORTING SDGs AND VULNERABLE COMMUNITIES

The UN SDGs are believed to have the potential to unlock business opportunities worth some US\$12 trillion annually<sup>14</sup>. As the effects of climate change deepen, many countries including some in the ASEAN are faced with the urgency to plug gaps in their social and infrastructural needs. In this space, CDL is open to explore the possibility of extending its corporate philanthropy, construction know-how, as well as expertise in green buildings and co-office spaces to vulnerable communities in developing countries.

## TOWARDS A LOW CARBON ECONOMY BY EMBRACING RENEWABLE ENERGY

Climate strategy and carbon management have always been CDL's focus for reducing carbon emissions and reliance on fossil fuel energy. CDL has done an internal carbon pricing study and has been tracking the foreseeable financial impact of carbon tax on its business.

In November 2018, the Singapore chapter of the Carbon Pricing Leadership Coalition was co-launched by the World Bank Group and Global Compact Network Singapore. This coalition, in which CDL is a founding member, aims to identify synergies, share knowledge and explore collaborations between the industry players and government on the use of internal carbon pricing as a mechanism to reduce emissions. CDL will actively support the national agenda to raise the use of EVs and is set to install more EV charging points at its properties. CDL believes this will drive local demand for more EVs and contribute to achieving Singapore's carbon emission reduction targets. In 2018, CDL was the first company in Singapore to attain ISO 16745, by releasing the carbon intensity disclosure

for its flagship building Republic Plaza, located in Singapore's Central Business District. ISO 16745 measures the carbon footprint of buildings, verifies the carbon metrics for emissions arising from building activities and provides accurate performance baselines for emission monitoring.

## UNLOCKING FINANCIAL VALUE WITH ESG INTEGRATION

CDL is heartened by the increasing engagements it has received from global investors and bankers on CDL's integrated sustainability strategy and management. The rising trend of socially responsible investing will enhance CDL's organisational and financial capital and it looks forward to attracting more like-minded investors who believe in a long-term ESG-centric business approach. In the year ahead, CDL will continue to explore potential investment avenues through green financing and business opportunities connected to the sharing economy model.

## PROPELLING CHANGE THROUGH COLLABORATION AND THOUGHT LEADERSHIP

CDL believes 3P collaboration is key to expanding the ripple effect for climate action within the ecosystem and accelerating global transformation. Beyond future-proofing its operations against long-term environmental risks, CDL is committed to driving the industry and community-at-large to adopt environmentally responsible practices. Creating positive social and economic impact aligned with the UN SDGs will remain a strategic focus in CDL's business.

As the world steps up to mitigate the risks of climate change, CDL stands ready and is committed to accelerate its solutions and partnerships for Singapore's transformation into a low-carbon, climate-resilient and circular economy. Founded on its ethos of 'Conserving as we Construct' since 1995, CDL will continue to innovate and invest in building sustainable cities and communities of tomorrow.

<sup>13</sup> Centre for Climate Research Singapore, in "Killer Heat: Why It Matters", Channel NewsAsia

<sup>14</sup> "Better Business, Better World" report by the Business & Sustainable Development Commission



# FINANCIAL REVIEW

For FY 2018, the Group achieved a record revenue of \$4.2 billion, an increase of 10.3% YoY (Restated FY 2017: \$3.8 billion). Pre-tax profit increased by 14.7% to \$875.5 million (Restated FY 2017: \$763.3 million), while net attributable profit after tax and non-controlling interest (PATMI) and EBITDA increased by 6.7% to \$557.3 million (Restated FY 2017: \$522.2 million) and by 12.4% to \$1.2 billion (Restated FY 2017: \$1.1 billion) respectively.

In terms of business segments, property development continued to be the lead contributor, making up 71% of FY 2018 pre-tax profits. This was followed by the rental properties segment, which accounted for 21.6% of pre-tax profits.

## PROPERTY DEVELOPMENT

Revenue and pre-tax profit increased by \$392.6 million to \$2,045.3 million (FY 2017: \$1,652.7 million) and \$188.8 million to \$623.4 million (Restated FY 2017: \$434.6 million) for FY 2018 respectively.

The increase in revenue for FY 2018 was powered by strong contribution from New Futura (sales launch in Q1 2018), The Criterion Executive Condominium (EC), Gramercy Park, The Tapestry, coupled with contribution from Phase 2 of Hong Leong City Center (HLCC) and Park Court Aoyama The Tower following their completion in 2018 in which sold units were handed over to buyers progressively. In comparison, FY 2017 revenue was generated from Gramercy Park, The Venue Residences and Shoppes, HLCC, Coco Palms and The Brownstone EC.

The increase in pre-tax profits for FY 2018 was in-line with the increase in revenue, coupled with the higher share of contribution from Forest Woods and South Beach Residences. Included in FY 2018 was allowance for foreseeable losses made on two residential projects in Central London vis-à-vis a net write-back of foreseeable losses and a divestment gain recorded in 2017.

## HOTEL OPERATIONS

Revenue decreased marginally by \$14.8 million to \$1,679.4 million (FY 2017: \$1,694.2 million) for FY 2018. Its pre-tax profit for FY 2018 decreased by \$109.4 million to \$40.0 million (Restated FY 2017: \$149.4 million).

Despite ongoing hotel refurbishment works, the Group's hotel revenue contribution was relatively stable for FY 2018. The Group recorded full year contribution from Millennium Hilton New York One UN Plaza (rebranded in August 2017) and M Social Auckland (re-opened in October 2017) in 2018, together with contributions from Millennium New Plymouth New Zealand (acquired in February 2018).

These higher hotel revenues were however nullified by the full closure of Millennium Hotel London Mayfair for refurbishment in July 2018 and Dehevanafushi Maldives Luxury Resort, Maldives, in June 2018 (for rebranding to a "Raffles" resort) as well as lower contribution from Millennium Hilton Bangkok (another hotel undergoing phased refurbishment).

The significant decline in pre-tax profit of FY 2018 was attributable to a myriad of factors including higher impairment losses of \$94.1 million (FY 2017: \$49.2 million) made in Q4 2018 largely on hotels primarily located in United States, poorer UK hotels performance as impacted by Brexit concerns which led to reduction in number of corporate guests from Europe and slower demand in meetings and events.

Furthermore, increased payroll related costs both at the hotels and corporate offices, particularly the minimum wage increase that came in force in 2018 for its UK hotels, continuation of incurring certain fixed costs such as payroll and property related expenditure for Millennium Hotel London Mayfair despite its full closure, also contributed to the decline. In addition, New York

hotels remained loss-making due to its inflexible operating cost structure arising mainly from trade union staff employment.

For FY 2017, there was a writeback of impairment loss of \$22.3 million on loans granted to a joint venture and an impairment of goodwill of \$6.8 million arising from the acquisition of The Lowry Hotel.

## RENTAL PROPERTIES

Revenue and pre-tax profit increased by \$11.3 million to \$358.2 million (FY 2017: \$346.9 million) and \$29.0 million to \$189.0 million (Restated FY 2017: \$160.0 million) for FY 2018 respectively.

The increase in revenue for FY 2018 was largely due to the contribution from the two newly acquired London office buildings, namely Aldgate House and 125 Old Broad Street, contribution from Le Grove Serviced Residences (re-opened in July 2018 following a major revamp) and HLCC's retail mall (opened in June 2018). There was an absence of rental income from an office building in Osaka for FY 2018 as it was disposed of in Q3 2017.

In-line with the increase in revenue, the higher pre-tax profit achieved for FY 2018 was also attributable to higher contribution from First Sponsor Group Limited (FSGL), an associate, and release of provision for bond interest support for Profit Participation Securities (PPS) 2 platform no longer required following the redemption of the related bonds using proceeds from divestment of two office buildings held under this platform. Included in FY 2017 was a receipt of stamp duty refund previously paid under PPS 2 platform, the Group also recognised a few divestment gains including \$12 million gain from disposal of a vacant shophouse plot at Jalan Besar, \$29 million gain from divestment of Mercure Brisbane and Ibis Brisbane vis-à-vis divestment gain of \$30 million recognised from disposal of an office building in Osaka in FY 2017.

## OTHERS

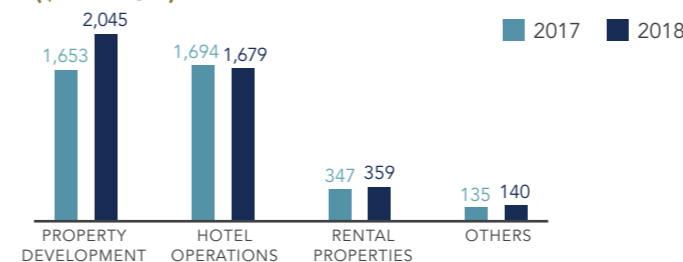
Revenue, comprising mainly income from building maintenance contracts, project management, club operations, laundry services and dividend income, increased by \$4.2 million to \$139.6 million (Restated FY 2017: \$135.4 million) for FY 2018. The increase for FY 2018 was due to higher project management fees earned.

Pre-tax profit for this segment increased by \$3.9 million to \$23.2 million (Restated FY 2017: \$19.3 million) for FY 2018.

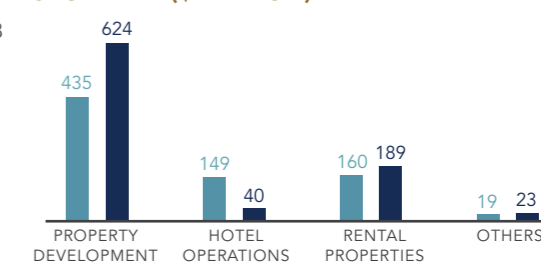
In tandem with increased revenue, higher pre-tax profits for FY 2018 was also attributable to improved contribution from FSGL's property financing business backed by increased interest income with

higher loans granted to its associates and joint ventures in Europe region and full year interest earned from loan granted to an associate in China in late 2017. On the other hand, the Group recognised fair value loss on re-measurement of certain unquoted debt instruments, quoted securities and funds investment.

REVENUE BY BUSINESS SEGMENT (\$ MILLION)

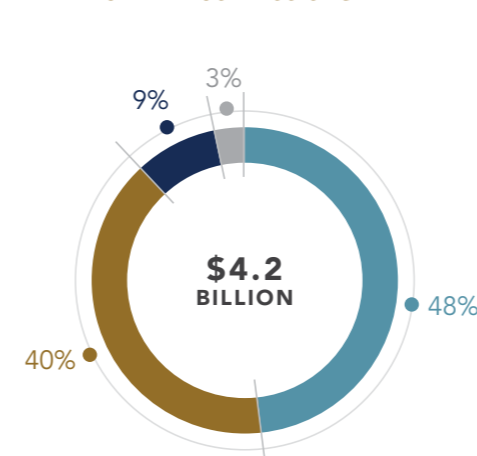


PROFIT BEFORE TAX BY BUSINESS SEGMENT\* (\$ MILLION)

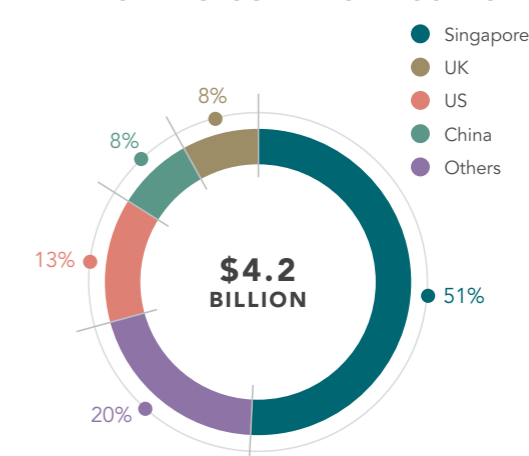


\* Includes share of after-tax profit of associates and joint ventures

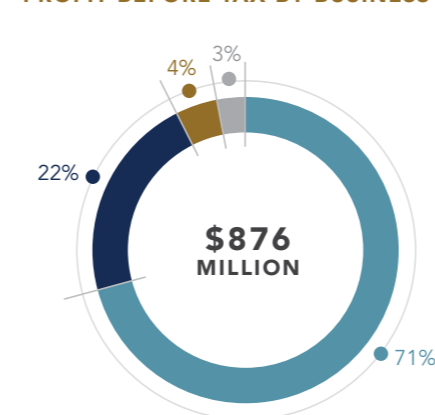
REVENUE BY BUSINESS SEGMENT



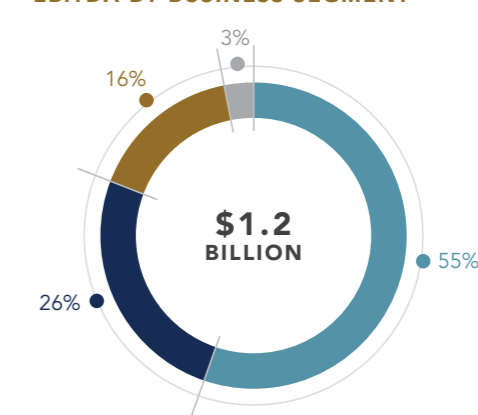
REVENUE BY GEOGRAPHICAL LOCATION



PROFIT BEFORE TAX BY BUSINESS SEGMENT



EBITDA BY BUSINESS SEGMENT



● Property Development ● Hotel Operations ● Rental Properties ● Others



# OPERATIONS & MARKET REVIEW

Leveraging our strong track record and expertise in property development and asset management in Singapore, we have established growth platforms in our key overseas markets – China, UK, Japan and Australia.

By deepening our presence in these key markets, we have enhanced our business resilience, with the flexibility to capitalise on strategic opportunities overseas to complement our core local operations.

In 2018, the Group embarked on our G-E-T strategy – focusing on **G**rowth, **E**nhancement and **T**ransformation – to renew and reposition our business, sharpen our product value proposition and expand our asset portfolio to deliver performance outcomes.

## SINGAPORE RESIDENTIAL

Singapore's economy grew by 3.2% in 2018, slowing from 2017's growth of 3.9%. The 2019 growth forecast is maintained at 1.5% to 3.5%, with growth expected to come in slightly below the mid-point of the forecast range. The Singapore Government cautioned that uncertainties and downside risks – which include further escalation of trade conflicts, sharper-than-expected slowdown of the Chinese economy and a no-deal Brexit – in the global economy have increased.

Residential property buyers remained cautious following the Singapore Government's implementation of another slew of cooling measures in July 2018. For the whole of 2018, developers sold 8,795 private residential units (excluding Executive Condominiums or ECs), compared with 10,566 units in 2017. Although lower than 2017, this surpassed the average of 8,659 units sold in the past three years from 2015 till 2017. While sizeable supply is expected to come onstream in 2019 due to heightened collective sales fever in 2017 and 2018, prime non-landed residential prices are expected to remain stable with developers adopting creative unit mixes and pricing strategies to suit homebuyers' expectations.



### G-E-T STRATEGY



**GROWTH**

- Build development pipeline & recurring income streams
- \$900 million in recurring income EBITDA by 2028



**ENHANCEMENT**

- Enhance asset portfolio
- Drive operational efficiency



**TRANSFORMATION**

- Transform business via new platforms: Strategic Investments, Fund Management, Innovation & Venture Capital
- US\$5 billion AUM target by 2023

In 2018, the Group, together with our joint venture (JV) associates, sold 1,113 residential units, including ECs, with a total sales value of \$2.2 billion (FY 2017:

1,171 units with total sales value of \$1.9 billion). We launched five residential projects, which catered to diverse market segments.

### STEADY SALES UPTAKE FOR 2018 LAUNCHES\*

| Project          | High-End                       |                        | Mid-Tier           |                          |                       |
|------------------|--------------------------------|------------------------|--------------------|--------------------------|-----------------------|
|                  | New Futura                     | South Beach Residences | The Tapestry       | The Jovell               | Whistler Grand        |
| Location         | Leonie Hill Road               | Beach Road             | Tampines Avenue 10 | Flora Drive              | West Coast Vale       |
| Tenure           | Freehold                       | 99-year                | 99-year            | 99-year                  | 99-year               |
| Equity Stake (%) | 100                            | 50.1                   | 100                | 33                       | 100                   |
| Units            | 124                            | 190                    | 861                | 428                      | 716                   |
| Launch Date      | Phase 1 – Jan<br>Phase 2 – May | Sep                    | Mar                | Sep                      | Nov                   |
| Units Sold*      | 115                            | 53<br>(70 released)    | 580                | 58<br>(250 released)     | 260<br>(300 released) |
| ASP              | >\$3,500 psf                   | \$3,450 psf            | \$1,350 psf        | \$1,250 -<br>\$1,300 psf | \$1,380 psf           |

While competition in the private residential market is expected to intensify, the World Bank has ranked Singapore as the world's second easiest place to do business in 2018.

Similarly, the World Economic Forum ranked Singapore the third place for the most competitive economy in the world and first in Asia for 2017-2018. Singapore continues to remain attractive for investments and talent, and we are confident that this will be favourable for the residential market.

In the past year, we have strategically replenished our land bank with four attractive 99-year-leasehold Government Land Sales (GLS) sites and built an enviable launch pipeline. Notably, we successfully acquired a prime mixed-use site at Sengkang Central via a two-envelope tender system with our JV partner, CapitaLand Limited.

Through these new site acquisitions, along with other sites extracted from our land bank, we have an enviable launch pipeline of over 2,400 units. In 2019, we plan to launch five projects, subject to market conditions.

We are well-positioned to benefit from pent-up demand when sentiments in the residential property market improves.

The Group will continue to monitor the local market closely to capitalise on available opportunities while maintaining discipline in our investments.

### STRATEGIC SITE ACQUISITIONS IN 2018

| Site   | Acquisition Date | Equity Stake (%) | Site Area (sq ft) | Land Price (\$ million) | Land Cost (\$ psf ppr) |
|--|------------------|------------------|-------------------|-------------------------|------------------------|
| West Coast Vale (Whistler Grand – launched in Nov) | Jan              | 100              | 210,883           | 472.4                   | 800                    |
| Handy Road   | Jan              | 100              | 51,626            | 212.2                   | 1,722                  |
| Sumang Walk (EC)                                   | Feb              | 60               | 291,235           | 509.4                   | 583                    |
| Sengkang Central                                   | Aug              | 50               | 401,012           | 777.8                   | 924                    |

### PLANNED LAUNCHES IN 2019

| Project                     | 1H 2019      |            | 2H 2019       |             |                  |
|-----------------------------|--------------|------------|---------------|-------------|------------------|
|                             | Boulevard 88 | Amber Park | Haus on Handy | Sumang Walk | Sengkang Central |
| Tenure                      | Freehold     | Freehold   | 99-year       | 99-year     | 99-year          |
| Equity Stake (%)            | 40           | 80         | 100           | 60          | 50               |
| Units                       | 154          | 592        | 188           | 820         | 680              |
| Total Saleable Area (sq ft) | 316,844      | 604,000    | 121,242       | 899,740     | 549,902          |
| Market Segment              | High-End     | High-End   | High-End      | EC          | Mid-Tier         |



\* As at 21 February 2019



# OPERATIONS & MARKET REVIEW

## COMMERCIAL

The implementation of additional residential property cooling measures in 2018 supported a shift in investor interest towards commercial investments. In addition, the improving fundamentals of the office market – led by strong rental growth, reduced risks posed by the financial services sector with tenant diversification and pro-business sentiments – have resulted in reinvigorated interest in commercial real estate. The trending is corroborated by research such as the 2019 Emerging Trends in Real Estate Asia Pacific Report published jointly by Urban Land Institute and PwC, which highlighted Singapore's status as the second largest real estate market in the region, a trend that is likely to continue.

In 2018, the office market in Singapore enjoyed strong growth momentum. Based on Urban Redevelopment Authority (URA)'s data, prices for office space increased by 5.7% in 2018 compared with the decline of 2.4% in 2017. Overall rents also increased by 7.4% in 2018, surpassing the marginal 0.4% increase in 2017. This is an encouraging reversal from the decline of 8.2% seen in 2016.

The Group's office portfolio – comprising 16 properties with Net Lettable Area (NLA) of 2.3 million sq ft – continued to enjoy a healthy committed occupancy rate of 91.4% as at 31 December 2018, outperforming the island-wide occupancy rate of 88%.

To capitalise on the uptrend in the commercial market, we have embarked on Asset Enhancement Initiatives (AEIs) to reposition and rejuvenate our assets. In 2018, we completed a \$30 million refurbishment of Le Grove Serviced Residences, our serviced apartment property located at Orange Grove Road. Through the AEI, we increased the number of apartment units to 173, from 97 previously. Performance has been above expectations, with occupancy crossing 85% six months after its re-opening in July.

In the retail property segment, rents showed signs of stabilising across various submarkets. Landlords continued to put emphasis on placemaking and experiential shopping amidst the disruption due to e-commerce. The trade mix in shopping malls shifted ostensibly towards heavier F&B allocation in malls currently undergoing AEI, as well as new developments.

Our retail portfolio – comprising 20 properties with NLA of 836,000 sq ft – continued to enjoy a healthy committed occupancy rate of 94.9% as at 31 December 2018, outperforming the island-wide occupancy rate of 91.5%.

We also embarked on a \$70 million AEI for our flagship commercial property, Republic Plaza, which includes a revamp of the main lobby, lifts, driveway, frontage and creation of a new retail cluster at Level 2. Refurbishment works are progressing well and on track for completion in 2H 2019.

With the improved market sentiment for CBD office space, Republic Plaza has achieved a committed occupancy rate of about 90%, with positive rental reversions. In view of the AEI, space optimisation as well as exciting new retail and F&B tenants coming on board, further positive rental reversions and higher income contribution can be expected from this property.

In May 2018, the Group, together with Distrii, one of China's leading co-working operators which the Group has an equity stake in, opened the 62,000 sq ft Distrii Republic Plaza, which is Distrii's first international co-working centre, and the single largest co-working facility in Singapore. Spanning across six floors with over 900 work stations, private offices, customisable team space and an event hall, Distrii Republic Plaza stands out with its state-of-the-art technology solutions.

## OVERSEAS

### CHINA

Against the backdrop of China's challenging economy and its ongoing trade tensions, the Group's wholly-owned subsidiary CDL China Limited (CDL China), together with its JV associates, sold 259 residential units and 18 villas in China in 2018, achieving a total sales value of RMB 1.32 billion (\$269 million).

We made good progress with the two JV residential projects in Chongqing and launched Tower 3 (191 units) of Emerald, a 684-unit luxury development in Chongqing's downtown, in December 2018. The project is expected to be completed by end 2020. The completed Eling Palace was relaunched in May 2018.

In 2018, we completed Phase 2 (comprising Tower 2 – 430 units) of Hong Leong City Center (HLCC), CDL China's first integrated development located in Suzhou Industrial Park. HLCC's 30,000 sqm premium Grade A office tower was also completed and will be fitted out before leasing. The five-star M Social Hotel will be operated by M&C and is slated to open in Q1 2020. The 56,000 sqm retail podium block, HLCC mall, opened in June and is currently 85% occupied. Anchor tenants include UME International Cinema, Champion real ice-skating rink and Poyo fitness club.

On the commercial front, Hong Leong Plaza Hongqiao, a five-tower office project in Shanghai's Hongqiao CBD, will commence operations by Q2 2019. Potential tenants include serviced apartment operators and medical care service operators. We remain positive on the development potential of Hongqiao CBD into an international business, transportation and exhibition hub.

In 2018, the Group expanded its recurring income portfolio in China with the acquisition of an office block within Yaojiang International complex in Shanghai's prime North Bund Business District for RMB 148 million. Distrii will

## LAUNCHED PROJECTS IN TIER 1 & 2 CITIES

| Project             | HLCC   | Hongqiao Royal Lake       | Eling Palace          | Emerald                  |
|---------------------|--|---------------------------|-----------------------|--------------------------|
| Location            | Suzhou Industrial Park, Suzhou                                   | Qingpu District, Shanghai | Eling Hill, Chongqing | Huang Huayuan, Chongqing |
| Tenure              | 70 years leasehold (Tower 1 & 2)<br>40 years leasehold (Tower 3) | 70 years leasehold        | 50 years leasehold    | 50 years leasehold       |
| Equity Stake (%)    | 100  | 100                       | 50                    | 30                       |
| Units               | 1,804  | 85 villas                 | 126                   | 684                      |
| Launch Date         | Sep 2014 (Phase 1 – Tower 1 & 3)<br>Sep 2016 (Phase 2 – Tower 2) | Nov 2015 (relaunch)       | May 2018 (relaunch)   | Dec 2018 (Tower 3)       |
| Units Sold*         | 1,565  | 52                        | 49                    | 85                       |
| Sales Value (RMB)   | 3.74 billion   | 1.11 billion              | 270 million           | 301 million              |
| Expected Completion | Completed  | Completed                 | Completed             | 2020                     |



be the master tenant of the property. AEI works for the interior of the office block have been completed and the space has been operational since January 2019. Remaining facade works and logo installation are expected to complete by Q1 2019.

As part of our portfolio diversification, the Group has been making strategic investments in PropTech. In 2018, we invested HK\$237.81 (\$41.4 million) in

the Initial Public Offering (IPO) of China's leading data-based real estate agency, E-House. As a cornerstone investor in E-House, the Group is in active discussion to market our Singapore, UK and other overseas properties through E-House's platform. The first collaboration is expected to commence by 2019. We also invested in Dragonrise Pan-AI High Tech Fund with an investment commitment of RMB 250 million.

## UK

Despite the current uncertainty posed by Brexit, we believe that notwithstanding a hard or a no-deal Brexit, London, with its established infrastructure and connectivity to the world, will remain a key financial hub in Europe. We do not expect the impact to be prolonged as there is still pent-up investment demand from the international community, and continue to take a long-term view of our UK investments.

The short-term uncertainties surrounding Brexit have presented the Group with off-market opportunities to acquire high performance assets with deep value.

In 2018, as part of the Group's focus on growing its recurring income segment, it acquired two prime freehold Grade A commercial buildings in the UK for £568 million. Both properties are well occupied and have strong potential for positive rental reversions.

In September, we acquired Aldgate House, a 211,000 sq ft building beside Aldgate Underground Station for £183 million (\$328 million). It comprises Grade A office, retail and ancillary spaces over two basements, ground, mezzanine and eight upper floors. Aldgate House is within a five-minute walk from six other stations and is 88% leased, with a passing net yield of about 5%. An AEI is being explored to add value to the property.

This transaction was followed by the acquisition of 125 Old Broad Street, a 329,200 sq ft office tower in the heart of the City of London and main financial district, in October for £385 million (\$687 million). Formerly known as the Stock Exchange Tower, the property is spread over three basement levels and 26 floors, offering panoramic views of the city. It is fully tenanted with a passing net yield of about 4.7%.

The outlook for Central London's office market is positive with rental growth expected through 2021, bolstered by

\* As at 21 February 2019





heightened demand and tightening of both existing Grade A office stock and new supply. We continue to explore acquisitive opportunities in the UK.

On the residential front, Teddington Riverside, the Group's 999-year leasehold waterfront development overlooking the River Thames, completed its Phase 1 – comprising the five-storey Carlton House (57 units) and seven-storey Shepperton House (19 units). The apartments, comprising one to three-bedroom units, are ready for occupation and for sale and lease. The development is located close to parks and international schools and benefits from excellent connectivity to Central London and major airports.

The Group is confident that sales for the project will progress when the uncertainty from Brexit is resolved. In the meanwhile, the entire project is on track for completion by Q1 2020.

In Central London, the Group continues to market its two prime 999-year leasehold projects, Chesham Street in Belgravia (6 units) and Hans Road in Knightsbridge (3 units). Both are fully-fitted and available for

viewing by appointment. The project on 90-100 Sydney Street in Chelsea (9 units) overlooks the scenic Chelsea Farmers Market and is on track for completion by Q1 2019.

Due to the UK's introduction of an additional buyer's stamp duty and the political uncertainty surrounding Brexit, homebuyers are being cautious and prefer to rent in the short term. The Group is thus exploring the option of renting out some of our completed residential projects. Our other UK developments are currently going through planning and development stages.

## JAPAN

Japan's real estate market has performed well in the recent years due to favourable monetary policies, which provided a positive financing environment and sustained investment appetite for real estate. Property prices have been supported by positive office market conditions, considerable number of ongoing large-scale redevelopment projects in major cities and boosted by record number of tourist arrivals.

Beyond its contribution to the economy, the tourism sector had a positive spill-over effect on the property market. Land values across all uses, such as commercial, hotel and residential, have increased and showed continued strength in the past year.

In January 2018, we completed Park Court Aoyama The Tower, a JV residential project with Mitsui Fudosan Residential Co., Ltd.. The freehold 160-unit luxury residential project in Tokyo is strategically located in the Aoyama area within Minato ward. Aoyama is one of Tokyo's most popular entertainment and residential areas, well-known for its fashion houses, restaurants and shopping.

Our prime 180,995 sq ft freehold site in the Shirokane residential enclave within central Tokyo will remain in our land bank, while we continue to explore various design options to maximise the development potential of the site.

We continue to seek attractive investment opportunities in the residential, office and hospitality segments to grow our presence in Japan.

## AUSTRALIA

The Australian economy has continued to maintain robust growth with low unemployment and stable inflation. The Australian Government has kept a close eye on the housing market with a focus on rising indebtedness and has introduced various measures to slow credit growth. Although this has led to a decline in housing prices across the major cities, the long-term fundamentals of the market remain positive.

Against this backdrop, we continue to actively explore opportunities to grow our presence in Australia.

In 2018, we completed our JV residential project in Brisbane. The 476-unit Ivy and Eve located on Merivale Street in Brisbane was completed, with majority of the units sold and settlements achieved.

The Group's collaboration with Waterbrook Lifestyle Resorts to develop two freehold luxury retirement villages are in planning stages. Both Waterbrook Bayview in North Sydney and the Waterbrook Bowral in New South Wales are expected to complete in 2021.

## HOSPITALITY

The hospitality industry faced a range of geopolitical and global economic headwinds in 2018, many of which look set to continue in the current year, including trade tensions, Brexit and increasing minimum wage levels in many jurisdictions. Operationally, challenges include the shortage of talent – from rank and file to senior management, new hotel supply globally and the growth of industry disruptors such as Airbnb.

In response to these challenges, our London-listed hotel subsidiary Millennium and Copthorne Hotels plc (M&C) is focused on business transformation, prioritising the evaluation and development of new and innovative strategic plans to meet the fast-changing operating environment. To drive progress, M&C recognises it needs to

evolve and embrace the industry changes, and to stay relevant and profitable in the immediate and medium term. Restoring profitability in its New York hotels remains at the top of M&C's objectives while it continues to invest in and reposition its hotels.

M&C made good progress on its AEs in 2018, which included a £50 million refurbishment of the Mayfair hotel in London, \$20 million upgrading of Orchard Hotel in Singapore and smaller scale refurbishment work in other properties to improve its product offering and maintain competitiveness.

The Mayfair property is expected to re-open in Q2 2019, rebranded as The Biltmore, Mayfair, marking M&C's first opening under Hilton's new LXR Hotels and Resorts collection in Europe. The revamped property will mark M&C's debut in London's five-star deluxe market. The Mayfair hotel has traditionally been one of M&C's biggest revenue and profit contributors and its much-anticipated re-opening will allow M&C to fast track its lost earnings to profitable growth at this flagship property.

In 2018, M&C continued to expand its asset portfolio and footprint. In February, it acquired The Waterfront Hotel in New Plymouth, New Zealand, for NZ\$11 million (£6 million). The iconic 42-room hotel was rebranded as Millennium Hotel New Plymouth Waterfront in Q2 2018. CDL Hospitality Trusts (CDLHT), M&C's REIT associate, acquired a 95% effective interest in the 86-room 4-star Hotel Cerretani Florence, MGallery by Sofitel in Florence, Italy, for €33 million (£29 million) in November.

As at 31 December 2018, M&C's global portfolio comprises 139 hotels with over 40,000 rooms. It has a global pipeline of 26 hotels with around 10,800 rooms.

M&C expects operating challenges to continue in 2019, given significant capital projects underway and several large hotels earmarked for major renovations. These

investments will be carefully managed and phased to deliver the right returns to shareholders and underline M&C's intention to maintain strict control of costs throughout the business.

## FUND MANAGEMENT

To achieve the Group's target of Assets Under Management (AUM) of US\$5 billion by 2023, we plan to develop our fund management business via organic growth coupled with the acquisition of assets and platform.

We will continue to leverage our strong balance sheet to strategically acquire investment properties in key markets (Singapore, UK, China, Australia and Japan) with caution and discipline, and grow our recurring income base.

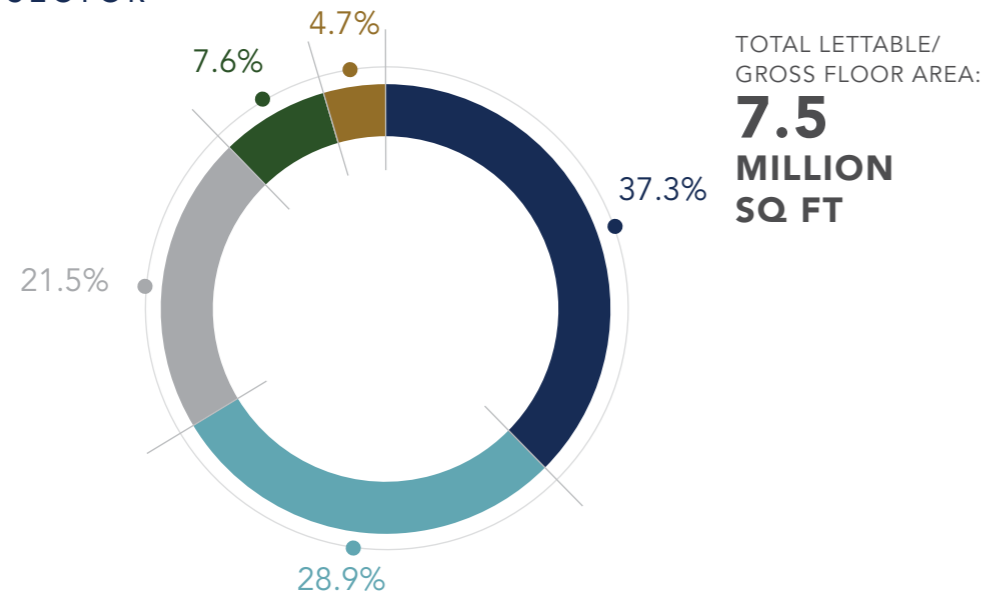
The UK remains a fundamental attraction for international investors and a major target for funds looking at their first wave of international acquisitions. This is favourable for our recently acquired UK assets, which can be possibly be transferred to a private fund as seed assets or a REIT vehicle.



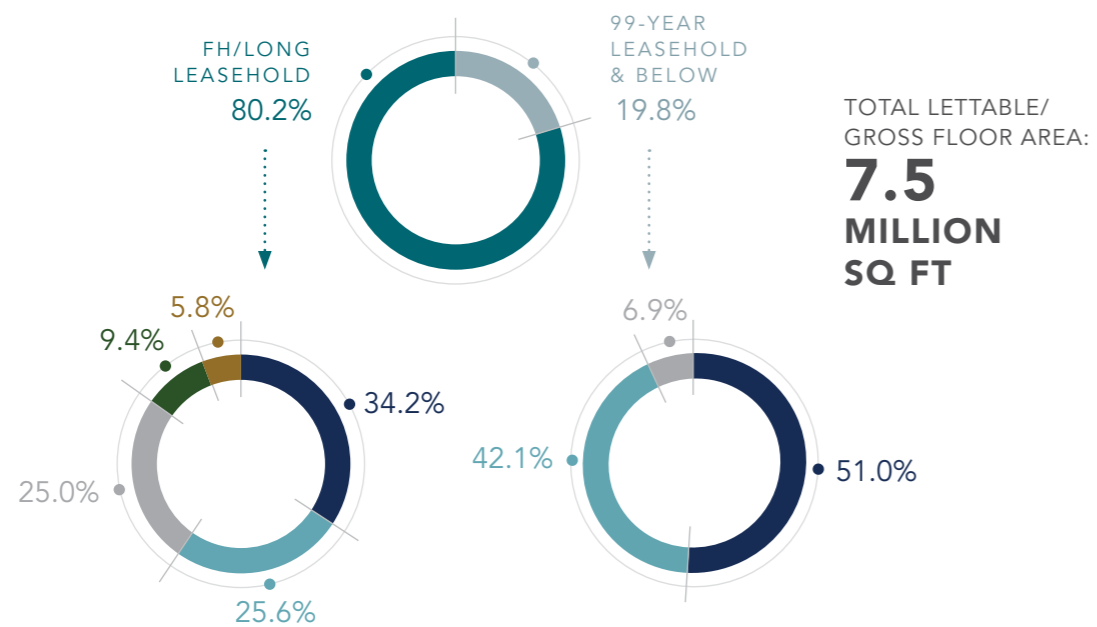
# PROPERTY PORTFOLIO ANALYSIS

CDL GROUP'S ATTRIBUTABLE SHARE  
AS AT 31 DECEMBER 2018

## ANALYSIS BY SECTOR



## ANALYSIS BY TENURE



FH/LONG LEASEHOLD BREAKDOWN BY SECTOR

TOTAL LETTABLE AREA/ GROSS FLOOR AREA

**6.0 MILLION SQ FT**

99-YEAR LEASEHOLD & BELOW BREAKDOWN BY SECTOR

TOTAL LETTABLE AREA/GROSS FLOOR AREA

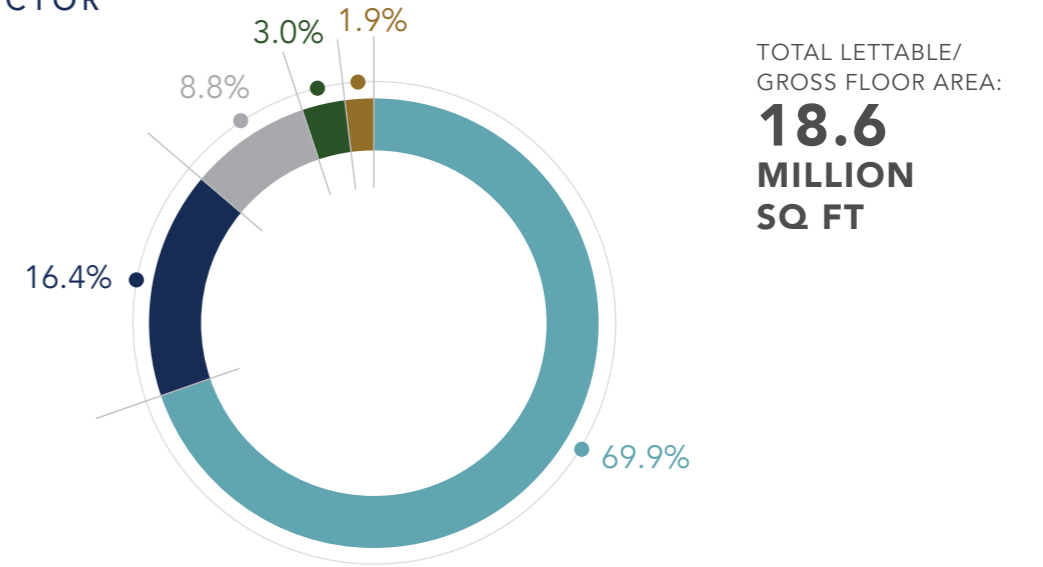
**1.5 MILLION SQ FT**



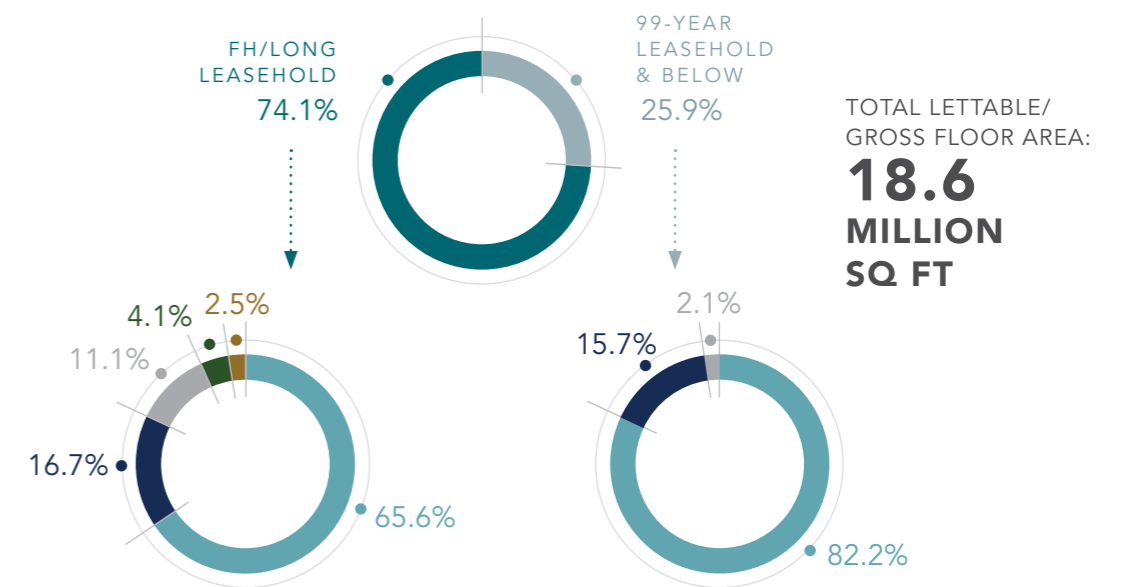
# PROPERTY PORTFOLIO ANALYSIS

CDL GROUP'S ATTRIBUTABLE SHARE  
AS AT 31 DECEMBER 2018 (INCLUSIVE OF M&C PROPERTIES)

## ANALYSIS BY SECTOR



## ANALYSIS BY TENURE



FH/LONG LEASEHOLD BREAKDOWN BY SECTOR

TOTAL LETTABLE AREA/ GROSS FLOOR AREA

**13.8 MILLION SQ FT**

99-YEAR LEASEHOLD & BELOW BREAKDOWN BY SECTOR

TOTAL LETTABLE AREA/GROSS FLOOR AREA

**4.8 MILLION SQ FT**

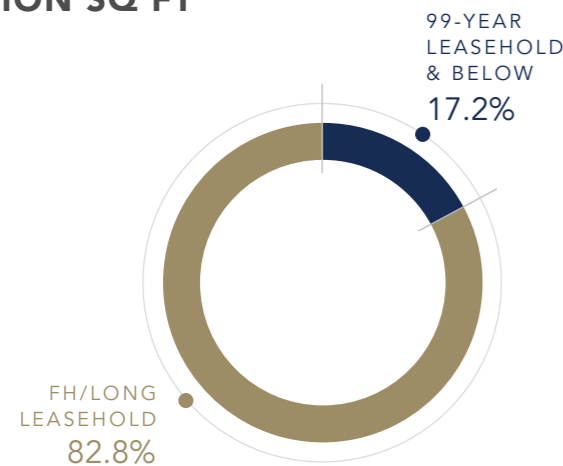


# PROPERTY PORTFOLIO ANALYSIS – LAND BANK

CDL GROUP'S ATTRIBUTABLE SHARE  
AS AT 31 DECEMBER 2018

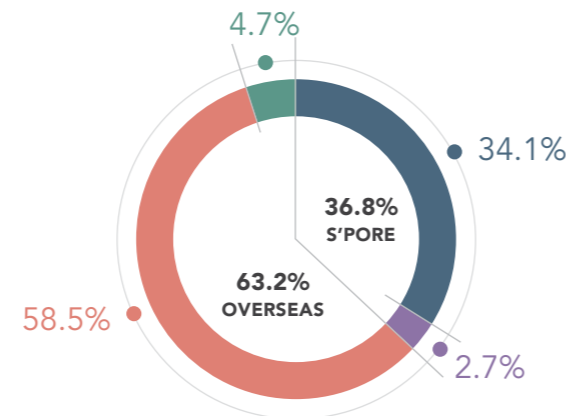
## ANALYSIS BY TENURE

TOTAL:  
**2.49**  
MILLION SQ FT



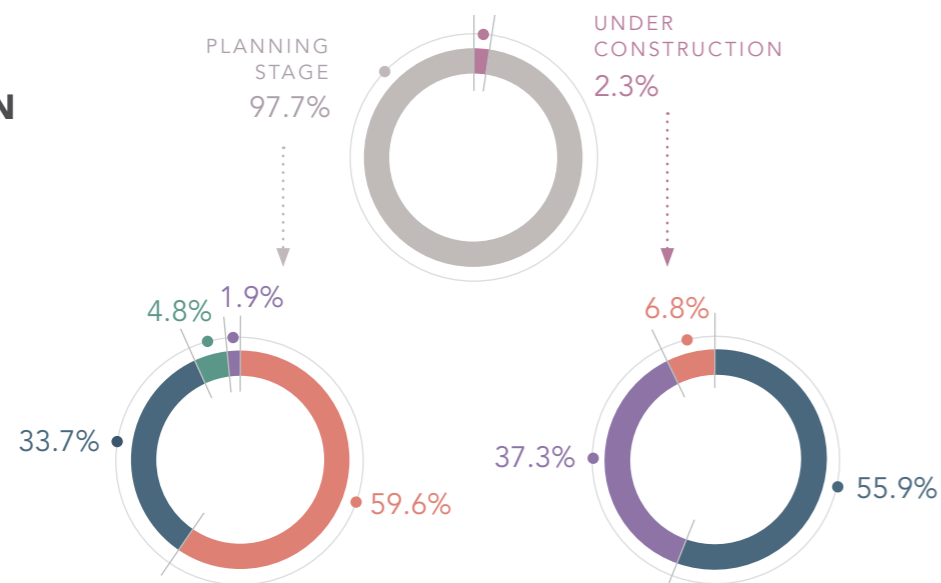
## ANALYSIS BY SECTOR

TOTAL:  
**2.49**  
MILLION SQ FT



## ANALYSIS BY DEVELOPMENT STAGE

TOTAL:  
**2.49**  
MILLION  
SQ FT



### PLANNING STAGE BREAKDOWN BY SECTOR

TOTAL:  
**2.43** MILLION SQ FT

### UNDER CONSTRUCTION BREAKDOWN BY SECTOR

TOTAL:  
**0.06** MILLION SQ FT

● Residential ● Residential – Overseas ● Commercial and Hotel Projects ● Commercial and Hotel Projects – Overseas

# MAJOR PROPERTIES

AS AT 31 DECEMBER 2018

| SINGAPORE PROPERTIES  | Tenure  | Site Area (Sq. Metres) | Approximate Lettable/ Strata/ Gross Floor Area (Sq. Metres) | Effective Group Interest <sup>(1)</sup> (%) |
|---|---|------------------------|---|---|
| <b>COMMERCIAL PROPERTIES</b>  |   |                        |   |   |
| <b>Republic Plaza</b> , 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                  | 70,212  | 100   |
| <b>Central Mall</b> comprises a cluster of conservation shophouses at Havelock Road/Magazine Road.  | 99-year lease wef 15.05.1993                        | 4,806                  | 5,092   | 100   |
| <b>Central Mall (Office Tower)</b> is a 7-storey office-cum-retail building located at Havelock Road/Magazine Road.   | Freehold  | 2,800                  | 12,213  | 100   |
| <b>New Tech Park</b> is a high-technology industrial park at Lorong Chuan, off Braddell Road.   | 999-year lease reversionary interest <sup>(2)</sup> | 39,798                 | 56,040  | 42.8  |
| <b>City House</b> is a 23-storey office building situated at Robinson Road/Cross Street within the Central Business District.   | 999-year lease                                      | 1,272                  | 14,671  | 100   |
| <b>City Square Mall</b> is an 11-storey shopping mall located at the junction of Serangoon and Kitchener Roads.   | Freehold  | 14,920                 | 41,088  | 100   |
| <b>Fuji Xerox Towers</b> 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   |
| <b>Manulife Centre</b> is an 11-storey commercial building located at 51 Bras Basah Road.   | 999-year lease reversionary interest <sup>(3)</sup> | 4,972                  | 22,425  | 100   |
|   | 99-year lease wef 22.12.2015                        |                        |   | 80 <sup>(4)</sup>                           |
| <b>Palais Renaissance</b> is a 16-storey retail-cum-office complex with 3 basements located at Orchard Road.  | Freehold  | 2,709                  | 10,302  | 100   |
| <b>Delfi Orchard</b> 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   |
| <b>Citilink Warehouse Complex</b> 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   |
| <b>Cideco Industrial Complex</b> is an 8-storey industrial building located at Genting Lane.  | Freehold  | 5,478                  | 12,567  | 100   |
| <b>City Industrial Building</b> is an 11-storey flatted factory building at Tannery Lane.   | Freehold  | 3,150                  | 11,824  | 100   |
| <b>Tanglin Shopping Centre</b> 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:

<sup>(1)</sup> For strata-titled properties, this % refers to the Group's effective interest in the strata-titled units owned by the Group.

<sup>(2)</sup> The Group has reversionary interest of the property at the expiry of the 45-year lease sold to a third party.

<sup>(3)</sup> The Group has reversionary interest of the property at the expiry of the 99-year lease sold to an associate.

<sup>(4)</sup> 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 (b) under Note 43 of the Notes to the Financial Statements.



# MAJOR PROPERTIES

AS AT 31 DECEMBER 2018

| SINGAPORE PROPERTIES   | Tenure   | Site Area (Sq. Metres) | Approximate Lettable/ Strata/ Gross Floor Area (Sq. Metres) | Effective Group Interest <sup>(1)</sup> (%) |
|--|--|------------------------|---|---|
| <b>COMMERCIAL PROPERTIES</b>   |  |                        |   |   |
| <b>The Arcade</b> 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   |
| <b>Katong Shopping Centre</b> 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   |
| <b>Tagore 23 Warehouse</b> is a 4-storey warehouse located at Tagore Lane.   | Freehold   | 7,418                  | 12,066  | 100   |
| <b>King's Centre</b> 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   |
| <b>7 &amp; 9 Tampines Grande</b> is a pair of 8-storey new generation green office buildings located at Tampines Regional Centre.  | 99-year lease wef 20.08.2007 <sup>(2)</sup>                                    | 8,000                  | 26,718  | 80 <sup>(3)</sup>                           |
| <b>11 Tampines Concourse</b> is a 3-storey office building located at Tampines Ave 5. It is the first CarbonNeutral <sup>®</sup> development in Singapore and Asia Pacific.      | 15-year lease wef 18.02.2008   | 11,521                 | 9,692   | 100   |
| <b>Quayside Isle</b> 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 <sup>(4)</sup>                           |
| <b>MIXED DEVELOPMENT</b>   |  |                        |   |   |
| <b>South Beach</b> 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                 | 47,140 (Office)<br>52,048 (Hotel)<br>2,764 (Retail)         | 50.1  |
| <b>HOTELS</b>  |  |                        |   |   |
| <b>Grand Copthorne Waterfront</b> is a 30-storey, 574-room hotel-cum-retail waterfront development, located at Havelock Road/Kim Seng Road, along the Singapore River.           | Freehold (Retail)<br><br>Freehold reversionary interest (Hotel) <sup>(5)</sup> | 10,860                 | 3,006 (Retail)<br>51,726 (Hotel)                            | 100   |
| <b>The St. Regis Singapore</b> is a 20-storey, 299-room luxury hotel that is located at Tanglin Road/Tomlinson Road.   | 999 years  | 6,678                  | 30,850  | 33  |
| <b>W Singapore – Sentosa Cove</b> is a 7-storey, 240-room luxury hotel that is located at Ocean Way.   | 99-year lease  | 17,016                 | 23,805  | 42 <sup>(4)</sup>                           |
| <b>M Social Singapore</b> is a 10-storey, 293-room designer hotel that is located at Robertson Quay.   | 99-year lease  | 4,518                  | 8,000   | 100   |
| <b>SERVICED APARTMENTS</b>   |  |                        |   |   |
| <b>Le Grove</b> is the Group's first serviced apartments project located at Orange Grove Road, off Orchard Road.   | Freehold   | 5,891                  | 12,372  | 100   |

## Notes:

<sup>(1)</sup> For strata-titled properties, this % refers to the Group's effective interest in the strata-titled units owned by the Group.

<sup>(2)</sup> The Group sold the remaining lease wef 22.12.2015 to an associate.

<sup>(3)</sup> 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 (b) under Note 43 of the Notes to the Financial Statements.

<sup>(4)</sup> 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.

<sup>(5)</sup> The Group has reversionary interest of the property at the expiry of the 75-year lease sold to CDL Hospitality Trusts.

| OVERSEAS PROPERTIES   | Tenure   | Site Area (Sq. Metres) | Approximate Lettable/ Strata/ Gross Floor Area (Sq. Metres) | Effective Group Interest (%) |
|---|--|------------------------|---|------------------------------|
| <b>COMMERCIAL PROPERTIES</b>  |  |                        |   |                              |
| <b>Jungeyclon Shopping Mall and Millennium Resort Patong Phuket</b> 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                 | 73,205 (Retail)<br>44,741 (Hotel)                           | 49                           |
| <b>Mille Malle</b> 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                           |
| <b>Biltmore Court &amp; Tower</b> 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                           |
| <b>Chengdu Cityspring</b> is located in Gaoxin District, Chengdu, Sichuan Province, China, comprising commercial and retail units.  | Leasehold to year 2049                           | Not Applicable         | 1,381   | 23                           |
| <b>Zuiderhof I</b> 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                            |
| <b>Aldgate House</b> is located in the heart of Aldgate, one of London's most vibrant districts, comprising of 19,570 sq. metres Grade A office, retail and ancillary spaces over two basements, ground, mezzanine and eight upper floors.  | Freehold   | 3,200                  | 19,570  | 100                          |
| <b>125 Old Broad Street</b> is a Grade A office tower located in the heart of London and within the main financial district, comprising of 30,582 sq. metres spread over 26 floors with panoramic views of the city and three basement levels.  | Freehold   | 2,914                  | 30,582  | 100                          |
| <b>HOTELS</b>   |  |                        |   |                              |
| <b>Millennium Hilton Bangkok</b> 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                 | 87,345  | 17                           |
| <b>Holiday Inn Moscow - Seligerskaya</b> 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                           |
| <b>Millennium Mitsui Garden Hotel Tokyo</b> , 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<br>1,040/130 (site area)                             | 76                           |
| <b>Arena Towers</b> (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                           |
| <b>Crowne Plaza Chengdu Wenjiang Hotel &amp; Holiday Inn Express Chengdu</b> 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                           |
| <b>Poortgebouw Hoog Catharijne</b> is located at 3 <sup>rd</sup> floor up to and including the 9 <sup>th</sup> floor of the Poortgebouw Hoog Catharijne, Catharijne Esplanade 13, 3511WK Utrecht, The Netherlands   | Leasehold to year 2069                           | Not Applicable         | 11,604  | 23                           |

# MAJOR PROPERTIES

AS AT 31 DECEMBER 2018

## FOR DEVELOPMENT AND/OR RESALE

| Description & Location                                       | Site Area (Sq. Metres) | Tenure   | Effective Group Interest (%) |
|--|------------------------|----------|------------------------------|
| <b>RESIDENTIAL</b>   |                        |          |                              |
| 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                        | 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                          |
| <b>COMMERCIAL</b>  |                        |          |                              |
| Development House, Leonard Street, Shoreditch, London, UK    | 1,240                  | Freehold | 100                          |
| <b>HOTEL</b>   |                        |          |                              |
| Land Site at Chung-gu, Namdaemunro, Seoul, South Korea       | 1,564                  | Freehold | 65                           |
| Land Site at Sunnyvale, California, United States of America | 35,717                 | Freehold | 65                           |

## IN THE COURSE OF DEVELOPMENT

| Description                    | Location                                  | Site Area (Sq. Metres) | Gross Floor Area (Sq. Metres) | Tenure  | Effective Group Interest (%) | Approximate Percentage Completion (%) | Expected Completion |
|--------------------------------|---|------------------------|-------------------------------|---|------------------------------|---------------------------------------|---------------------|
| <b>RESIDENTIAL</b>             |   |                        |                               |   |                              |                                       |                     |
| Teddington Riverside           | Broom Road, Teddington, London, UK        | 18,211                 | 22,297                        | Freehold  | 100                          | 25                                    | 2019                |
| Chelsea                        | 90-100 Sydney Street, Chelsea, London, UK | 351                    | 1,500                         | Freehold  | 100                          | 65                                    | 2019                |
| Forest Woods                   | Lorong Lew Lian                           | 14,001                 | 46,206                        | 99 years  | 50                           | 57                                    | 2020                |
| The Tapestry                   | Tampines Ave 10                           | 21,718                 | 60,810                        | 99 years  | 100                          | 25                                    | 2021                |
| Whistler Grand                 | West Coast Vale                           | 19,591                 | 56,021                        | 99 years  | 100                          | *                                     | 2022                |
| Handy Road                     | Handy Road                                | 4,796                  | 11,446                        | 99 years  | 100                          | *                                     | 2022                |
| Amber Park                     | Amber Park                                | 19,850                 | 55,582                        | Freehold  | 80                           | *                                     | 2022                |
| Sumang Walk                    | Sumang Walk                               | 27,056                 | 83,604                        | 99 years  | 60                           | *                                     | 2023                |
| <b>MIXED DEVELOPMENT</b>       |   |                        |                               |   |                              |                                       |                     |
| Hong Leong City Center (Hotel) | Suzhou Jinji Lake, SIP District, China    | 45,455                 | 33,131 <sup>^</sup>           | Residential - 70 years<br>Commercial - 40 years | 100                          | 90                                    | 2020                |
| Emerald                        | Yuzhong District, Chongqing, China        | 23,512                 | 121,151                       | Residential - 50 years<br>Commercial - 40 years | 30                           | 30                                    | 2020                |
| Boulevard Hotel Site           | Cuscaden Road/ Orchard Boulevard          | 12,127                 | 56,050                        | Freehold  | 40                           | 12                                    | 2021                |
| Sengkang Central               | Sengkang Central                          | 37,255                 | 65,621                        | 99 years  | 50                           | *                                     | 2022                |

\* Work is less than 10% completed.

<sup>^</sup> Phase 1 (Tower 1 & 3) completed in Q4 2016; Phase 2 (Tower 2, podium & office) completed in Q2 2018.

| Hotels   | Tenure  | Approximate Site Area (Sq. Metres) | Number of Rooms | Effective Group Interest (%) |
|--|---|------------------------------------|-----------------|------------------------------|
| <b>Owned by Millenium &amp; Copthorne Hotels plc</b>   |   |                                    |                 |                              |
| <b>ASIA</b>  |   |                                    |                 |                              |
| <b>Grand Millennium Beijing</b><br>Fortune Plaza, 7 Dongsanhuan Middle Road, Chaoyang District, Beijing 100020 China | Leasehold to year 2046 (hotel)<br>Leasehold to year 2056 (underground carpark)  | 9,268                              | 517             | 46                           |
| <b>Grand Millennium Kuala Lumpur</b><br>160 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia                        | Freehold  | 7,670                              | 459             | 65                           |
| <b>JW Marriott Hotel Hong Kong</b><br>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 (Part)                      | 602             | 17                           |
| <b>Millennium Hotel Sirih Jakarta</b><br>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                           |
| <b>Millennium Seoul Hilton</b><br>50 Sowol-ro, Jung-gu, Seoul, South Korea 100-802                                   | Freehold  | 18,787                             | 680             | 65                           |
| <b>Copthorne Orchid Hotel Penang</b><br>Jalan Tanjung Bungah, 11200 Penang, Malaysia                                 | Freehold  | 10,329                             | 307             | 65                           |
| <b>The Heritage Hotel Manila</b><br>Roxas Boulevard at corner of EDSA Pasay City, Metropolitan Manila, Philippines   | Fee Simple  | 9,888                              | 450             | 43                           |
| <b>Grand Hyatt Taipei</b><br>2, Songshou Road Taipei, Taiwan, 11051  | 50 years starting from 07.03.1990. The lease agreement is extendable for another 30 years.  | 14,193                             | 850             | 55                           |
| <b>New World Millennium Hong Kong Hotel</b><br>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                           |
| <b>EUROPE</b>  |   |                                    |                 |                              |
| <b>The Chelsea Harbour Hotel</b><br>Chelsea Harbour, London, SW10 0XG, England                                       | Leasehold to year 2112  | 2,561                              | 158             | 65                           |
| <b>Copthorne Hotel Aberdeen</b><br>122 Huntly Street, Aberdeen AB10 1SU, Scotland                                    | Freehold  | 1,302                              | 87              | 54                           |
| <b>Copthorne Hotel Birmingham</b><br>Paradise Circus, Birmingham B3 3HJ, England                                     | Freehold  | 2,188                              | 211             | 65                           |
| <b>Copthorne Hotel Cardiff-Caerdydd</b><br>Copthorne Way, Culverhouse Cross, Cardiff CF5 6DH, Wales                  | Freehold  | 26,305                             | 135             | 65                           |



# MAJOR PROPERTIES

AS AT 31 DECEMBER 2018

| Hotels   | Tenure                 | Approximate Site Area (Sq. Metres) | Number of Rooms | Effective Group Interest (%) |
|--|------------------------|------------------------------------|-----------------|------------------------------|
| <b>EUROPE (CONTINUED)</b>  |                        |                                    |                 |                              |
| <b>Copthorne Hotel Effingham Gatwick</b><br>West Park Road, Copthorne,<br>West Sussex RH10 3EU, England                            | Freehold               | 161,878                            | 122             | 65                           |
| <b>Copthorne Hotel London Gatwick</b><br>Copthorne Way, Copthorne,<br>West Sussex RH10 3PG, England                                | Freehold               | 404,694                            | 227             | 65                           |
| <b>Copthorne Hotel Manchester</b><br>Clippers Quay, Salford Quays,<br>Manchester M50 3SN, England                                  | Leasehold to year 2135 | 9,800                              | 166             | 65                           |
| <b>Copthorne Hotel Merry Hill-Dudley</b><br>The Waterfront, Level Street, Brierley Hill,<br>Dudley, West Midlands DY5 1UR, England | Freehold               | 13,734                             | 138             | 65                           |
| <b>Copthorne Hotel Newcastle</b><br>The Close, Quayside, Newcastle upon Tyne<br>NE1 3RT, England                                   | Freehold               | 9,200                              | 156             | 62                           |
| <b>Copthorne Hotel Plymouth</b><br>Armada Way, Plymouth PL1 1AR, England   | Leasehold to year 2110 | 1,853                              | 135             | 65                           |
| <b>Copthorne Hotel Slough-Windsor</b><br>Cippenham Lane, Slough, Berkshire<br>SL1 2YE, England                                     | Freehold               | 6,880                              | 219             | 65                           |
| <b>Copthorne Tara Hotel London Kensington</b><br>Scarsdale Place, Kensington, London<br>W8 5SY, England                            | Freehold               | 7,535                              | 833             | 65                           |
| <b>Hard Days Night Hotel Liverpool</b><br>Central Buildings North John Street<br>Liverpool, L2 6RR, England                        | Leasehold to year 2129 | 5,275                              | 110             | 65                           |
| <b>The Bailey's Hotel London</b><br>140 Gloucester Road, London SW7 4QH, England   | Freehold               | 1,923                              | 212             | 65                           |
| <b>Millennium Gloucester Hotel London Kensington</b><br>Harrington Gardens, London SW7 4LH,<br>England                             | Freehold               | 6,348                              | 610             | 65                           |
| <b>Millennium Hotel Glasgow</b><br>George Square, Glasgow G2 1DS, Scotland   | Leasehold to year 2109 | 5,926                              | 61              | 65                           |
| <b>Millennium Hotel London Knightsbridge</b><br>17 Sloane Street, Knightsbridge,<br>London SW1X 9NU, England                       | Leasehold to year 2091 | 809                                | 222             | 65                           |
| <b>The Biltmore, Mayfair - LXR Hotels &amp; Resorts</b><br>44 Grosvenor Square, Mayfair,<br>London W1K 2HP, England                | Leasehold to year 2096 | 4,260                              | 308             | 65                           |
| <b>Millennium Hotel Paris Opéra</b><br>12 Boulevard Haussmann,<br>75009 Paris, France  | Freehold               | 1,093                              | 163             | 65                           |
| <b>Millennium Hotel Paris Charles de Gaulle</b><br>Zone Hoteliere, Allée du Verger, 95700<br>Roissy-en-France, France              | Freehold               | 11,657                             | 239             | 65                           |
| <b>Grand Hotel Palace Rome</b><br>Via Veneto, 70, Rome, 00187, Italy   | Freehold               | 801                                | 86              | 65                           |

| Hotels  | Tenure   | Approximate Site Area (Sq. Metres) | Number of Rooms | Effective Group Interest (%) |
|---|--|------------------------------------|-----------------|------------------------------|
| <b>NORTH AMERICA</b>  |  |                                    |                 |                              |
| <b>The Lakefront Anchorage</b><br>4800 Spenard Road, Anchorage,<br>AK 99517, USA  | Freehold   | 14,159                             | 248             | 65                           |
| <b>Millennium Biltmore Hotel Los Angeles</b><br>506 South Grand Avenue, Los Angeles,<br>CA 90071, USA                           | Freehold   | 11,305                             | 683             | 65                           |
| <b>The Bostonian Boston</b><br>26 North Street, At Faneuil Hall Marketplace,<br>Boston, MA 02109, USA                           | Freehold   | 2,769                              | 204             | 65                           |
| <b>Millennium Harvest House Boulder</b><br>1345 28 <sup>th</sup> Street, Boulder,<br>CO 80302, USA                              | Freehold   | 64,019                             | 269             | 65                           |
| <b>Millennium Buffalo</b><br>2040 Walden Avenue, Buffalo,<br>NY 14225, USA  | Leasehold to year 2022<br>(with one 10-year option)                      | 31,726                             | 301             | 65                           |
| <b>Millennium Knickerbocker Hotel Chicago</b><br>163 East Walton Place, Chicago,<br>IL 60611, USA                               | Freehold   | 2,007                              | 306             | 65                           |
| <b>Millennium Hotel Cincinnati</b><br>150 West Fifth Street, Cincinnati,<br>OH 45202, USA                                       | Freehold   | 6,839                              | 872             | 65                           |
| <b>Millennium Hotel Durham</b><br>2800 Campus Walk Avenue, Durham,<br>NC 27705, USA   | Freehold   | 42,814                             | 316             | 65                           |
| <b>Millennium Hotel Minneapolis</b><br>1313 Nicollet Mall, Minneapolis,<br>MN 55403, USA  | Leasehold to year 2030   | 4,537                              | 321             | 65                           |
| <b>Millennium Maxwell House Nashville</b><br>2025 Rosa L. Parks Boulevard, Nashville,<br>TN 37228, USA                          | Leasehold to year 2030<br>(with two 10-year options)                     | 17,140                             | 287             | 65                           |
| <b>Millennium Broadway Hotel New York</b><br>145 West 44 <sup>th</sup> Street, New York,<br>NY 10036, USA                       | Freehold   | 1,762                              | 626             | 65                           |
| <b>The Premier Hotel New York</b><br>133 West 44 <sup>th</sup> Street, New York<br>NY 10036, USA                                | Freehold   | 360                                | 124             | 65                           |
| <b>Millennium Hilton New York ONE UN Plaza</b><br>1 UN Plaza, 44 <sup>th</sup> Street at 1st Avenue,<br>New York, NY 10017, USA | East tower freehold/<br>West tower leasehold to<br>year 2079             | 4,554                              | 439             | 65                           |
| <b>Millennium Hotel St. Louis (Closed)</b><br>200 South 4 <sup>th</sup> Street, St. Louis,<br>MO 63102, USA                     | Freehold   | 17,033                             | 780             | 65                           |
| <b>The McCormick Scottsdale</b><br>7421 North Scottsdale Road, Scottsdale,<br>AZ 85208, USA                                     | Leasehold to year 2033<br>(with two 10-year options)                     | 32,819                             | 125             | 65                           |
| <b>Millennium Hilton New York Downtown</b><br>55 Church Street, New York,<br>NY 10007, USA                                      | Freehold   | 1,680                              | 569             | 65                           |
| <b>Novotel New York Times Square</b><br>226W 52 <sup>nd</sup> Street, New York,<br>NY 10019, USA                                | Fee simple estate, a<br>leasehold interest, and a<br>leased fee interest | 1,977                              | 480             | 65                           |

# MAJOR PROPERTIES

AS AT 31 DECEMBER 2018

| Hotels   | Tenure  | Approximate Site Area (Sq. Metres) | Number of Rooms | Effective Group Interest (%) |
|--|---|------------------------------------|-----------------|------------------------------|
| <b>NORTH AMERICA (CONTINUED)</b>   |   |                                    |                 |                              |
| <b>Millennium Maingate Lakeside Resort</b><br>7769 W Irlo Bronson Memorial Highway,<br>Kissimmee, FL 34747, USA                | Freehold  | 93,796                             | 475             | 65                           |
| <b>Novotel Penthouse</b><br>1651-65 Broadway,<br>New York, NY10019, USA  | Leasehold to year 2080                              | 307                                | –               | 65                           |
| <b>Millennium Vail Beaver Creek</b><br>161 West Beaver Creek Boulevard, Avon,<br>CO 81620, USA                                 | Freehold  | 11,209                             | 146             | 65                           |
| <b>Millennium Pine Lake Trout Club</b><br>17021 Chillicothe Road, Chagrin Falls,<br>OH 44023, USA                              | Freehold  | 331,074                            | 6               | 65                           |
| <b>NEW ZEALAND</b>   |   |                                    |                 |                              |
| <b>Copthorne Hotel Auckland City</b><br>150 Anzac Avenue, Auckland, New Zealand  | Perpetual/Leasehold land                            | 2,495                              | 110             | 49                           |
| <b>M Social Auckland</b><br>196-200 Quay Street, Auckland,<br>New Zealand  | Freehold  | 2,407                              | 190             | 49                           |
| <b>Copthorne Hotel &amp; Resort Bay of Islands</b><br>Tau Henare Drive, Paihia, New Zealand                                    | Leasehold land to year 2021 (with a 30-year option) | 62,834                             | 180             | 24                           |
| <b>Copthorne Hotel &amp; Resort Queenstown Lakefront</b><br>Corner Adelaide Street & Frankton Road,<br>Queenstown, New Zealand | Freehold  | 18,709                             | 240             | 49                           |
| <b>Copthorne Hotel Wellington Oriental Bay</b><br>100 Oriental Parade, Wellington,<br>New Zealand                              | Freehold  | 3,904                              | 118             | 49                           |
| <b>Kingsgate Hotel Dunedin</b><br>10 Smith Street, Dunedin, New Zealand  | Freehold  | 2,193                              | 55              | 49                           |
| <b>Kingsgate Hotel Greymouth</b><br>32 Mawhera Quay, Greymouth,<br>New Zealand   | Freehold/Perpetual leasehold land                   | 2,807                              | 98              | 49                           |
| <b>Copthorne Hotel Palmerston North</b><br>110 Fitzherbert Avenue,<br>Palmerston North, New Zealand                            | Freehold  | 15,514                             | 124             | 49                           |
| <b>Copthorne Hotel Rotorua</b><br>Fenton Street, Rotorua, New Zealand  | Freehold  | 35,935                             | 136             | 49                           |
| <b>Copthorne Hotel &amp; Apartments Queenstown Lakeview</b><br>88 Frankton Road, Queenstown,<br>New Zealand                    | Freehold/Strata title                               | 4,713                              | 85              | 49                           |
| <b>Kingsgate Hotel Te Anau</b><br>20 Lakefront Drive, Te Anau, New Zealand   | Freehold  | 8,819                              | 94              | 49                           |
| <b>Millennium Hotel Queenstown</b><br>Corner Frankton Road & Stanley Street,<br>Queenstown, New Zealand                        | Freehold  | 7,453                              | 220             | 49                           |
| <b>Millennium Hotel Rotorua</b><br>Corner Eruera & Hinemaru Streets,<br>Rotorua, New Zealand                                   | Freehold/Perpetual leasehold land                   | 10,109                             | 227             | 49                           |
| <b>Millennium Hotel New Plymouth, Waterfront</b><br>1 Egmont Street,<br>New Plymouth 4310, New Zealand                         | Freehold  | 1,149                              | 42              | 49                           |

| Hotels  | Tenure   | Approximate Site Area (Sq. Metres) | Number of Rooms | Effective Group Interest (%) |
|---|--|------------------------------------|-----------------|------------------------------|
| <b>Owned by CDL Hospitality Trusts</b>  |  |                                    |                 |                              |
| <b>SINGAPORE</b>  |  |                                    |                 |                              |
| <b>Copthorne King's Hotel</b><br>403 Havelock Road, Singapore                       | 99-year leasehold interest commencing from 01.02.1968              | 5,637                              | 310             | 24                           |
| <b>Grand Copthorne Waterfront Hotel<sup>#</sup></b><br>392 Havelock Road, Singapore | 75-year leasehold interest commencing from 19.07.2006              | 10,860 <sup>+</sup>                | 574             | 24                           |
| <b>M Hotel<sup>#</sup></b><br>81 Anson Road, Singapore                              | 75-year leasehold interest commencing from 19.07.2006              | 2,134                              | 415             | 24                           |
| <b>Novotel Singapore Clarke Quay</b><br>177A River Valley Road, Singapore           | 97 years and 30 days leasehold interest commencing from 02.04.1980 | 12,925                             | 403             | 24                           |
| <b>Orchard Hotel<sup>#</sup></b><br>442 Orchard Road, Singapore                     | 75-year leasehold interest commencing from 19.07.2006              | 8,588 <sup>®</sup>                 | 656             | 24                           |
| <b>Claymore Connect<sup>#</sup></b><br>442 Orchard Road, Singapore                  | 75-year leasehold interest commencing from 19.07.2006              | 7,300                              | N.A.            | 24                           |
| <b>Studio M Hotel</b><br>3 Nanson Road, Singapore                                   | 99-year leasehold interest commencing from 26.02.2007              | 2,932                              | 360             | 24                           |
| <b>AUSTRALIA</b>  |  |                                    |                 |                              |
| <b>Novotel Brisbane</b><br>200 Creek Street, Brisbane, Queensland,<br>Australia     | Strata volumetric freehold   | 6,235                              | 296             | 24                           |
| <b>Mercure Perth</b><br>10 Irwin Street, Perth, Western Australia,<br>Australia     | Strata freehold  | 757                                | 239             | 24                           |
| <b>Ibis Perth</b><br>334 Murray Street, Perth, Western Australia,<br>Australia      | Freehold   | 1,480                              | 192             | 24                           |
| <b>NEW ZEALAND</b>  |  |                                    |                 |                              |
| <b>Grand Millennium Auckland</b><br>71-87, Mayoral Drive, Auckland, New Zealand     | Freehold   | 5,910                              | 452             | 24                           |

**Notes:**

<sup>#</sup> The Group has freehold reversionary interest of the property at the expiry of the 75-year lease.

<sup>+</sup> Including adjoining Waterfront Plaza.

<sup>®</sup> Including Claymore Connect.



# MAJOR PROPERTIES

AS AT 31 DECEMBER 2018

| Hotels  | Tenure   | Approximate Site Area (Sq. Metres) | Number of Rooms | Effective Group Interest (%) |
|---|--|------------------------------------|-----------------|------------------------------|
| <b>MALDIVES</b>   |  |                                    |                 |                              |
| <b>Angsana Velavaru</b><br>Velavaru Island, South Nilandhe Atoll,<br>Republic of Maldives                 | 50-year leasehold<br>interest commencing<br>from 26.08.1997  | 67,717                             | 113             | 24                           |
| <b>Dhevanafushi Maldives Luxury Resort</b><br>Meradhoo Island, Gaafu Alifu Atoll,<br>Republic of Maldives | 50-year leasehold<br>interest commencing<br>from 15.06.2006  | 53,576                             | 37              | 24                           |
| <b>JAPAN</b>  |  |                                    |                 |                              |
| <b>Hotel MyStays Asakusabashi</b><br>1-5-5 Asakusabashi, Taito-ku,<br>Tokyo 111-0053, Japan               | Freehold   | 564                                | 139             | 24                           |
| <b>Hotel MyStays Kamata</b><br>5-46-5 Kamata, Ota-ku,<br>Tokyo 144-0052, Japan                            | Freehold   | 497                                | 116             | 24                           |
| <b>UNITED KINGDOM</b>   |  |                                    |                 |                              |
| <b>Hilton Cambridge City Centre Hotel</b><br>20 Downing Street, Cambridge,<br>CB2 3DT England             | 125-year leasehold<br>interest commencing<br>from 25.12.1990<br>and extendable for a<br>further 50 years | 3,600                              | 198             | 24                           |
| <b>The Lowry Hotel</b><br>50 Dearmans Place, Salford,<br>Manchester, M3 5LH England                       | 150-year leasehold<br>interest commencing<br>from 18.03.1997   | 2,200                              | 165             | 24                           |
| <b>GERMANY</b>  |  |                                    |                 |                              |
| <b>Pullman Hotel Munich</b><br>Theodor-Dombart-Strasse 4,<br>Munich, 80805, Germany                       | Freehold   | 8,189                              | 337             | 23                           |
| <b>ITALY</b>  |  |                                    |                 |                              |
| <b>Hotel Cerretani Florence, MGallery by Sofitel</b><br>Via de' Cerretani 68, 50123 Florence, Italy       | Freehold   | 1,350                              | 86              | 23                           |

STATUTORY REPORTS AND ACCOUNTS

**FINANCIAL CONTENTS**

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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 2018.

In our opinion:

- (a) the financial statements set out on pages 115 to 285 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 2018 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"), Singapore Financial Reporting Standards (International) and International Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 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       |                             |
| Tan Yee Peng        |                             |
| Koh Thiam Hock      |                             |
| Lim Yin Nee Jenny   | (Appointed on 22 June 2018) |

## 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 of the financial year, date of appointment if later, 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' STATEMENT

## DIRECTORS' INTERESTS (CONT'D)

According to the register kept by the Company under Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those 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 |
| <b>The Company</b>   |  |                    |
| <b>Ordinary Shares</b>                                       |  |                    |
| Kwek Leng Beng   | 397,226  | 397,226            |
| Kwek Leng Peck   | 43,758   | 43,758             |
| <b>Preference Shares</b>                                     |  |                    |
| Kwek Leng Beng   | 144,445  | 144,445            |
| <b>Immediate and Ultimate Holding Company</b>                |  |                    |
| <b>Hong Leong Investment Holdings Pte. Ltd.</b>              |  |                    |
| <b>Ordinary Shares</b>                                       |  |                    |
| Kwek Leng Beng   | 2,320  | 2,320              |
| Kwek Leng Peck   | 10,921   | 10,921             |
| <b>Subsidiary Corporation</b>                                |  |                    |
| <b>Millennium &amp; Copthorne Hotels New Zealand Limited</b> |  |                    |
| <b>Ordinary Shares</b>                                       |  |                    |
| Kwek Leng Beng   | 906,000  | 906,000            |
| <b>Redeemable Non-voting Preference Shares</b>               |  |                    |
| Kwek Leng Beng   | 453,000  | 453,000            |

# DIRECTORS' STATEMENT

## 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 |
| <b>Related Corporations</b>   |  |                    |
| <b>Hong Leong Finance Limited Ordinary Shares</b>   |  |                    |
| Kwek Leng Beng  | 5,603,567  | 5,603,567          |
| Kwek Leng Peck  | 517,359  | 517,359            |
| <b>Options to subscribe for ordinary shares under the Hong Leong Finance Share Option Scheme 2001</b> |  |                    |
| Kwek Leng Beng  | 2,477,000  | 2,255,000          |
| <b>Hong Leong Holdings Limited Ordinary Shares</b>  |  |                    |
| Kwek Leng Beng  | 259,000  | 259,000            |
| Kwek Leng Peck  | 381,428  | 381,428            |
| <b>Hong Leong Asia Ltd. Ordinary Shares</b>   |  |                    |
| Kwek Leng Beng  | 660,000  | 660,000            |
| Kwek Leng Peck  | 1,913,300  | 3,826,600          |
| <b>Options to subscribe for ordinary shares under the Hong Leong Asia Share Option Scheme 2000</b>    |  |                    |
| Kwek Leng Peck  | 470,000  | 300,000            |
| <b>Hong Realty (Private) Limited Ordinary Shares</b>  |  |                    |
| Kwek Leng Beng  | 1,110  | 1,110              |
| Kwek Leng Peck  | 150  | 150                |
| <b>Sun Yuan Holdings Pte Ltd Ordinary Shares</b>  |  |                    |
| Kwek Leng Beng  | 15,000,000   | 15,000,000         |

# DIRECTORS' STATEMENT

## DIRECTORS' INTERESTS (CONT'D)

|  | 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 2019.

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:

- no options granted by the Company to any person to take up unissued shares of the Company; and
- 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.



# DIRECTORS' STATEMENT

## SHARE OPTIONS (CONT'D)

### By Subsidiary Corporation

#### 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 scheme rules of the Millennium & Copthorne Hotels plc 2006 Sharesave Scheme only permits options to be granted for a period of 10 years, beginning with the date on which the 2006 Sharesave Scheme was approved by shareholders of M&C. Accordingly, when the 2006 Sharesave Scheme reached its 10 year period, being 3 May 2016, the 2016 Sharesave Scheme (together, the "M&C Sharesave Scheme") was approved by shareholders at M&C's Annual General Meeting on 5 May 2016 substantially on the same terms as the 2006 Sharesave Scheme. The M&C Sharesave Scheme is the United Kingdom Inland Revenue approved scheme and operates in the UK solely under which the M&C Group employees are eligible to participate in a 3 or 5 year savings contract.
  - (b) No payment is required for the grant of an option.
  - (c) 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 employee's personal representatives in the event of their death.
  - (d) 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.
  - (e) During the financial year under review, 59,164 options were granted to subscribe for ordinary shares of £0.30 each in M&C under the M&C 2016 Sharesave Scheme.

# DIRECTORS' STATEMENT

## SHARE OPTIONS (CONT'D)

### By Subsidiary Corporation (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 209,344 unissued shares under options pursuant to the M&C 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         |
|--------------|------------------------------|-------------------------|---------------------------|-----------------------------------|------------------------|----------------------------|-------------------------|
| 19.04.2013   | 2,677                        | –                       | (669)                     | –                                 | 2,008                  | 4.4800                     | 01.08.2018 – 31.01.2019 |
| 06.05.2014   | 15,731                       | –                       | (5,325)                   | (10,406)                          | –                      | 4.4600                     | 01.08.2017 – 31.01.2018 |
| 06.05.2014   | 941                          | –                       | –                         | –                                 | 941                    | 4.4600                     | 01.08.2019 – 31.01.2020 |
| 14.04.2015   | 29,721                       | –                       | (24,737)                  | (3,528)                           | 1,456                  | 4.6900                     | 01.08.2018 – 31.01.2019 |
| 14.04.2015   | 5,371                        | –                       | –                         | (639)                             | 4,732                  | 4.6900                     | 01.08.2020 – 31.01.2021 |
| 12.04.2016   | 106,717                      | –                       | –                         | (5,343)                           | 101,374                | 3.3000                     | 01.08.2019 – 31.01.2020 |
| 12.04.2016   | 909                          | –                       | –                         | –                                 | 909                    | 3.3000                     | 01.08.2021 – 31.01.2022 |
| 11.04.2017   | 43,798                       | –                       | –                         | (6,094)                           | 37,704                 | 3.6600                     | 01.08.2020 – 31.01.2021 |
| 11.04.2017   | 2,867                        | –                       | –                         | (409)                             | 2,458                  | 3.6600                     | 01.08.2022 – 31.01.2023 |
| 05.06.2018   | –                            | 57,582                  | –                         | (1,402)                           | 56,180                 | 4.3600                     | 01.08.2021 – 31.01.2022 |
| 05.06.2018   | –                            | 1,582                   | –                         | –                                 | 1,582                  | 4.3600                     | 01.08.2023 – 31.01.2024 |
|              | 208,732                      | 59,164                  | (30,731)                  | (27,821)                          | 209,344                |                            |                         |

- (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. Accordingly, the 2016 Long-Term Incentive Plan (2016 LTIP) was introduced and replaced the 2006 LTIP scheme and was subsequently approved by the shareholders at M&C's Annual General Meeting on 5 May 2016. The key change to the 2016 LTIP rules 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 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, M&C's 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.

# DIRECTORS' STATEMENT

## SHARE OPTIONS (CONT'D)

### By Subsidiary Corporation (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 conditions 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 the 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, M&C's 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. The TSR element is split with 15% of the award being subject to TSR performance relative to the FTSE 250 index (excluding investment trusts) and a further 15% of the award was also subject to TSR performance but relative to the median TSR of a tailored comparator group of international hotel companies and 20% of the award subject to the Net Asset Value plus dividends (NAV) performance condition. With regards the awards made in 2015, the weightings associated with each metric were amended so that EPS reflected 60% of the award and TSR, split equally across two peer groups, represented 20% of the award with the remaining 20% of the award subject to the NAV performance condition.

In 2016, M&C's Remuneration Committee retained the same performance conditions as that which had been used for the 2015 awards. M&C's Remuneration Committee after reviewing M&C's achievement against the relevant performance conditions for an award granted to an executive director who had retired in 2016, determined that M&C had met a portion of one of the performance conditions and as a result 4,401 shares will vest in March 2019.

In 2018, M&C's Remuneration Committee amended the performance measures so that 60% of the awards are subject to EPS growth targets, 20% of the awards are subject to TSR performance against a single comparator group comprising companies in the FTSE 250 index and 20% subject to Revenue per Available Room (RevPAR).

During the financial year under review, one executive director was awarded a conditional share award in respect of 178,299 ordinary shares of £0.30 each pursuant to the 2016 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 |
|---------------|------------------------------|-----------------------------|-------------------------------|--|------------------------|--------------|
| 03.08.2015    | 219,362                      | –                           | –                             | (182,601)                                | 36,761                 | 03.08.2018   |
| 10.09.2015    | 11,867                       | –                           | –                             | (11,867)                                 | –                      | 10.09.2018   |
| 29.03.2016    | 185,643                      | –                           | –                             | (148,515)                                | 37,128                 | 29.03.2019   |
| 27.06.2018    | –                            | 178,299                     | –                             | (178,299)                                | –                      | 27.06.2021   |
|               | 416,872                      | 178,299                     | –                             | (521,282)                                | 73,889                 |              |

# DIRECTORS' STATEMENT

## SHARE OPTIONS (CONT'D)

### By Subsidiary Corporation (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 a conditional share award (Deferred Share Awards). No performance conditions are attached to the share award.

In 2016, M&C's Remuneration Committee amended the vesting schedule of the plan so that instead of all the awards vesting in full on the third anniversary of the grant date, the deferred shares would vest over a three year period and are released to participants in tranches, subject to continued employment and the rules of the Annual Bonus Plan, with vesting of 25% of the award one year after grant; 25% of the award two years after grant; and 50% of the award three years after grant. The shares would only be released to participants in accordance with the rules of the Annual Bonus Plan and subject to continued employment. The awards are subject to malus and clawback provisions. No shares may be issued or treasury shares transferred to satisfy any award.

On 14 December 2018, M&C's Remuneration Committee approved the granting of awards under the Company's Annual Bonus Plan on the same terms as the awards made in 2017 to those eligible employees over a total of 57,358 ordinary shares of £0.30 each.

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    | 46,074                       | –                           | (33,905)                      | (10,639)                                 | 1,530                  | 08.09.2018       |
| 06.11.2015    | 4,325                        | –                           | (4,325)                       | –  | –                      | 06.11.2018       |
| 13.05.2016    | 35,904                       | –                           | (8,855)                       | (10,040)                                 | 17,009                 | 13.05.2017/18/19 |
| 12.08.2016    | 1,782                        | –                           | (594)                         | –  | 1,188                  | 12.08.2017/18/19 |
| 09.11.2016    | 732                          | –                           | (244)                         | –  | 488                    | 09.11.2017/18/19 |
| 14.06.2017    | 46,978                       | –                           | (9,493)                       | (10,363)                                 | 27,122                 | 14.06.2018/19/20 |
| 14.12.2018    | –                            | 57,358                      | –                             | –  | 57,358                 | 14.12.2019/20/21 |
|               | 135,795                      | 57,358                      | (57,416)                      | (31,042)                                 | 104,695                |                  |



# DIRECTORS' STATEMENT

## SHARE OPTIONS (CONT'D)

### By Subsidiary Corporation (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, conditional share awards would be released to participants in tranches with vesting of 25% of the award one year after grant; 25% of the award two years after grant; and 50% of the award three years after grant. The awards are subject to malus and clawback provisions.

In 2018, M&C decided to review the metrics used under the Executive Share Plan. M&C's Remuneration Committee agreed that with regards the 2018 awards, a two prong-assessment would be used which would involve the following: (i) M&C's performance over the most recently completed financial year, looking at year-over year EPS growth and year-over year RevPAR growth in particular, in each case on a like for like basis; and (ii) the management team's success as a whole in implementing strategic initiatives over the course of the prior year. On 4 December 2018, M&C's Remuneration Committee agreed to grant conditional share awards pursuant to the Millennium & Copthorne Hotels plc Executive Share Plan over 65,649 ordinary shares of £0.30 each.

Details of the conditional share 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    | 24,464                       | –                           | (8,154)                       | –  | 16,310                 | 29.03.2017/18/19 |
| 15.08.2017    | 56,838                       | –                           | (14,211)                      | –  | 42,627                 | 15.08.2018/19/20 |
| 04.12.2018    | –                            | 65,649                      | –                             | –  | 65,649                 | 04.12.2019/20/21 |
|               | 81,302                       | 65,649                      | (22,365)                      | –  | 124,586                |                  |

# DIRECTORS' STATEMENT

## 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:

Lim Yin Nee Jenny (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 2018. 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.

# DIRECTORS' STATEMENT

## 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*

**Lim Yin Nee Jenny**  
*Director*

8 March 2019

# 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 2018, 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 115 to 285.

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), Singapore Financial Reporting Standards (International) (SFRS(I)s) and International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 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.



# INDEPENDENT AUDITORS' REPORT

## **Valuation of development properties**

(Refer to note 11 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. These factors 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 under development sold and prices of comparable properties located in the vicinity of these development projects.

### **OUR FINDINGS:**

In making its estimates of future selling prices, the Group takes into account market data including the macroeconomic factors and real estate price trends of the markets in which the properties are located, and its sales strategy. The Group also considers the independent external valuations obtained for certain land bank. The Group performs a regular review of its estimates of future selling prices of development projects 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 the range of observable selling prices.

# INDEPENDENT AUDITORS' REPORT

## **Valuation of hotel assets**

(Refer to note 4 to the financial statements)

### **RISK:**

The Group has significant hotel assets classified as property, plant and equipment which are carried at cost less accumulated depreciation and impairment losses and are subject to an annual review to assess whether or not they may be impaired. 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 would result in further impairment being recorded) as well as those properties which have experienced a difficult trading environment in 2018. 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 assessment of the properties at risk of being impaired. These include comparing the actual asset performance to previous forecasts and to market data, and assessing the quantum of available headroom from previous valuations. 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 internal and external valuations, particularly those assumptions relating to forecasted cash flows, future market growth, occupancy rates, average room rate growth, discount rates and terminal rates. We compared the valuation assumptions used to externally derived data, internal budgets and source data, where applicable.

For properties in the UK where there are uncertainties arising from the UK exiting the European Union (Brexit), we compared the management's analysis to our assessment of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.

### **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, the key assumptions used to be comparable to market data, and the resulting estimated recoverable amounts of the hotel assets to be acceptable.

# INDEPENDENT AUDITORS' REPORT

## *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 this auditors' report.

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

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

## *Responsibilities of management and directors for the financial statements*

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

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

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

# INDEPENDENT AUDITORS' REPORT

## *Auditors' responsibilities for the audit of the financial statements*

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

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

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



# INDEPENDENT AUDITORS' REPORT

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

8 March 2019

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

|   |      | Group             |                   |                             | Company           |                   |                             |
|---|------|-------------------|-------------------|-----------------------------|-------------------|-------------------|-----------------------------|
|   | Note | 2018<br>\$'000    | 2017<br>\$'000    | 1 January<br>2017<br>\$'000 | 2018<br>\$'000    | 2017<br>\$'000    | 1 January<br>2017<br>\$'000 |
| <b>Non-current assets</b>                           |      |                   |                   |                             |                   |                   |                             |
| Property, plant and equipment                       | 4    | 5,013,300         | 4,998,887         | 5,119,383                   | 13,994            | 7,735             | 8,368                       |
| Investment properties                               | 5    | 3,741,327         | 2,448,901         | 2,346,114                   | 452,217           | 453,365           | 444,682                     |
| Lease premium prepayment                            |      | 101,349           | 106,288           | 113,587                     | –                 | –                 | –                           |
| Investments in:                                     |      |                   |                   |                             |                   |                   |                             |
| – subsidiaries                                      | 6    | –                 | –                 | –                           | 2,067,869         | 2,131,243         | 2,132,213                   |
| – associates  | 7    | 427,852           | 389,360           | 371,370                     | –                 | –                 | –                           |
| – joint ventures                                    | 8    | 1,307,639         | 1,112,482         | 1,033,221                   | 37,360            | 37,360            | 37,360                      |
| Financial assets                                    | 9    | 884,476           | 432,923           | 398,603                     | 352,831           | 30,561            | 28,329                      |
| Other non-current assets                            | 10   | 310,496           | 487,352           | 264,965                     | 3,620,324         | 2,540,071         | 1,861,215                   |
|   |      | <b>11,786,439</b> | <b>9,976,193</b>  | <b>9,647,243</b>            | <b>6,544,595</b>  | <b>5,200,335</b>  | <b>4,512,167</b>            |
| <b>Current assets</b>                               |      |                   |                   |                             |                   |                   |                             |
| Lease premium prepayment                            |      | 3,752             | 3,793             | 3,913                       | –                 | –                 | –                           |
| Development properties                              | 11   | 5,703,910         | 4,307,770         | 4,768,257                   | 182,833           | 188,224           | 225,764                     |
| Contract costs                                      | 12   | 12,156            | 12,767            | 12,870                      | –                 | 379               | 2,411                       |
| Contract assets                                     | 13   | 107,241           | 308,427           | 595,041                     | 42,921            | 177,741           | 281,364                     |
| Consumable stocks                                   |      | 13,254            | 11,018            | 11,823                      | –                 | –                 | –                           |
| Financial assets                                    | 9    | 14,203            | 15,770            | 16,399                      | –                 | –                 | –                           |
| Assets classified as held for sale                  | 5    | –                 | 56,618            | –                           | –                 | –                 | –                           |
| Trade and other receivables                         | 14   | 955,490           | 896,029           | 943,314                     | 4,426,381         | 4,344,027         | 4,326,597                   |
| Cash and cash equivalents                           | 16   | 2,289,247         | 3,775,909         | 3,673,037                   | 727,373           | 1,384,157         | 2,043,714                   |
|   |      | <b>9,099,253</b>  | <b>9,388,101</b>  | <b>10,024,654</b>           | <b>5,379,508</b>  | <b>6,094,528</b>  | <b>6,879,850</b>            |
| <b>Total assets</b>                                 |      | <b>20,885,692</b> | <b>19,364,294</b> | <b>19,671,897</b>           | <b>11,924,103</b> | <b>11,294,863</b> | <b>11,392,017</b>           |
| <b>Equity attributable to owners of the Company</b> |      |                   |                   |                             |                   |                   |                             |
| Share capital                                       | 17   | 1,991,397         | 1,991,397         | 1,991,397                   | 1,991,397         | 1,991,397         | 1,991,397                   |
| Reserves  | 18   | 8,049,300         | 7,399,885         | 7,116,049                   | 4,706,110         | 4,468,052         | 4,521,334                   |
|   |      | <b>10,040,697</b> | <b>9,391,282</b>  | <b>9,107,446</b>            | <b>6,697,507</b>  | <b>6,459,449</b>  | <b>6,512,731</b>            |
| <b>Non-controlling interests</b>                    |      | <b>2,233,243</b>  | <b>2,254,844</b>  | <b>2,113,460</b>            | <b>–</b>          | <b>–</b>          | <b>–</b>                    |
| <b>Total equity</b>                                 |      | <b>12,273,940</b> | <b>11,646,126</b> | <b>11,220,906</b>           | <b>6,697,507</b>  | <b>6,459,449</b>  | <b>6,512,731</b>            |
| <b>Non-current liabilities</b>                      |      |                   |                   |                             |                   |                   |                             |
| Interest-bearing borrowings                         | 20   | 5,068,840         | 3,755,650         | 3,954,937                   | 2,192,985         | 1,780,524         | 1,808,330                   |
| Employee benefits                                   | 24   | 26,392            | 34,387            | 42,837                      | –                 | –                 | –                           |
| Other liabilities                                   | 25   | 262,242           | 356,222           | 375,646                     | 8,847             | 119,311           | 170,137                     |
| Provisions  | 26   | 36,719            | 75,198            | 84,917                      | –                 | –                 | –                           |
| Deferred tax liabilities                            | 27   | 113,778           | 179,323           | 270,800                     | 17,561            | 48,548            | 66,196                      |
|   |      | <b>5,507,971</b>  | <b>4,400,780</b>  | <b>4,729,137</b>            | <b>2,219,393</b>  | <b>1,948,383</b>  | <b>2,044,663</b>            |
| <b>Current liabilities</b>                          |      |                   |                   |                             |                   |                   |                             |
| Trade and other payables                            | 28   | 1,293,336         | 1,299,272         | 1,229,968                   | 2,510,898         | 2,164,674         | 1,812,970                   |
| Contract liabilities                                | 13   | 104,007           | 356,251           | 403,213                     | –                 | –                 | –                           |
| Interest-bearing borrowings                         | 20   | 1,258,412         | 1,266,032         | 1,782,830                   | 437,525           | 672,176           | 998,216                     |
| Employee benefits                                   | 24   | 26,562            | 24,560            | 24,544                      | 2,562             | 2,205             | 2,282                       |
| Provision for taxation                              |      | 385,393           | 322,694           | 256,144                     | 56,218            | 47,976            | 21,155                      |
| Provisions  | 26   | 36,071            | 48,579            | 25,155                      | –                 | –                 | –                           |
|   |      | <b>3,103,781</b>  | <b>3,317,388</b>  | <b>3,721,854</b>            | <b>3,007,203</b>  | <b>2,887,031</b>  | <b>2,834,623</b>            |
| <b>Total liabilities</b>                            |      | <b>8,611,752</b>  | <b>7,718,168</b>  | <b>8,450,991</b>            | <b>5,226,596</b>  | <b>4,835,414</b>  | <b>4,879,286</b>            |
| <b>Total equity and liabilities</b>                 |      | <b>20,885,692</b> | <b>19,364,294</b> | <b>19,671,897</b>           | <b>11,924,103</b> | <b>11,294,863</b> | <b>11,392,017</b>           |

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

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2018

|   | Note | Group              |                |
|---|------|--------------------|----------------|
|   |      | 2018<br>\$'000     | 2017<br>\$'000 |
| <b>Revenue</b>                                | 29   | <b>4,222,563</b>   | 3,829,195      |
| Cost of sales                                 |      | <b>(2,308,489)</b> | (2,145,027)    |
| <b>Gross profit</b>                           |      | <b>1,914,074</b>   | 1,684,168      |
| Other operating income                        | 30   | <b>45,567</b>      | 109,476        |
| Administrative expenses                       |      | <b>(528,835)</b>   | (521,507)      |
| Other operating expenses                      |      | <b>(526,231)</b>   | (475,014)      |
| <b>Profit from operating activities</b>       |      | <b>904,575</b>     | 797,123        |
| Finance income                                |      | <b>62,825</b>      | 52,699         |
| Finance costs                                 |      | <b>(156,765)</b>   | (130,999)      |
| <b>Net finance costs</b>                      | 30   | <b>(93,940)</b>    | (78,300)       |
| Share of after-tax profit of associates       |      | <b>38,831</b>      | 29,648         |
| Share of after-tax profit of joint ventures   |      | <b>26,072</b>      | 14,808         |
| <b>Profit before tax</b>                      |      | <b>875,538</b>     | 763,279        |
| Tax expense                                   | 31   | <b>(214,760)</b>   | (105,970)      |
| <b>Profit for the year</b>                    | 30   | <b>660,778</b>     | 657,309        |
| Profit attributable to owners of the Company: |      |                    |                |
| – Ordinary shareholders                       |      | <b>544,426</b>     | 509,275        |
| – Preference shareholders                     |      | <b>12,904</b>      | 12,904         |
|   |      | <b>557,330</b>     | 522,179        |
| Non-controlling interests                     |      | <b>103,448</b>     | 135,130        |
| <b>Profit for the year</b>                    |      | <b>660,778</b>     | 657,309        |
| <b>Earnings per share</b>                     |      |                    |                |
| – Basic                                       | 32   | <b>59.9 cents</b>  | 56.0 cents     |
| – Diluted                                     | 32   | <b>58.4 cents</b>  | 54.7 cents     |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

|  | Note | Group           |                |
|--|------|-----------------|----------------|
|  |      | 2018<br>\$'000  | 2017<br>\$'000 |
| <b>Profit for the year</b>   |      | <b>660,778</b>  | 657,309        |
| <b>Other comprehensive income</b>  |      |                 |                |
| <b>Items that will not be reclassified to profit or loss:</b>  |      |                 |                |
| Defined benefit plan remeasurements  |      | <b>6,948</b>    | 6,391          |
| Net change in fair value of equity investments at FVOCI  |      | <b>(34,427)</b> | –              |
|  |      | <b>(27,479)</b> | 6,391          |
| <b>Items that are or may be reclassified subsequently to profit or loss:</b>                                       |      |                 |                |
| Changes in fair value of available-for-sale equity investments   |      | –               | 2,171          |
| Effective portion of changes in fair value of cash flow hedges   |      | <b>(2,399)</b>  | 2,606          |
| Exchange differences on hedges of net investment in foreign operations   |      | <b>(5,414)</b>  | 22,452         |
| Exchange differences on monetary items forming part of net investments in foreign operations                       |      | <b>(3,460)</b>  | (37,580)       |
| Exchange differences reclassified to profit or loss on liquidation and cessation of business of foreign operations |      | <b>850</b>      | (7,711)        |
| Share of translation differences of equity-accounted investees   |      | <b>(8,639)</b>  | (6,085)        |
| Translation differences arising on consolidation of foreign operations   |      | <b>(41,593)</b> | (102,737)      |
|  |      | <b>(60,655)</b> | (126,884)      |
| <b>Total other comprehensive income for the year, net of tax</b>   | 31   | <b>(88,134)</b> | (120,493)      |
| <b>Total comprehensive income for the year</b>   |      | <b>572,644</b>  | 536,816        |
| <b>Total comprehensive income attributable to:</b>   |      |                 |                |
| Owners of the Company  |      | <b>498,402</b>  | 434,918        |
| Non-controlling interests  |      | <b>74,242</b>   | 101,898        |
| <b>Total comprehensive income for the year</b>   |      | <b>572,644</b>  | 536,816        |

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

|  | Note | Share capital<br>\$'000 | Capital reserve<br>\$'000 | Fair value reserve<br>\$'000 | Hedging reserve<br>\$'000 | Other reserve<br>\$'000 | Share option reserve<br>\$'000 | Foreign currency translation reserve<br>\$'000 | Accumulated profits<br>\$'000 | Total attributable to owners of the Company<br>\$'000 | Non-controlling interests<br>\$'000 | Total equity<br>\$'000 |
|--|------|-------------------------|---------------------------|------------------------------|---------------------------|-------------------------|--------------------------------|--|-------------------------------|---|-------------------------------------|------------------------|
| <b>Group</b>   |      |                         |                           |                              |                           |                         |                                |  |                               |   |                                     |                        |
| At 1 January 2018  |      | 1,991,397               | 182,152                   | 16,241                       | 1,699                     | 9,197                   | 15,043                         | (95,495)                                       | 7,271,048                     | 9,391,282   | 2,254,844                           | 11,646,126             |
| Adjustment on initial application of SFRS(I) 9 (net of tax)  |      | –                       | –                         | 460                          | –                         | –                       | –                              | –  | 362,675                       | 363,135   | –                                   | 363,135                |
| Adjusted balance at 1 January 2018   |      | 1,991,397               | 182,152                   | 16,701                       | 1,699                     | 9,197                   | 15,043                         | (95,495)                                       | 7,633,723                     | 9,754,417   | 2,254,844                           | 12,009,261             |
| <b>Total comprehensive income for the year</b>   |      |                         |                           |                              |                           |                         |                                |  |                               |   |                                     |                        |
| Profit for the year  |      | –                       | –                         | –                            | –                         | –                       | –                              | –  | 557,330                       | 557,330   | 103,448                             | 660,778                |
| <b>Other comprehensive income</b>  |      |                         |                           |                              |                           |                         |                                |  |                               |   |                                     |                        |
| Defined benefit plan remeasurements  |      | –                       | –                         | –                            | –                         | –                       | –                              | –  | 4,463                         | 4,463   | 2,485                               | 6,948                  |
| Changes in fair value of equity investments at FVOCI   |      | –                       | –                         | (37,737)                     | –                         | –                       | –                              | –  | –                             | (37,737)  | 3,310                               | (34,427)               |
| Effective portion of changes in fair value of cash flow hedges   |      | –                       | –                         | –                            | (1,564)                   | –                       | –                              | –  | –                             | (1,564)   | (835)                               | (2,399)                |
| Exchange differences on hedges of net investment in foreign operations   |      | –                       | –                         | –                            | –                         | –                       | –                              | (3,975)  | –                             | (3,975)   | (1,439)                             | (5,414)                |
| Exchange differences on monetary items forming part of net investments in foreign operations                       |      | –                       | –                         | –                            | –                         | –                       | –                              | 4,467  | –                             | 4,467   | (7,927)                             | (3,460)                |
| Exchange differences reclassified to profit or loss on liquidation and cessation of business of foreign operations |      | –                       | –                         | –                            | –                         | 5                       | –                              | 212  | (7)                           | 210   | 640                                 | 850                    |
| Share of translation differences of equity-accounted investees   |      | –                       | –                         | –                            | –                         | –                       | –                              | (5,633)  | –                             | (5,633)   | (3,006)                             | (8,639)                |
| Translation differences arising on consolidation of foreign operations   |      | –                       | –                         | –                            | –                         | –                       | –                              | (19,159)                                       | –                             | (19,159)  | (22,434)                            | (41,593)               |
| <b>Total other comprehensive income</b>  |      | –                       | –                         | (37,737)                     | (1,564)                   | 5                       | –                              | (24,088)                                       | 4,456                         | (58,928)  | (29,206)                            | (88,134)               |
| <b>Total comprehensive income for the year</b>   |      | –                       | –                         | (37,737)                     | (1,564)                   | 5                       | –                              | (24,088)                                       | 561,786                       | 498,402   | 74,242                              | 572,644                |
| <b>Transactions with owners, recorded directly in equity</b>   |      |                         |                           |                              |                           |                         |                                |  |                               |   |                                     |                        |
| <b>Contributions by and distributions to owners</b>  |      |                         |                           |                              |                           |                         |                                |  |                               |   |                                     |                        |
| Capital distribution to non-controlling interests (net)  |      | –                       | –                         | –                            | –                         | –                       | –                              | –  | –                             | –   | (2,085)                             | (2,085)                |
| Dividends paid to owners of the Company  | 33   | –                       | –                         | –                            | –                         | –                       | –                              | –  | (194,733)                     | (194,733)   | –                                   | (194,733)              |
| Dividends paid to non-controlling interests  |      | –                       | –                         | –                            | –                         | –                       | –                              | –  | –                             | –   | (91,095)                            | (91,095)               |
| Issue expenses of a subsidiary   |      | –                       | –                         | –                            | –                         | –                       | –                              | –  | –                             | –   | (30)                                | (30)                   |
| Purchase of treasury shares  |      | –                       | –                         | –                            | –                         | –                       | –                              | –  | (21,442)                      | (21,442)  | –                                   | (21,442)               |
| Transfer to statutory reserve  |      | –                       | –                         | –                            | –                         | 13,060                  | –                              | –  | (13,060)                      | –   | –                                   | –                      |
| Share-based payment transactions   |      | –                       | –                         | –                            | –                         | –                       | 215                            | –  | –                             | 215   | 111                                 | 326                    |
| <b>Total contributions by and distributions to owners</b>  |      | –                       | –                         | –                            | –                         | 13,060                  | 215                            | –  | (229,235)                     | (215,960)   | (93,099)                            | (309,059)              |
| <b>Changes in ownership interests in subsidiaries</b>  |      |                         |                           |                              |                           |                         |                                |  |                               |   |                                     |                        |
| Acquisition of subsidiaries with non-controlling interests   | 36   | –                       | –                         | –                            | –                         | –                       | –                              | –  | –                             | –   | 2,302                               | 2,302                  |
| Changes in interests in subsidiaries without loss of control   | 36   | –                       | 3,838                     | –                            | –                         | –                       | –                              | –  | –                             | 3,838   | (5,046)                             | (1,208)                |
| <b>Total changes in ownership interests in subsidiaries</b>  |      | –                       | 3,838                     | –                            | –                         | –                       | –                              | –  | –                             | 3,838   | (2,744)                             | 1,094                  |
| <b>Total transactions with owners</b>  |      | –                       | 3,838                     | –                            | –                         | 13,060                  | 215                            | –  | (229,235)                     | (212,122)   | (95,843)                            | (307,965)              |
| At 31 December 2018  |      | 1,991,397               | 185,990                   | (21,036)                     | 135                       | 22,262                  | 15,258                         | (119,583)                                      | 7,966,274                     | 10,040,697  | 2,233,243                           | 12,273,940             |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

|  | Note | Share capital<br>\$'000 | Capital reserve<br>\$'000 | Fair value reserve<br>\$'000 | Hedging reserve<br>\$'000 | Other reserve<br>\$'000 | Share option reserve<br>\$'000 | Foreign currency translation reserve<br>\$'000 | Accumulated profits<br>\$'000 | Total attributable to owners of the Company<br>\$'000 | Non-controlling interests<br>\$'000 | Total equity<br>\$'000 |
|--|------|-------------------------|---------------------------|------------------------------|---------------------------|-------------------------|--------------------------------|--|-------------------------------|---|-------------------------------------|------------------------|
| <b>Group</b>   |      |                         |                           |                              |                           |                         |                                |  |                               |   |                                     |                        |
| At 1 January 2017  |      | 1,991,397               | 175,512                   | 13,578                       | –                         | 1,462                   | 14,723                         | –  | 6,910,774                     | 9,107,446   | 2,113,460                           | 11,220,906             |
| <b>Total comprehensive income for the year</b>   |      |                         |                           |                              |                           |                         |                                |  |                               |   |                                     |                        |
| Profit for the year  |      | –                       | –                         | –                            | –                         | –                       | –                              | –  | 522,179                       | 522,179   | 135,130                             | 657,309                |
| <b>Other comprehensive income</b>  |      |                         |                           |                              |                           |                         |                                |  |                               |   |                                     |                        |
| Defined benefit plan remeasurements  |      | –                       | –                         | –                            | –                         | –                       | –                              | –  | 4,225                         | 4,225   | 2,166                               | 6,391                  |
| Changes in fair value of available-for-sale equity investments                                     |      | –                       | –                         | 2,663                        | –                         | –                       | –                              | –  | –                             | 2,663   | (492)                               | 2,171                  |
| Effective portion of changes in fair value of cash flow hedges                                     |      | –                       | –                         | –                            | 1,699                     | –                       | –                              | –  | –                             | 1,699   | 907                                 | 2,606                  |
| Exchange differences on hedges of net investment in foreign operations                             |      | –                       | –                         | –                            | –                         | –                       | –                              | 11,838   | –                             | 11,838  | 10,614                              | 22,452                 |
| Exchange differences on monetary items forming part of net investments in foreign operations       |      | –                       | –                         | –                            | –                         | –                       | –                              | (39,360)                                       | –                             | (39,360)  | 1,780                               | (37,580)               |
| Exchange differences reclassified to profit or loss on cessation of business of foreign operations |      | –                       | 7                         | –                            | –                         | –                       | –                              | (7,711)  | (7)                           | (7,711)   | –                                   | (7,711)                |
| Share of translation differences of equity-accounted investees                                     |      | –                       | –                         | –                            | –                         | –                       | –                              | (3,968)  | –                             | (3,968)   | (2,117)                             | (6,085)                |
| Translation differences arising on consolidation of foreign operations                             |      | –                       | –                         | –                            | –                         | –                       | –                              | (56,647)                                       | –                             | (56,647)  | (46,090)                            | (102,737)              |
| <b>Total other comprehensive income</b>  |      | –                       | 7                         | 2,663                        | 1,699                     | –                       | –                              | (95,848)                                       | 4,218                         | (87,261)  | (33,232)                            | (120,493)              |
| <b>Total comprehensive income for the year</b>   |      | –                       | 7                         | 2,663                        | 1,699                     | –                       | –                              | (95,848)                                       | 526,397                       | 434,918   | 101,898                             | 536,816                |
| <b>Transactions with owners, recorded directly in equity</b>                                       |      |                         |                           |                              |                           |                         |                                |  |                               |   |                                     |                        |
| <b>Contributions by and distributions to owners</b>  |      |                         |                           |                              |                           |                         |                                |  |                               |   |                                     |                        |
| Capital contribution by non-controlling interests (net)  |      | –                       | –                         | –                            | –                         | –                       | –                              | –  | –                             | –   | 154,108                             | 154,108                |
| Dividends paid to owners of the Company  | 33   | –                       | –                         | –                            | –                         | –                       | –                              | –  | (158,392)                     | (158,392)   | –                                   | (158,392)              |
| Dividends paid to non-controlling interests  |      | –                       | –                         | –                            | –                         | –                       | –                              | –  | –                             | –   | (85,903)                            | (85,903)               |
| Issue expenses of a subsidiary   |      | –                       | (978)                     | –                            | –                         | –                       | –                              | –  | –                             | (978)   | (3,077)                             | (4,055)                |
| Liquidation of a subsidiary  |      | –                       | –                         | –                            | –                         | –                       | –                              | –  | –                             | –   | (427)                               | (427)                  |
| Transfer to statutory reserve  |      | –                       | –                         | –                            | –                         | 7,735                   | –                              | –  | (7,735)                       | –   | –                                   | –                      |
| Share-based payment transactions   |      | –                       | –                         | –                            | –                         | –                       | 320                            | –  | –                             | 320   | 170                                 | 490                    |
| <b>Total contributions by and distributions to owners</b>  |      | –                       | (978)                     | –                            | –                         | 7,735                   | 320                            | –  | (166,127)                     | (159,050)   | 64,871                              | (94,179)               |
| <b>Changes in ownership interests in subsidiaries</b>  |      |                         |                           |                              |                           |                         |                                |  |                               |   |                                     |                        |
| Acquisition of subsidiaries with non-controlling interests   | 36   | –                       | –                         | –                            | –                         | –                       | –                              | –  | –                             | –   | 5,027                               | 5,027                  |
| Changes in interests in subsidiaries without loss of control                                       | 36   | –                       | 6,510                     | –                            | –                         | –                       | –                              | 353  | 4                             | 6,867   | (30,412)                            | (23,545)               |
| Expiry of put option granted to non-controlling interests  |      | –                       | 1,101                     | –                            | –                         | –                       | –                              | –  | –                             | 1,101   | –                                   | 1,101                  |
| <b>Total changes in ownership interests in subsidiaries</b>  |      | –                       | 7,611                     | –                            | –                         | –                       | –                              | 353  | 4                             | 7,968   | (25,385)                            | (17,417)               |
| <b>Total transactions with owners</b>  |      | –                       | 6,633                     | –                            | –                         | 7,735                   | 320                            | 353  | (166,123)                     | (151,082)   | 39,486                              | (111,596)              |
| At 31 December 2017  |      | 1,991,397               | 182,152                   | 16,241                       | 1,699                     | 9,197                   | 15,043                         | (95,495)                                       | 7,271,048                     | 9,391,282   | 2,254,844                           | 11,646,126             |

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

|  | Note | 2018<br>\$'000     | Group<br>2017<br>\$'000 |
|--|------|--------------------|-------------------------|
| <b>Cash flows from operating activities</b>  |      |                    |                         |
| Profit for the year  |      | 660,778            | 657,309                 |
| Adjustments for:   |      |                    |                         |
| Depreciation and amortisation  |      | 218,840            | 215,223                 |
| Dividend income  |      | (6,071)            | (7,366)                 |
| Equity settled share-based transactions  |      | 636                | 216                     |
| Finance costs  |      | 124,818            | 123,802                 |
| Finance income   |      | (62,825)           | (52,699)                |
| Loss/(Gain) on liquidation of/loss of control in subsidiaries (net)                                    |      | 41                 | (52,484)                |
| Impairment loss reversed on amounts owing by joint ventures  |      | -                  | (22,320)                |
| Impairment loss on goodwill arising from acquisition of a subsidiary                                   |      | -                  | 6,874                   |
| Impairment losses on lease premium prepayment, investment properties and property, plant and equipment |      | 94,099             | 52,233                  |
| Profit on realisation/sale of investments (net)  |      | -                  | (3,339)                 |
| Profit on sale of property, plant and equipment and an investment property                             |      | (41,735)           | (30,728)                |
| Property, plant and equipment and investment properties written off                                    |      | 4,007              | 4,471                   |
| Share of after-tax profit of associates  |      | (38,831)           | (29,648)                |
| Share of after-tax profit of joint ventures  |      | (26,072)           | (14,808)                |
| Tax expense  |      | 214,760            | 105,970                 |
|  |      | <b>1,142,445</b>   | <b>952,706</b>          |
| Changes in working capital:  |      |                    |                         |
| Development properties   |      | (1,362,237)        | 106,416                 |
| Contract costs   |      | 611                | 194                     |
| Contract assets  |      | 201,186            | 289,663                 |
| Consumable stocks and trade and other receivables  |      | 101,426            | (135,458)               |
| Trade and other payables   |      | (223,122)          | 82,541                  |
| Contract liabilities   |      | (252,110)          | (47,981)                |
| Employee benefits  |      | 2,858              | 1,178                   |
| Cash (used in)/generated from operations   |      | (388,943)          | 1,249,259               |
| Tax paid   |      | (210,689)          | (161,781)               |
| <b>Net cash (used in)/from operating activities*</b>   |      | <b>(599,632)</b>   | <b>1,087,478</b>        |
| <b>Cash flows from investing activities</b>  |      |                    |                         |
| Acquisition of subsidiaries (net of cash acquired)   | 36   | (1,309,243)        | (248,507)               |
| Dividends received:  |      |                    |                         |
| - an associate   |      | 6,747              | 4,229                   |
| - financial investments  |      | 6,071              | 7,366                   |
| - joint ventures   |      | 33,383             | 88,000                  |
| Increase in intangible assets  |      | (38)               | (231)                   |
| Increase in investments in associates  |      | (15,185)           | -                       |
| Decrease/(Increase) in investments in joint ventures   |      | 8,146              | (58,565)                |
| (Increase)/Decrease in amounts owing by equity-accounted investees (non-trade)                         |      | (187,984)          | 3,532                   |
| Interest received  |      | 49,712             | 41,163                  |
| Payments for capital expenditure on investment properties  |      | (60,016)           | (44,874)                |
| Payments for purchase of property, plant and equipment   |      | (201,087)          | (109,305)               |
| Purchase of financial assets   |      | (122,748)          | (51,161)                |
| Proceeds from distributions from financial assets  |      | 1,332              | 2,829                   |
| Proceeds from settlement of amounts owing by a joint venture   |      | -                  | 22,811                  |
| Proceeds from loss of control in subsidiaries (net of cash disposed of)                                | 36   | -                  | 193,150                 |
| Proceeds from sale of property, plant and equipment and investment properties                          |      | 94,736             | 64,226                  |
| Purchase of an investment property   |      | (30,726)           | -                       |
| Settlement of financial derivatives  |      | (1,827)            | -                       |
| <b>Net cash used in investing activities</b>   |      | <b>(1,728,727)</b> | <b>(85,337)</b>         |

\* The cash outflow for 2018 was attributable to the payment for the acquisition of land sites (including stamp duty) at Handy Road, West Coast Vale, Sumang Walk and the acquisition of Amber Park (via collective en bloc sale) amounting to \$2.1 billion.

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

|  | Note | 2018<br>\$'000     | Group<br>2017<br>\$'000 |
|--|------|--------------------|-------------------------|
| <b>Cash flows from financing activities</b>  |      |                    |                         |
| Acquisition of non-controlling interests, without a change in control  | 36   | (1,208)            | (23,545)                |
| Capital (distribution to)/contribution by non-controlling interests (net)  |      | (2,605)            | 153,653                 |
| Dividends paid   |      | (285,308)          | (243,840)               |
| Finance lease payments   |      | (142)              | (355)                   |
| Interest paid (including amounts capitalised as investment properties, property, plant and equipment and development properties)                                   |      | (127,817)          | (124,596)               |
| Net increase/(decrease) in amounts owing to fellow subsidiaries (non-trade)  |      | 105,298            | (16,803)                |
| Net proceeds from/(repayment of) revolving credit facilities and short-term bank borrowings  |      | 857,047            | (137,186)               |
| (Decrease)/Increase in other liabilities   |      | (1,318)            | 3,659                   |
| Decrease/(Increase) in deposits pledged to financial institutions  |      | 43,076             | (79,266)                |
| (Increase)/Decrease in restricted cash (net)   |      | (59)               | 183                     |
| Payment of financing transaction costs   |      | (8,071)            | (8,595)                 |
| Payment of issue expenses by a subsidiary  |      | (30)               | (4,055)                 |
| Proceeds from bank borrowings  |      | 1,172,543          | 449,680                 |
| Proceeds from issuance of bonds and notes  |      | 79,300             | 100,000                 |
| Purchase of treasury shares  |      | (21,442)           | -                       |
| Repayment of bank borrowings   |      | (582,528)          | (757,766)               |
| Repayment of bonds and notes   |      | (329,150)          | (250,000)               |
| <b>Net cash from/(used in) financing activities</b>  |      | <b>897,586</b>     | <b>(938,832)</b>        |
| <b>Net (decrease)/increase in cash and cash equivalents</b>  |      | <b>(1,430,773)</b> | <b>63,309</b>           |
| Cash and cash equivalents at beginning of the year   |      | 3,599,044          | 3,566,757               |
| Effect of exchange rate changes on balances held in foreign currencies   |      | (5,898)            | (31,022)                |
| <b>Cash and cash equivalents at end of the year</b>  | 16   | <b>2,162,373</b>   | <b>3,599,044</b>        |
| <b>Non-cash transaction</b>  |      |                    |                         |
| Dividends amounting to \$520,000 (2017: \$455,000) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 8 March 2019.

## 1 DOMICILE AND ACTIVITIES

City Developments Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at 9 Raffles Place, #12-01 Republic Plaza, Singapore 048619.

The principal activities of the Company are those 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 laundry services.

The consolidated financial statements for the year ended 31 December 2018 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 BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)s) and International Financial Reporting Standards (IFRSs). SFRS(I), issued by the Accounting Standards Council (ASC), comprises standards and interpretations that are equivalents to IFRSs as issued by the International Accounting Standards Board (IASB). All references to SFRS(I)s and IFRSs are subsequently referred to as SFRS(I) in the financial statements.

These are the Group's first financial statements prepared in accordance with SFRS(I)s and IFRSs, and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied. In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in note 40.

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 2 BASIS OF PREPARATION (CONT'D)

### 2.4 Use of estimates and judgements

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

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

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 3.1(iv), 42 and 43      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 3.21                      Estimation of provisions for current and deferred taxation

Notes 4 and 5                Measurement of recoverable amounts of property, plant and equipment, and investment properties

Note 6                        Measurement of recoverable amounts of investments in and balances with subsidiaries

Note 11                      Measurement of realisable amounts of development properties

Note 24                      Valuation of defined benefit obligations

#### Measurement of fair values

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

The Group has an established control framework with respect to the measurement of fair values. This includes a team that regularly reviews significant unobservable inputs and valuation adjustments and report to the Group Chief Financial Officer who has overall responsibility for all significant fair value measurements. If third party information, such as broker quotes or independent valuers' report, is used to measure fair values, then the team assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee and Board of Directors.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 2 BASIS OF PREPARATION (CONT'D)

### 2.4 Use of estimates and judgements (cont'd)

#### Measurement of fair values (cont'd)

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

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

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

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

- Note 5 Investment properties
- Note 24 Share-based payment arrangements
- Note 36 Acquisition of subsidiaries
- Note 38 Financial instruments

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purpose of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

### 3.1 Basis of consolidation

#### (i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

#### Acquisitions from 1 January 2017

For acquisitions from 1 January 2017, the Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests (NCI) 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. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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.

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 investments, that the Group incurs in connection with a business combination are expensed as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Basis of consolidation (cont'd)

#### (i) Business combinations (cont'd)

##### **Acquisitions from 1 January 2017 (cont'd)**

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.

##### **Acquisitions before 1 January 2017**

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

#### (ii) Subsidiaries

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

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

#### (iii) Loss of control

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Basis of consolidation (cont'd)

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

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

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 (OCI) 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 investment in an equity-accounted investee, the carrying amount of that interest, together with any long-term interests that, in substance, form part thereof, 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.

#### (v) 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% (2017: 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 is also a 20% (2017: 20%) partner in Park Court Aoyama The Tower, a joint arrangement formed with a third party, whose principal activity is that of a property developer and the place of business is in Japan. The Group has classified both joint arrangements as joint operations as the joint venture partners control the joint arrangements collectively and the joint arrangements are not structured through separate legal vehicles.

#### (vi) 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.

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Foreign currencies

#### (i) 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 translated 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 the 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 date of the transactions. Foreign currency differences arising on translation are recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- differences arising on the translation of monetary items that in substance form part of the Group's net investment in a foreign operation;
- an investment in equity securities designated at fair value through other comprehensive income (FVOCI) (2017: available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss));
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedge is effective.

#### (ii) Foreign operations

The assets and liabilities of foreign operations, including 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.

Foreign currency differences are recognised in OCI. Since 1 January 2017, the Group's date of transition to SFRS(I), such differences have been recognised in the foreign currency translation reserve (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.

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 OCI, and are presented within equity in the foreign currency translation reserve.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2017, the Group's date of transition to SFRS(I), was determined with reference to the fair values of such items previously adopted by a subsidiary, Millennium & Copthorne Hotels plc (M&C).

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

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

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

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 recognised net in profit or loss.

#### (ii) Subsequent costs

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

#### (iii) Depreciation

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Property, plant and equipment (cont'd)

#### (iii) Depreciation (cont'd)

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

No depreciation is provided on freehold land (including 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.

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 – 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.

### 3.4 Investment properties

#### (i) Recognition and measurement

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 (calculated as the difference between the net proceeds from disposal and the carrying amounts of the investment properties) are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.4 Investment properties (cont'd)

#### (ii) Depreciation

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an investment property. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

No depreciation is provided on freehold land (including 999-year leasehold land) included in 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 – 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.

#### (iii) 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.

### 3.5 Leased assets

Leases where 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 are not recognised in the statement of financial position.

### 3.6 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Financial instruments

#### (i) Recognition and initial measurement

##### Non-derivative financial assets and financial liabilities

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

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

#### (ii) Classification and subsequent measurement

##### Non-derivative financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

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

##### Financial assets at amortised cost

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

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

##### Debt investments at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Financial instruments (cont'd)

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

##### Non-derivative financial assets – Policy applicable from 1 January 2018 (cont'd)

##### Equity investments at FVOCI

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

##### Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

##### Financial assets: Business model assessment – Policy applicable from 1 January 2018

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Financial instruments (cont'd)

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

##### **Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018**

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

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

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

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

##### **Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018**

###### **Financial assets at FVTPL**

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

###### **Financial assets at amortised cost**

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Financial instruments (cont'd)

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

##### **Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018 (cont'd)**

###### **Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

###### **Equity investments at FVOCI**

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

##### **Non-derivative financial assets – Policy applicable before 1 January 2018**

The Group classifies non-derivative financial assets into the following categories: financial assets at FVTPL, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

##### **Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018**

###### **Financial assets at FVTPL**

A financial asset was classified at fair value through profit or loss if it was classified as held for trading or is designated as such upon initial recognition. Financial assets were 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 were 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, were 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 were financial assets with fixed or determinable payments that were 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 were 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 derivative financial assets), other non-current assets (excluding deferred tax assets, prepayments and intangible assets) and certain financial assets.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Financial instruments (cont'd)

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

##### **Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018 (cont'd)**

##### **Available-for-sale financial assets**

Available-for-sale financial assets were non-derivative financial assets that are designated as available for sale or were not classified in any of the above categories of financial assets. The Group's investments in certain equity securities and certain debt securities were 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 were measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on available-for-sale debt investments, were recognised in OCI and presented within equity in the fair value reserve. When an investment was derecognised, the cumulative gain or loss in equity was reclassified to profit or loss.

Where an investment in equity securities classified as available for sale did not have a quoted market price in an active market and other methods of determining fair value did not result in a reasonable estimate, the investment was measured at cost less accumulated impairment losses.

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

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

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

#### (iii) Derecognition

##### **Financial assets**

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

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of ownership of the transferred assets. In these cases, the transferred assets are not derecognised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Financial instruments (cont'd)

#### (iii) Derecognition (cont'd)

##### **Financial liabilities**

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

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

#### (iv) Offsetting

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

#### (v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. 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.

#### (vi) Derivative financial instruments and hedge accounting

##### **Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018**

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

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

The Group designates certain derivatives and non-derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedging relationships designated under FRS 39 that were still existing as at 31 December 2017 are treated as continuing hedges and hedge documentations were aligned accordingly to the requirements of SFRS(I) 9.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Financial instruments (cont'd)

#### (vi) Derivative financial instruments and hedge accounting (cont'd)

##### Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018 (cont'd)

###### Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in the hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.

###### Net investment hedges

The Group designates certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Financial instruments (cont'd)

#### (vi) Derivative financial instruments and hedge accounting (cont'd)

##### Derivative financial instruments and hedge accounting – Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, embedded derivatives are not separated from host contracts that are financial assets in the scope of SFRS(I) 9. Instead, the hybrid financial instrument is assessed as a whole for classification of financial assets under SFRS(I) 9.

###### 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.

#### (vii) 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

The Group's non-redeemable convertible non-cumulative preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Dividends thereon are recognised as distributions within equity.

### 3.8 Development properties

Development properties are measured at the lower of cost and net realisable value. Cost includes acquisition costs, development expenditure, capitalised borrowing costs (applicable to construction of a development for which revenue is to be recognised at a point in time) and other costs directly attributable to the development activities.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. The write-down to net realisable value is presented as allowance for foreseeable losses.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.9 Contract costs

Incremental costs of obtaining a contract for the sale of a development property are capitalised as contract costs only if (a) these costs relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue on the contract. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

### 3.10 Contract assets and liabilities

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on construction of development properties. Contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

Contract liabilities primarily relate to:

- advance consideration received from customers; and
- progress billings issued in excess of the Group's rights to the consideration.

### 3.11 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.

### 3.12 Impairment

#### (i) Non-derivative financial assets and contract assets

##### Policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit losses (ECL) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in SFRS(I) 15).

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.12 Impairment (cont'd)

#### (i) Non-derivative financial assets and contract assets (cont'd)

##### Policy applicable from 1 January 2018 (cont'd)

##### *Simplified approach*

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

##### *General approach*

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

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

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

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

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

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

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

##### *Measurement of ECLs*

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

##### *Credit-impaired financial assets*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.12 Impairment (cont'd)

#### (i) Non-derivative financial assets and contract assets (cont'd)

##### Policy applicable from 1 January 2018 (cont'd)

##### Credit-impaired financial assets (cont'd)

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

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

##### Presentation of ECL in the statement of financial position

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

##### Write-off

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

##### Policy applicable before 1 January 2018

A financial asset not carried at fair value through profit or loss, including interest in an associate and joint venture, was assessed at each reporting date to determine whether there was any objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets (including equity investments) were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment.

The Group considered evidence of impairment for loans and receivables, contract assets and held-to-maturity investment securities at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.12 Impairment (cont'd)

#### (i) Non-derivative financial assets and contract assets (cont'd)

##### Policy applicable before 1 January 2018 (cont'd)

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost was 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 was 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.

All impairment losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. Impairment losses on available-for-sale financial asset were recognised by transferring the losses accumulated in the fair value reserve in equity, to profit or loss.

An impairment loss was 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 was recognised in profit or loss. For available-for-sale financial assets that were equity securities, an impairment loss once recognised in profit or loss was not reversed through profit or loss. Any subsequent increase in fair value of such assets was recognised in other comprehensive income.

#### (ii) Associates and joint ventures

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 the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

#### (iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than development properties, contract assets, 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. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.12 Impairment (cont'd)

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

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

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

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

Goodwill that forms part of the carrying amount of an investment in an associate or 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.

### 3.13 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 profit or loss. 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.14 Employee benefits

#### (i) 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.

#### (ii) 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.

#### (iii) 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.

#### (iv) 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.

#### (v) 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.14 Employee benefits (cont'd)

#### (v) Share-based payment transactions (cont'd)

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.

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.

### 3.15 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.

#### Levies

A provision for levies is recognised when the condition that triggers the payment of the levy as specified in the relevant legislation is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

### 3.16 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.17 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and the Group comply with the conditions associated with the grants.

Government grants relating to assets are deducted against the carrying amount of the assets, and released to profit or loss over the expected useful life of the relevant asset or over the benefits received by the Group related to the assets.

### 3.18 Revenue recognition

#### (i) Development properties for sale

The Group develops and sells residential and mixed development projects to customers through fixed-price contracts. Revenue is recognised when the control over a development property has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the residential project over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

Where a development property has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment for performance completed to date arising from the contractual terms, revenue is recognised over time by reference to the Group's progress towards completing the construction of the development property. The measure of progress is determined based on the stage of completion of construction certified by quantity surveyors. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

In respect of contracts where the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised only when the completed property is delivered to the customer and the customer has accepted it in accordance with the sales contract.

Under certain payment schemes, the time when payments are made by the buyer and the transfer of control of the property to the buyer do not coincide and where the difference between the timing of receipt of the payments and the satisfaction of a performance obligation is 12 months or more, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception. A finance income or finance expense will be recognised depending on the arrangement. The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of goods or services to a customer and the payment date is 12 months or less.

Revenue is measured at the transaction price agreed under the contract entered into with customers. Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The customer is invoiced based on a payment schedule which is typically triggered upon achievement of specified construction milestones. If the value of the goods transferred by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised. The accounting policy for contract assets and contract liabilities is set out in note 3.10.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.18 Revenue recognition (cont'd)

#### (ii) 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 in which it is earned and the amount can be reliably measured.

#### (iii) Hotel income

Revenue from hotel operations is recognised at the point when the accommodation and related services are rendered.

#### (iv) Management services, consultancy services and laundry services

Management and consultancy fees and laundry services are recognised at the point when such services are rendered.

#### (v) Dividends

Dividend income is recognised in profit or loss when the shareholder's right to receive payment is established.

### 3.19 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

### 3.20 Finance income and costs

The Group's finance income and costs include:

- interest expense on borrowings and financial derivatives;
- the fair value gain or loss on financial derivatives;
- the net gain or loss on financial assets at FVTPL;
- the foreign currency gain or loss on financial assets and financial liabilities;
- hedge ineffectiveness recognised in profit or loss; and
- unwinding of discount on non-current liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.20 Finance income and costs (cont'd)

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### 3.21 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.

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

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

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.21 Tax (cont'd)

The measurement of deferred taxes reflects the consequences that follow the manner in which the Group expects, at the reporting date, to recover the carrying amount of its assets and liabilities. 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.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

### 3.22 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.

### 3.23 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 and Group Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Board of Directors and Group CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly tax assets and liabilities.

### 3.24 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact on adoption of these new requirements are set out in note 41.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 4 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 |
|---|------|------------------------------------|-------------------------------------|--|--|-------------------------------|--------------|
| <b>Group</b>                              |      |                                    |                                     |  |  |                               |              |
| <b>Cost or deemed cost</b>                |      |                                    |                                     |  |  |                               |              |
| 1 January 2017                            |      | 4,124,358                          | 1,292,866                           | 28,748   | 1,633,244  | 141,278                       | 7,220,494    |
| Acquisition of subsidiaries               | 36   | –                                  | 84,604                              | 13   | 9,810  | –                             | 94,427       |
| Loss of control in subsidiaries           | 36   | –                                  | –                                   | –  | (840)  | –                             | (840)        |
| Additions                                 |      | 24,737                             | 2,505                               | 4,464  | 70,539   | 3,741                         | 105,986      |
| Disposal/Written off                      |      | (263)                              | (65)                                | (3,926)  | (29,248)   | (453)                         | (33,955)     |
| Reclassifications                         |      | 77,157                             | (322)                               | (3,992)  | 28,923   | (101,766)                     | –            |
| Translation differences on consolidation  |      | (103,099)                          | (16,593)                            | (875)  | (27,090)   | (5,485)                       | (153,142)    |
| At 31 December 2017                       |      | 4,122,890                          | 1,362,995                           | 24,432   | 1,685,338  | 37,315                        | 7,232,970    |
| Acquisition of subsidiaries               | 36   | –                                  | –                                   | –  | 60   | –                             | 60           |
| Additions                                 |      | 12,751                             | 19,215                              | 1,228  | 80,169   | 88,044                        | 201,407      |
| Disposal/Written off                      |      | (1,707)                            | –                                   | (2,211)  | (26,994)   | (288)                         | (31,200)     |
| Reclassifications                         |      | (29,342)                           | 34,133                              | 3,004  | 6,968  | (14,763)                      | –            |
| Transfers from/(to) investment properties | 5    | 118,612                            | (23,026)                            | –  | –  | (5,092)                       | 90,494       |
| Translation differences on consolidation  |      | 2,323                              | (22,423)                            | (1,038)  | (7,716)  | 332                           | (28,522)     |
| At 31 December 2018                       |      | 4,225,527                          | 1,370,894                           | 25,415   | 1,737,825  | 105,548                       | 7,465,209    |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 4 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 improvements \$'000 | Renovation-in-progress \$'000 | Total \$'000 |
|---|------|------------------------------------|-------------------------------------|--|--|-------------------------------|--------------|
| <b>Group</b>  |      |                                    |                                     |  |  |                               |              |
| <b>Accumulated depreciation and impairment losses</b> |      |                                    |                                     |  |  |                               |              |
| At 1 January 2017                                     |      | 790,357                            | 311,837                             | 6,481  | 992,436  | –                             | 2,101,111    |
| Charge for the year                                   |      | 26,867                             | 20,666                              | –  | 98,166   | –                             | 145,699      |
| Disposal/Written off                                  |      | (114)                              | –                                   | –  | (28,005)   | –                             | (28,119)     |
| Loss of control in subsidiaries                       | 36   | –                                  | –                                   | –  | (754)  | –                             | (754)        |
| Reclassifications                                     |      | 3                                  | –                                   | –  | (3)  | –                             | –            |
| Impairment losses                                     |      | 39,009                             | 5,638                               | –  | 4,573  | –                             | 49,220       |
| Translation differences on consolidation              |      | (18,979)                           | (5,670)                             | (593)  | (7,832)  | –                             | (33,074)     |
| At 31 December 2017                                   |      | 837,143                            | 332,471                             | 5,888  | 1,058,581  | –                             | 2,234,083    |
| Charge for the year                                   |      | 27,550                             | 17,463                              | –  | 96,905   | –                             | 141,918      |
| Disposal/Written off                                  |      | (200)                              | –                                   | (2,211)  | (24,242)   | –                             | (26,653)     |
| Reclassifications                                     |      | (1,363)                            | 1,591                               | –  | (228)  | –                             | –            |
| Transfers from/(to) investment properties             | 5    | 30,775                             | (13,090)                            | –  | –  | –                             | 17,685       |
| Impairment losses                                     |      | 85,104                             | 7,702                               | –  | 1,293  | –                             | 94,099       |
| Translation differences on consolidation              |      | 1,077                              | (1,361)                             | 16   | (8,955)  | –                             | (9,223)      |
| At 31 December 2018                                   |      | 980,086                            | 344,776                             | 3,693  | 1,123,354  | –                             | 2,451,909    |
| <b>Carrying amounts</b>                               |      |                                    |                                     |  |  |                               |              |
| At 1 January 2017                                     |      | 3,334,001                          | 981,029                             | 22,267   | 640,808  | 141,278                       | 5,119,383    |
| At 31 December 2017                                   |      | 3,285,747                          | 1,030,524                           | 18,544   | 626,757  | 37,315                        | 4,998,887    |
| At 31 December 2018                                   |      | 3,245,441                          | 1,026,118                           | 21,722   | 614,471  | 105,548                       | 5,013,300    |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

|                                 | Freehold land \$'000 | Furniture, fittings and equipment \$'000 | Total \$'000 |
|---------------------------------|----------------------|--|--------------|
| <b>Company</b>                  |                      |  |              |
| <b>Cost</b>                     |                      |  |              |
| At 1 January 2017               | 2,570                | 29,064                                   | 31,634       |
| Additions                       | –                    | 1,967                                    | 1,967        |
| Disposal/Written off            | –                    | (3,022)                                  | (3,022)      |
| At 31 December 2017             | 2,570                | 28,009                                   | 30,579       |
| Additions                       | –                    | 8,923                                    | 8,923        |
| Disposal/Written off            | –                    | (7,333)                                  | (7,333)      |
| At 31 December 2018             | 2,570                | 29,599                                   | 32,169       |
| <b>Accumulated depreciation</b> |                      |  |              |
| At 1 January 2017               | –                    | 23,266                                   | 23,266       |
| Charge for the year             | –                    | 2,156                                    | 2,156        |
| Disposal/Written off            | –                    | (2,578)                                  | (2,578)      |
| At 31 December 2017             | –                    | 22,844                                   | 22,844       |
| Charge for the year             | –                    | 2,249                                    | 2,249        |
| Disposal/Written off            | –                    | (6,918)                                  | (6,918)      |
| At 31 December 2018             | –                    | 18,175                                   | 18,175       |
| <b>Carrying amounts</b>         |                      |  |              |
| At 1 January 2017               | 2,570                | 5,798                                    | 8,368        |
| At 31 December 2017             | 2,570                | 5,165                                    | 7,735        |
| At 31 December 2018             | 2,570                | 11,424                                   | 13,994       |

Included in property, plant and equipment are certain hotel properties of the Group with carrying amount totalling \$506,477,000 (2017: \$432,779,000; 1 January 2017: \$446,858,000) which are mortgaged to certain financial institutions to secure credit facilities (refer to notes 21 and 22 for more details of the facilities).

The transfers from property, plant and equipment to investment properties during 2018 arose mainly from the Group's relocation of its corporate head office from City House (partially classified as property, plant and equipment) to Republic Plaza (classified as investment property) in Singapore. Accordingly, the Group transferred a portion of the investment property with a carrying value \$87.8 million to property, plant and equipment. The amount transferred represents the area that is presently owner-occupied by the Group. The previously owner-occupied area at City House, which was released for leasing, with a carrying value of \$9.9 million, has been reclassified from property, plant and equipment to investment properties.

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 by the Group. The cash generating units (CGU) are individual hotels.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 4 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 the discounted cash flow method. Under this methodology, the fair value measurement reflects current market expectations about the third party efficient operator's future cash flows, discounted to their present value. It involves each hotel's projected cash flow for the year ending 31 December 2019, taking into consideration the assumptions in respect of revenue growth (principally factoring in room rate and occupancy growth) and major expense items for each individual hotel. The future cash flows are based on assumptions about competitive growth rates for hotels in that area, as well as internal business plan for the hotel in the relevant market. Where appropriate, the Group also sought guidance on fair value from independent valuers with appropriate professional qualifications and recent experience in the location and category of the properties being valued. The fair value measurement was categorised as a Level 3 fair value based on the inputs to the valuation technique used.

During the year, an impairment loss of \$94,099,000 (2017: \$49,220,000) was recognised on six hotels in the United States of America (US), one hotel in Europe and two hotels in Asia (2017: two hotels in US, one hotel in Europe and two hotels in Asia), all of which are held by certain subsidiaries of M&C. The estimated total recoverable amounts of the said impaired properties were \$1,031,332,000 (2017: \$745,583,000). 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 key assumptions used in estimating the recoverable amounts are set out below:

|                                 | US            | Europe        | Asia          |
|---------------------------------|---------------|---------------|---------------|
| <b>Occupancy growth rate</b>    |               |               |               |
| 2018                            | Up to 9.5%    | Up to 4.3%    | Up to 9.0%    |
| 2017                            | 2.0% to 13.0% | 1.0% to 17.0% | 3.0% to 9.0%  |
| <b>Average room rate growth</b> |               |               |               |
| 2018                            | 3.0% to 4.0%  | 4.0%          | 2.0% to 2.5%  |
| 2017                            | 2.0% to 6.0%  | 1.0% to 25.0% | 1.0% to 12.0% |
| <b>Discount rate</b>            |               |               |               |
| 2018                            | 6.5% to 13.0% | 10.0%         | 8.0% to 9.0%  |
| 2017                            | 6.0% to 12.0% | 8.0% to 12.0% | 10.0%         |
| <b>Terminal rates</b>           |               |               |               |
| 2018                            | 5.0% to 11.0% | 6.5%          | 6.0% to 7.0%  |
| 2017                            | 7.0% to 10.0% | 6.0% to 9.0%  | 4.0% to 8.0%  |

The forecasts cover a five to ten year period, and cash flows beyond this period are extrapolated using a growth rate ranging between 1.5% and 2.5% (2017: 2% and 3%), which is based upon the expected trading growth for each hotel and inflation in the country in which the hotel is located.

### Sensitivity analysis

The Group's impairment review is sensitive to changes in the key assumptions used, most notably the discount and terminal rates. A significant increase in discount rate or terminal rate in isolation would result in a significantly lower recoverable amount.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 5 INVESTMENT PROPERTIES

|   | Note | Group<br>\$'000 | Company<br>\$'000 |
|---|------|-----------------|-------------------|
| <b>Cost</b>   |      |                 |                   |
| At 1 January 2017                                     |      | 3,301,300       | 571,338           |
| Acquisition of subsidiaries                           | 36   | 167,744         | -                 |
| Additions   |      | 42,544          | 19,997            |
| Disposal/Written off                                  |      | (93,486)        | (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           |
| Acquisition of subsidiaries*                          |      | 1,235,227       | -                 |
| Additions   |      | 79,973          | 11,750            |
| Disposal/Written off                                  |      | (1,303)         | (1,223)           |
| Transfer from development properties                  |      | 146,598         | -                 |
| Transfers to property, plant and equipment            | 4    | (90,494)        | -                 |
| Translation differences on consolidation              |      | (22,862)        | -                 |
| At 31 December 2018                                   |      | 4,753,980       | 600,812           |
| <b>Accumulated depreciation and impairment losses</b> |      |                 |                   |
| At 1 January 2017                                     |      | 955,186         | 126,656           |
| Charge for the year                                   |      | 64,960          | 11,222            |
| Disposal/Written off                                  |      | (60,615)        | (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           |
| Charge for the year                                   |      | 72,376          | 11,675            |
| Disposal/Written off                                  |      | (80)            | -                 |
| Transfers to property, plant and equipment            | 4    | (17,685)        | -                 |
| Translation differences on consolidation              |      | 102             | -                 |
| At 31 December 2018                                   |      | 1,012,653       | 148,595           |
| <b>Carrying amounts</b>                               |      |                 |                   |
| At 1 January 2017                                     |      | 2,346,114       | 444,682           |
| At 31 December 2017                                   |      | 2,448,901       | 453,365           |
| At 31 December 2018                                   |      | 3,741,327       | 452,217           |

\* In prior years, the Group had deferred the recognition of a gain of \$67.6 million arising from the sale of the leasehold interests in a property known as Central Mall Office Tower as it was sold to Golden Crest Holdings Pte. Ltd., an associate of the Group. Following the buyback of Central Mall Office Tower by the Group during the year (see note 36 (e)), the deferred gain was set off against the consideration paid for that investment property.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 5 INVESTMENT PROPERTIES (CONT'D)

|                     | Group<br>\$'000 | Company<br>\$'000 |
|---------------------|-----------------|-------------------|
| <b>Fair value</b>   |                 |                   |
| At 1 January 2017   | 6,215,075       | 1,088,722         |
| At 31 December 2017 | 6,301,274       | 1,089,822         |
| At 31 December 2018 | 7,919,056       | 1,122,087         |

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 20 years (2017: 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 were reclassified to assets held for sale as at 31 December 2017. The sale was subsequently completed on 11 January 2018.

During 2018, the Group's transfer from development properties to investment properties relate to a retail mall in Suzhou which was completed and begun leasing activities during the year. In addition, the Group transferred a portion of an investment property to property, plant and equipment as the Group relocated its corporate head office from City House to Republic Plaza (see note 4). During 2017, the Group's transfers from development properties to investment properties related mainly to the reclassification of a warehouse in Singapore as the Group ceased its plan to sell the warehouse and decided to hold the property to earn rental income.

As at 31 December 2018, investment properties of the Group with a total carrying amount of \$709,000,000 (2017: \$763,000,000) were mortgaged to certain financial institutions to secure credit facilities (refer to note 21 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 techniques used.

Based on the impairment assessments undertaken in 2018, the recoverable amounts of the properties exceeded their carrying amounts. In 2017, an impairment loss of \$3,013,000 was recognised which mainly relate 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".

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 5 INVESTMENT PROPERTIES (CONT'D)

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:

|                     | 2017  |
|---------------------|-------|
| Discount rate       | 10.0% |
| Terminal yield      | 8.0%  |
| Capitalisation rate | 7.5%  |

### 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 decrease in discount rate, terminal yield and capitalisation rate in isolation would result in a significantly higher recoverable amount.

### Fair value hierarchy

The fair value disclosure for the investment properties of \$7,919,056,000 (2017: \$6,301,274,000) has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

### Determination of fair value

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 experience in the location and category of the investment properties being valued.

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.

The fair value is based on market value, 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 valuations are based on the discounted cash flow, direct comparison and income capitalisation methods for both 2018 and 2017. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the transacted prices to those reflective of the investment properties of the Group. The capitalisation approach capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates. The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 6. INVESTMENTS IN AND BALANCES WITH SUBSIDIARIES

|                                    | Note | Company          |                  |
|------------------------------------|------|------------------|------------------|
|                                    |      | 2018<br>\$'000   | 2017<br>\$'000   |
| <b>Investments in subsidiaries</b> |      |                  |                  |
| Unquoted shares, at cost           |      | 2,138,687        | 2,181,913        |
| Impairment losses                  |      | (70,818)         | (50,670)         |
|                                    |      | <b>2,067,869</b> | <b>2,131,243</b> |
| <b>Balances with subsidiaries</b>  |      |                  |                  |
| Amounts owing by subsidiaries:     |      |                  |                  |
| – trade                            |      | 15,918           | 12,840           |
| – non-trade, interest-free         |      | 3,294,001        | 3,445,277        |
| – non-trade, interest-bearing      |      | 4,595,557        | 3,286,203        |
|                                    |      | <b>7,905,476</b> | <b>6,744,320</b> |
| Impairment losses                  |      | (104,804)        | (104,656)        |
|                                    |      | <b>7,800,672</b> | <b>6,639,664</b> |
| Receivable:                        |      |                  |                  |
| – Within 1 year                    | 14   | 4,194,054        | 4,099,593        |
| – After 1 year                     | 10   | 3,606,618        | 2,540,071        |
|                                    |      | <b>7,800,672</b> | <b>6,639,664</b> |
| Amounts owing to subsidiaries:     |      |                  |                  |
| – trade                            |      | 2,110            | 1,340            |
| – non-trade, interest-free         |      | 2,092,806        | 1,959,667        |
| – non-trade, interest-bearing      |      | 272,262          | 150,810          |
|                                    |      | <b>2,367,178</b> | <b>2,111,817</b> |
| Repayable:                         |      |                  |                  |
| – Within 1 year                    | 28   | 2,367,178        | 2,011,817        |
| – After 1 year                     | 25   | –                | 100,000          |
|                                    |      | <b>2,367,178</b> | <b>2,111,817</b> |

During the year, the Company assessed the carrying amount of its investments in subsidiaries for indicators of impairment. Based on the assessment, the Company recognised an impairment loss of \$20,148,000 on its investment in two wholly-owned subsidiaries. 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 techniques 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 0.20% to 4.95% (2017: 0.49% to 20.63%) per annum and at rates ranging from 2.63% to 3.25% (2017: 2.74% 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 \$3,606,618,000 (2017: \$2,540,071,000) for which settlement is neither planned nor likely to occur in the foreseeable future. These amounts are in substance a part of the Company's net investments in subsidiaries.

### Impairment losses

The movements in impairment losses in respect of investments in subsidiaries and amounts owing by subsidiaries during the year are as follows:

|                                   | Company        |                |
|-----------------------------------|----------------|----------------|
|                                   | 2018<br>\$'000 | 2017<br>\$'000 |
| At 1 January                      | 155,326        | 186,030        |
| Impairment losses made/(reversed) | 20,296         | (30,704)       |
| At 31 December                    | <b>175,622</b> | <b>155,326</b> |

Further details regarding the Group's subsidiaries are set out in note 42.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 7. INVESTMENTS IN AND BALANCES WITH ASSOCIATES

|  | Note | Group          |                | Company        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| <b>Investments in associates</b>       |      | <b>427,852</b> | 389,360        | –              | –              |
| <b>Balances with associates</b>        |      |                |                |                |                |
| Amounts owing by associates receivable |      |                |                |                |                |
| within 1 year:                         |      |                |                |                |                |
| – trade                                | 14   | 899            | 450            | 13             | 29             |

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 \$396.5 million (2017: \$372.5 million) and the fair value based on the published price quotation (Level 1 in the fair value hierarchy) was \$297.7 million (2017: \$298.2 million). Management had assessed the recoverable amount of the investment in the associate and determined that the recoverable amount, taking into consideration the fair values of the associate's underlying assets, is higher than the carrying amount of the investment as at 31 December 2018. Accordingly, no impairment loss is necessary.

### 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          |                |
|--|----------------|----------------|
|  | 2018<br>\$'000 | 2017<br>\$'000 |
| Carrying amount of interests in individually immaterial associates | <b>427,852</b> | 389,360        |

|                                     | Group          |                |
|-------------------------------------|----------------|----------------|
|                                     | 2018<br>\$'000 | 2017<br>\$'000 |
| Group's share of:                   |                |                |
| – profit from continuing operations | 38,831         | 29,648         |
| – other comprehensive income        | (8,639)        | (6,085)        |
| – total comprehensive income        | <b>30,192</b>  | <b>23,563</b>  |

### Financial guarantees

Two wholly-owned subsidiaries of the Group entered into deeds of guarantee (the Deeds of Guarantee) in favour of Sunbright Holdings Limited, an associate of the Group, on 15 December 2014. The maximum exposure of the Group under the Deeds of Guarantee at the end of the reporting period is approximately \$25.9 million (2017: \$42.6 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 guarantees.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 8 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES

| Note   | Group             |                |                             | Company         |                |
|--|-------------------|----------------|-----------------------------|-----------------|----------------|
|  | 2018<br>\$'000    | 2017<br>\$'000 | 1 January<br>2017<br>\$'000 | 2018<br>\$'000  | 2017<br>\$'000 |
| <b>Investments in joint ventures</b>                   |                   |                |                             |                 |                |
| Investments in joint ventures                          | <b>1,307,639</b>  | 1,112,482      | 1,033,221                   | <b>37,360</b>   | 37,360         |
| <b>Balances with joint ventures</b>                    |                   |                |                             |                 |                |
| Amounts owing by joint ventures:                       |                   |                |                             |                 |                |
| – trade  | <b>1,315</b>      | 1,328          | 7,230                       | <b>12</b>       | 34             |
| – non-trade, interest-bearing                          | <b>265,490</b>    | 29,788         | 151,962                     | <b>10,368</b>   | 10,214         |
| – non-trade, interest-free                             | <b>350,228</b>    | 601,765        | 506,776                     | <b>217,886</b>  | 217,886        |
|  | <b>617,033</b>    | 632,881        | 665,968                     | <b>228,266</b>  | 228,134        |
| Impairment losses                                      | <b>(13,559)</b>   | (13,181)       | (41,228)                    | <b>(14,909)</b> | (14,372)       |
|  | <b>603,474</b>    | 619,700        | 624,740                     | <b>213,357</b>  | 213,762        |
| Receivable:  |                   |                |                             |                 |                |
| – Within 1 year  | 14 <b>603,474</b> | 416,791        | 624,740                     | <b>213,357</b>  | 213,762        |
| – After 1 year   | 10 <b>–</b>       | 202,909        | –                           | <b>–</b>        | –              |
|  | <b>603,474</b>    | 619,700        | 624,740                     | <b>213,357</b>  | 213,762        |
| Amounts owing to joint ventures payable within 1 year: |                   |                |                             |                 |                |
| – trade  | <b>–</b>          | 12             | 1                           | <b>–</b>        | 10             |
| – non-trade, interest-free                             | <b>22,727</b>     | 22,737         | 22,727                      | <b>22,727</b>   | 22,727         |
|  | 28 <b>22,727</b>  | 22,749         | 22,728                      | <b>22,727</b>   | 22,737         |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 8 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (CONT'D)

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 1.38% to 7.50% (2017: 1.50% to 2.00%) per annum and 1.50% (2017: 1.50%) 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 in 2017 comprised a loan to a joint venture for which settlement was neither planned nor likely to occur in the foreseeable future. The amount was in substance a part of the Group's net investment in the joint venture. During the year, the loan was capitalised into equity of the joint venture.

Included in the Group's carrying amount of its investments in joint ventures is goodwill amounting to \$14.0 million (2017: \$18.3 million; 1 January 2017: \$Nil) relating to the Group's interests in two (2017: two; 1 January 2017: Nil) joint ventures.

The movements in impairment losses in respect of balances with joint ventures are as follows:

|  | Group<br>Individual<br>impairments<br>\$'000 | Company<br>Individual<br>impairments<br>\$'000 |
|--|--|--|
| At 1 January 2017 per FRS 39               | 41,228                                       | 15,593   |
| Impairment losses reversed                 | (22,320)                                     | (1,221)  |
| Impairment losses utilised                 | (1,163)                                      | –  |
| Translation differences                    | (4,564)                                      | –  |
| At 31 December 2017 per FRS 39             | <b>13,181</b>                                | <b>14,372</b>                                  |
|  | Group<br>Lifetime<br>ECL<br>\$'000           | Company<br>Lifetime<br>ECL<br>\$'000           |
| At 1 January 2018 per FRS 39 and SFRS(I) 9 | 13,181                                       | 14,372   |
| Impairment loss recognised                 | –  | 537  |
| Translation differences                    | 378  | –  |
| At 31 December 2018 per SFRS(I) 9          | <b>13,559</b>                                | <b>14,909</b>                                  |

Impairment losses recognised/(reversed) were included in "other operating expenses".

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 8 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (CONT'D)

### 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            |           | 1 January |
|--|------------------|-----------|-----------|
|  | 2018             | 2017      | 2017      |
|  | \$'000           | \$'000    | \$'000    |
| Carrying amount of interests in individually immaterial joint ventures | <b>1,307,639</b> | 1,112,482 | 1,033,221 |
| Group's share of:  |                  |           |           |
| – profit from continuing operations/total comprehensive income         | <b>26,072</b>    | 14,808    | 29,274    |

The Group's share of the joint ventures' commitments is as follows:

|   | Group          |         | 1 January |
|---|----------------|---------|-----------|
|   | 2018           | 2017    | 2017      |
|   | \$'000         | \$'000  | \$'000    |
| <b>Commitments</b>  |                |         |           |
| Development expenditure contracted but not provided for in the financial statements | <b>209,229</b> | 225,304 | 104,819   |
| Capital expenditure contracted but not provided for in the financial statements     | <b>7,050</b>   | 10,610  | 12,340    |
| Non-cancellable operating lease payable   | <b>73,704</b>  | 42,704  | 85        |
| Non-cancellable operating lease receivable  | <b>56,885</b>  | 72,466  | 101,201   |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 9 FINANCIAL ASSETS

|  | Group          |         | Company        |        |
|--|----------------|---------|----------------|--------|
|  | 2018           | 2017    | 2018           | 2017   |
|  | \$'000         | \$'000  | \$'000         | \$'000 |
| <b>Non-current investments</b>   |                |         |                |        |
| Unquoted debt investments – loans and receivables – non-related companies  | –              | 272,500 | –              | –      |
| Unquoted debt investments – designated at FVTPL – non-related companies    | –              | 30,186  | –              | –      |
| Unquoted debt investments – mandatorily at FVTPL – non-related companies   | <b>345,655</b> | –       | –              | –      |
|  | <b>345,655</b> | 302,686 | –              | –      |
| Unquoted equity investments – available-for-sale – fellow subsidiaries     | –              | 3,290   | –              | 3,290  |
| – other related parties  | –              | 29,617  | –              | –      |
| – non-related companies  | –              | 30,332  | –              | –      |
| Unquoted equity investments – at FVOCI – fellow subsidiaries               | <b>327,544</b> | –       | <b>327,544</b> | –      |
| – non-related companies  | <b>1,469</b>   | –       | –              | –      |
| Unquoted equity investments – mandatorily at FVTPL – other related parties | <b>24,955</b>  | –       | –              | –      |
| – non-related companies  | <b>18,593</b>  | –       | –              | –      |
|  | <b>372,561</b> | 63,239  | <b>327,544</b> | 3,290  |
| Impairment losses  | –              | (3,339) | –              | –      |
|  | <b>372,561</b> | 59,900  | <b>327,544</b> | 3,290  |
| Quoted equity investments – available-for-sale – fellow subsidiaries       | –              | 29,705  | –              | 24,979 |
| – non-related companies  | –              | 12,633  | –              | 2,292  |
| Quoted equity investments – at FVOCI – fellow subsidiaries                 | <b>27,638</b>  | –       | <b>23,240</b>  | –      |
| – an associate   | <b>67,666</b>  | –       | –              | –      |
| – non-related companies  | <b>9,673</b>   | –       | –              | –      |
| Quoted equity investments – mandatorily at FVTPL – non-related companies   | <b>44,069</b>  | –       | <b>2,047</b>   | –      |
|  | <b>149,046</b> | 42,338  | <b>25,287</b>  | 27,271 |
| Other financial asset – loans and receivables                              | –              | 27,999  | –              | –      |
| Other financial asset – mandatorily at FVTPL                               | <b>17,214</b>  | –       | –              | –      |
|  | <b>17,214</b>  | 27,999  | –              | –      |
| <b>Total non-current financial assets</b>                                  | <b>884,476</b> | 432,923 | <b>352,831</b> | 30,561 |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 9 FINANCIAL ASSETS (CONT'D)

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| <b>Current investments</b>  |                |                |                |                |
| Quoted equity investments – held-for-trading<br>– non-related companies     | –              | 15,770         | –              | –              |
| Quoted equity investments – mandatorily at FVTPL<br>– non-related companies | <b>14,203</b>  | –              | –              | –              |
| <b>Total current financial assets</b>                                       | <b>14,203</b>  | 15,770         | –              | –              |
| <b>Total financial assets</b>   | <b>898,679</b> | 448,693        | <b>352,831</b> | 30,561         |

Unquoted debt investments with a total carrying amount of \$274,146,000 mandatorily measured at FVTPL at 31 December 2018 (2017: classified as loans and receivables at \$272,500,000) bear interest at rates ranging from 2.46% to 5.00% (2017: 2.46% to 5.00%) per annum and mature within 2 to 5 (2017: 3 to 6) years.

Included in the unquoted debt investments mandatorily measured at FVTPL were the following:

- (a) \$139,967,000 (2017: classified as loans and receivables at \$140,000,000) relating to the Group's investment in a note due 2023 issued by Summervale Properties Pte. Ltd. (Summervale) for Nouvel 18, a 156-unit luxury freehold residential development on Anderson Road, Singapore. In October 2016, the Group established its third Profit Participation Securities by entering into an investment agreement, and an asset management and marketing agreement with an unrelated party, Green 18 Pte. Ltd. (Green 18), to exit its entire interest in Summervale. As part of the investment agreement, the Group subscribed for a note of \$140 million issued by Summervale. According to the asset management and marketing agreement, Summervale appointed Trentwell Management Pte. Ltd. (Trentwell), a wholly-owned subsidiary of the Group, as the asset manager and marketing agent of 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).
- (b) \$134,179,000 (2017: classified as loans and receivables at \$132,500,000) relates to the Group's investment in junior fixed rate bonds issued by In-V Asset Holdings Pte. Ltd. for the office investment platform as detailed in footnote (b) in note 43.
- (c) \$28,040,000 (2017: designated at FVTPL of \$30,186,000) relating 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 mandatorily measured at FVTPL of \$17,214,000 (2017: classified as loans and receivables at \$27,999,000) relates to a balance arising from the accounting of the Group's continuing involvement in the third Profit Participation Securities issued by Summervale.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 9 FINANCIAL ASSETS (CONT'D)

Equity investments designated at FVOCI

At 1 January 2018, the Group designated the equity investments shown below as equity investments at FVOCI because these equity investments represent investments that the Group intends to hold for the long-term for strategic purposes. In 2017, these investments were classified as available for sale.

|   | Group  |   | Company  |   |
|---|--|---|--|---|
|   | Fair value at<br>31 December<br>2018<br>\$'000 | Dividend<br>income<br>recognised<br>during 2018<br>\$'000 | Fair value at<br>31 December<br>2018<br>\$'000 | Dividend<br>income<br>recognised<br>during 2018<br>\$'000 |
| Unquoted investment in fellow subsidiaries:                                 |  |   |  |   |
| – Hong Leong Holdings Limited   | 327,544  | 3,375   | 327,544  | 3,375   |
| Quoted investment in fellow subsidiaries:                                   |  |   |  |   |
| – Hong Leong Finance Limited  | 27,638   | 1,523   | 23,240   | 1,281   |
| Quoted investment in an associate:  |  |   |  |   |
| – First Sponsor Group Limited<br>(perpetual convertible capital securities) | 67,666   | –   | –  | –   |

The other equity investments designated at FVOCI not included in the table above are insignificant to the Group and the Company. No strategic investments were disposed off during 2018.

## 10 OTHER NON-CURRENT ASSETS

|                                 | Note | Group          |                |                             | Company          |                |
|---------------------------------|------|----------------|----------------|-----------------------------|------------------|----------------|
|                                 |      | 2018<br>\$'000 | 2017<br>\$'000 | 1 January<br>2017<br>\$'000 | 2018<br>\$'000   | 2017<br>\$'000 |
| Amounts owing by subsidiaries   | 6    | –              | –              | –                           | <b>3,606,618</b> | 2,540,071      |
| Amount owing by a joint venture | 8    | –              | 202,909        | –                           | –                | –              |
| Deposits                        |      | <b>8,610</b>   | 7,663          | 6,078                       | –                | –              |
| Other receivables               |      | <b>2,825</b>   | 2,495          | 2,348                       | –                | –              |
| Derivative financial assets     |      | <b>17,666</b>  | –              | –                           | <b>13,706</b>    | –              |
| Restricted bank deposits        | 16   | <b>222,979</b> | 213,531        | 213,531                     | –                | –              |
|                                 |      | <b>252,080</b> | 426,598        | 221,957                     | <b>3,620,324</b> | 2,540,071      |
| Prepayments                     |      | <b>365</b>     | 380            | 400                         | –                | –              |
| Intangible assets               |      | <b>1,643</b>   | 2,388          | 2,846                       | –                | –              |
| Deferred tax assets             | 27   | <b>56,408</b>  | 57,986         | 39,762                      | –                | –              |
|                                 |      | <b>310,496</b> | 487,352        | 264,965                     | <b>3,620,324</b> | 2,540,071      |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 11 DEVELOPMENT PROPERTIES

|  | Group            |                |                             | Company        |                |                             |
|--|------------------|----------------|-----------------------------|----------------|----------------|-----------------------------|
|  | 2018<br>\$'000   | 2017<br>\$'000 | 1 January<br>2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 | 1 January<br>2017<br>\$'000 |
| Properties under development, for which revenue is to be recognised over time          | 2,236,646        | 408,871        | 641,649                     | -              | -              | -                           |
| Properties under development, for which revenue is to be recognised at a point in time | 2,115,096        | 2,286,362      | 2,530,868                   | -              | -              | -                           |
| Completed units  | 1,383,051        | 1,619,384      | 1,599,270                   | 180,290        | 180,290        | 179,307                     |
| Allowance for foreseeable losses   | (33,406)         | (14,674)       | (49,306)                    | -              | -              | -                           |
|  | <b>5,701,387</b> | 4,299,943      | 4,722,481                   | <b>180,290</b> | 180,290        | 179,307                     |
| <b>Share of joint operations</b>   |                  |                |                             |                |                |                             |
| Properties under development, for which revenue is to be recognised over time          | -                | 7,827          | 45,776                      | -              | 7,934          | 46,457                      |
| Completed units  | 2,523            | -              | -                           | 2,543          | -              | -                           |
|  | <b>2,523</b>     | 7,827          | 45,776                      | <b>2,543</b>   | 7,934          | 46,457                      |
| <b>Total development properties</b>  | <b>5,703,910</b> | 4,307,770      | 4,768,257                   | <b>182,833</b> | 188,224        | 225,764                     |

(i) Allowance for foreseeable losses

Movements in allowance for foreseeable losses are as follows:

|  | Note | Group          |                | Company        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| At 1 January                             |      | 14,674         | 49,306         | -              | -              |
| Allowance made/(written back)            | 30   | 19,256         | (19,516)       | -              | -              |
| Allowance utilised                       |      | (299)          | (3,247)        | -              | -              |
| Transfer to investment properties        |      | -              | (11,638)       | -              | -              |
| Translation differences on consolidation |      | (225)          | (231)          | -              | -              |
| At 31 December                           |      | <b>33,406</b>  | 14,674         | -              | -              |

The allowance for foreseeable losses is determined by the management after 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 made/(written back) for foreseeable losses is included in "cost of sales".

(ii) Development properties of the Group recognised as cost of sales, excluding foreseeable losses, amounted to \$1,253,582,000 (2017: \$1,146,385,000) for the year.

(iii) Development properties of the Group with carrying amounts of \$1,768,641,000 (2017: \$527,500,000; 1 January 2017: \$1,360,848,000) are mortgaged to financial institutions to secure credit facilities (refer to note 21).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 12 CONTRACT COSTS

The amount relates to commission fees paid to property agents for securing sale contracts for the Group's development properties. During the year, \$12,001,000 (2017: \$13,489,000) of commission fees paid were capitalised as contract costs.

Capitalised commission fees are amortised when the related revenue is recognised. During the year, \$12,585,000 (2017: \$13,574,000) was amortised. There was no impairment loss in relation to such costs capitalised.

## 13 CONTRACT ASSETS/(LIABILITIES)

|                      | Note | Group          |                |                             | Company        |                |                             |
|----------------------|------|----------------|----------------|-----------------------------|----------------|----------------|-----------------------------|
|                      |      | 2018<br>\$'000 | 2017<br>\$'000 | 1 January<br>2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 | 1 January<br>2017<br>\$'000 |
| Contract assets      | (i)  | 107,241        | 308,427        | 595,041                     | 42,921         | 177,741        | 281,364                     |
| Contract liabilities | (ii) | (104,007)      | (356,251)      | (403,213)                   | -              | -              | -                           |

(i) Contract assets

Contract assets relate primarily to the Group's right to consideration for work completed but not billed at the reporting date in respect of its property development business. Contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

Contract assets decreased during 2018 and 2017 due to the timing differences between the agreed payment schedule and the progress of the construction work.

(ii) Contract liabilities

Contract liabilities relate primarily to:

- advance consideration received from customers; and
- progress billings issued in excess of the Group's rights to the consideration.

Contract liabilities are recognised as revenue when the Group fulfils its performance obligation under the contract with the customer. The significant changes in the contract liabilities during the year are as follows:

|   | Group          |                |
|---|----------------|----------------|
|   | 2018<br>\$'000 | 2017<br>\$'000 |
| Contract liabilities at the beginning of the year recognised as revenue during the year | 346,087        | 222,894        |
| Increases due to cash received, excluding amounts recognised as revenue during the year | (94,784)       | (170,463)      |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 14 TRADE AND OTHER RECEIVABLES

|                             | Note | Group          |                |                             | Company          |                |                             |
|-----------------------------|------|----------------|----------------|-----------------------------|------------------|----------------|-----------------------------|
|                             |      | 2018<br>\$'000 | 2017<br>\$'000 | 1 January<br>2017<br>\$'000 | 2018<br>\$'000   | 2017<br>\$'000 | 1 January<br>2017<br>\$'000 |
| Trade receivables           |      | <b>137,168</b> | 171,397        | 129,134                     | <b>5,458</b>     | 24,688         | 13,466                      |
| Impairment losses           |      | <b>(8,036)</b> | (6,176)        | (4,890)                     | <b>(105)</b>     | (395)          | (389)                       |
|                             |      | <b>129,132</b> | 165,221        | 124,244                     | <b>5,353</b>     | 24,293         | 13,077                      |
| Other receivables           |      | <b>105,244</b> | 105,415        | 99,829                      | <b>2,053</b>     | 3,052          | 3,184                       |
| Impairment losses           |      | <b>(5,697)</b> | (5,306)        | (2)                         | <b>(1,130)</b>   | (1,155)        | (1,117)                     |
|                             |      | <b>99,547</b>  | 100,109        | 99,827                      | <b>923</b>       | 1,897          | 2,067                       |
| Accrued rent receivables    |      | <b>29,418</b>  | 10,673         | 7,378                       | <b>1,760</b>     | 1,930          | 2,274                       |
| Deposits                    |      | <b>6,750</b>   | 103,909        | 12,895                      | <b>789</b>       | 754            | 722                         |
| Amounts owing by:           |      |                |                |                             |                  |                |                             |
| – subsidiaries              | 6    | –              | –              | –                           | <b>4,194,054</b> | 4,099,593      | 4,096,065                   |
| – associates                | 7    | <b>899</b>     | 450            | 395                         | <b>13</b>        | 29             | 32                          |
| – joint ventures            | 8    | <b>603,474</b> | 416,791        | 624,740                     | <b>213,357</b>   | 213,762        | 210,287                     |
| – fellow subsidiaries       | 15   | <b>601</b>     | 96             | 1,651                       | <b>535</b>       | 16             | 1,459                       |
|                             |      | <b>869,821</b> | 797,249        | 871,130                     | <b>4,416,784</b> | 4,342,274      | 4,325,983                   |
| Prepayments                 |      | <b>76,568</b>  | 97,484         | 72,013                      | <b>714</b>       | 709            | 614                         |
| Derivative financial assets |      | <b>9,101</b>   | 1,296          | 171                         | <b>8,883</b>     | 1,044          | –                           |
|                             |      | <b>955,490</b> | 896,029        | 943,314                     | <b>4,426,381</b> | 4,344,027      | 4,326,597                   |

Included in deposits as at 31 December 2017 was a deposit of \$42,841,000 paid by the Group for the acquisition of a subsidiary.

## 15 AMOUNTS OWING BY AND TO FELLOW SUBSIDIARIES

|                                       | Note | Group          |                | Company        |                |
|---------------------------------------|------|----------------|----------------|----------------|----------------|
|                                       |      | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Amounts owing by fellow subsidiaries: |      |                |                |                |                |
| – trade                               | 14   | <b>601</b>     | 96             | <b>535</b>     | 16             |
| Amounts owing to fellow subsidiaries: |      |                |                |                |                |
| – trade                               |      | <b>15</b>      | –              | <b>15</b>      | –              |
| – non-trade, interest-bearing         |      | <b>233,028</b> | 123,838        | –              | –              |
|                                       | 28   | <b>233,043</b> | 123,838        | <b>15</b>      | –              |

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% (2017: 2.00% to 2.50%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 16 CASH AND CASH EQUIVALENTS

|   | Note | Group            |                | Company        |                |
|---|------|------------------|----------------|----------------|----------------|
|   |      | 2018<br>\$'000   | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Fixed deposits  |      | <b>1,384,123</b> | 2,131,535      | <b>431,883</b> | 1,157,674      |
| Cash at banks and in hand*  |      | <b>905,124</b>   | 1,644,374      | <b>295,490</b> | 226,483        |
| Cash and cash equivalents in the statements of financial position     |      | <b>2,289,247</b> | 3,775,909      | <b>727,373</b> | 1,384,157      |
| Restricted deposits included in other non-current assets              | 10   | <b>222,979</b>   | 213,531        |                |                |
|   | 17   | <b>2,512,226</b> | 3,989,440      |                |                |
| Restricted deposits   |      | <b>(348,515)</b> | (389,175)      |                |                |
| Restricted cash   |      | <b>(1,338)</b>   | (1,221)        |                |                |
| Cash and cash equivalents in the consolidated statement of cash flows |      | <b>2,162,373</b> | 3,599,044      |                |                |

\* Includes cash pool overdrafts

As at 31 December 2018, cash and cash equivalents of \$80,643,000 (2017: \$148,395,000) and \$39,659,000 (2017: \$42,493,000) of the Group and the Company respectively were held under project accounts and withdrawals from which are restricted to payments for expenditure incurred on the Group's development projects.

Interest on cash at banks and fixed deposits ranges from 0.10% to 4.00% (2017: 0.10% to 3.70%) per annum during the year.

As at 31 December 2018, cash and cash equivalents of the Group included an amount of \$14,729,000 (2017: \$44,748,000) which was held in escrow accounts for payments to third party investors.

|                      | Note | Group          |                |
|----------------------|------|----------------|----------------|
|                      |      | 2018<br>\$'000 | 2017<br>\$'000 |
| Restricted deposits: |      |                |                |
| – Current            |      | <b>125,536</b> | 175,644        |
| – Non-current        | 10   | <b>222,979</b> | 213,531        |
|                      |      | <b>348,515</b> | 389,175        |

Restricted deposits comprise deposits pledged to financial institutions as collateral for credit facilities granted (see note 21) and guarantees given in connection with the Group's continuing involvement in various Profit Participation Securities (notes 9 and 43).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 17 SHARE CAPITAL

|  | 2018             |                  | 2017             |                  |
|--|------------------|------------------|------------------|------------------|
|  | Number of shares | \$'000           | Number of shares | \$'000           |
| <b>Issued and fully paid ordinary share capital with no par value:</b>   |                  |                  |                  |                  |
| At 1 January   | 909,301,330      | 1,661,179        | 909,301,330      | 1,661,179        |
| Less: Treasury shares purchased  | (2,400,000)      | –                | –                | –                |
| At 31 December   | 906,901,330      | 1,661,179        | 909,301,330      | 1,661,179        |
| <b>Issued and fully paid non-redeemable convertible non-cumulative preference share capital with no par value:</b> |                  |                  |                  |                  |
| At 1 January and 31 December   | 330,874,257      | 330,218          | 330,874,257      | 330,218          |
|  |                  | <u>1,991,397</u> |                  | <u>1,991,397</u> |

At the reporting date, the Company held 2,400,000 (2017: Nil) ordinary shares as treasury shares.

### 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 (2017: 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 2018, a maximum number of 44,998,898 (2017: 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 (a) in respect of 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).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 17 SHARE CAPITAL (CONT'D)

### 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.

The Group monitors capital using a net debt equity ratio, which is defined as net borrowings divided by total capital employed.

|   | Note | 2018<br>\$'000    | 2017<br>\$'000    |
|---|------|-------------------|-------------------|
| Gross borrowings  |      | 6,342,646         | 5,036,233         |
| Cash and bank balances (including restricted deposits classified as other non-current assets) | 16   | (2,512,226)       | (3,989,440)       |
| Net debt  |      | <u>3,830,420</u>  | <u>1,046,793</u>  |
| Total capital employed  |      | <u>12,273,940</u> | <u>11,646,126</u> |
| Net debt equity ratio   |      | <u>0.31</u>       | <u>0.09</u>       |

No changes were made to the above objectives, policies and processes during the years ended 31 December 2018 and 2017.

The Group has a subsidiary, 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, H-REIT 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% of its Deposited Property under a single-tier leverage limit.

For this financial year, H-REIT has a credit rating of BBB- (2017: BBB-) from Fitch Inc. The Aggregate Leverage of H-REIT as at 31 December 2018 was 34.2% (2017: 32.6%) of H-REIT's Deposited Property. This complied with the aggregate leverage limit as described above.

Except for the above, neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 18 RESERVES

|                                      | Group            |                  |                  | Company          |                  |                  |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                      | 2018             | 2017             | 1 January 2017   | 2018             | 2017             | 1 January 2017   |
|                                      | \$'000           | \$'000           | \$'000           | \$'000           | \$'000           | \$'000           |
| Capital reserve                      | 185,990          | 182,152          | 175,512          | 63,743           | 63,743           | 63,743           |
| Fair value reserve                   | (21,036)         | 16,241           | 13,578           | (29,020)         | 14,526           | 12,294           |
| Hedging reserve                      | 135              | 1,699            | –                | –                | –                | –                |
| Other reserve                        | 22,262           | 9,197            | 1,462            | –                | –                | –                |
| Share option reserve                 | 15,258           | 15,043           | 14,723           | –                | –                | –                |
| Foreign currency translation reserve | (119,583)        | (95,495)         | –                | –                | –                | –                |
| Accumulated profits                  | 7,966,274        | 7,271,048        | 6,910,774        | 4,671,387        | 4,389,783        | 4,445,297        |
|                                      | <b>8,049,300</b> | <b>7,399,885</b> | <b>7,116,049</b> | <b>4,706,110</b> | <b>4,468,052</b> | <b>4,521,334</b> |

The capital reserve comprises mainly negative goodwill on the consolidation of subsidiaries which arose prior to 1 January 2017 under the previous accounting standards adopted and issue expenses.

The fair value reserve comprises the cumulative net change in the fair value of equity instruments designated at FVOCI (2017: available-for-sale investments).

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:

- 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;
- the gain or loss on financial instruments used to hedge the Group's net investment in foreign operations that are determined to be effective hedges; and
- exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19 EQUITY COMPENSATION BENEFITS

### By a subsidiary

#### Millennium & Copthorne Hotels plc

- Millennium & Copthorne Hotels plc 2006 and 2016 Sharesave Schemes;
- Millennium & Copthorne Hotels plc 2006 and 2016 Long-Term Incentive Plan;
- Millennium & Copthorne Hotels plc Annual Bonus Plan; and
- Millennium & Copthorne Hotels plc Executive Share Plan.

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

- The scheme rules of the Millennium & Copthorne Hotels plc 2006 Sharesave Scheme only permits options to be granted for a period of 10 years, beginning with the date on which the 2006 Sharesave Scheme was approved by shareholders of M&C. Accordingly, when the 2006 Sharesave Scheme reached its 10 year period, being 3 May 2016, the 2016 Sharesave Scheme (together, the "M&C Sharesave Scheme") was approved by shareholders at M&C's Annual General Meeting on 5 May 2016 substantially on the same terms as the 2006 Sharesave Scheme. The Sharesave Scheme is the United Kingdom Inland Revenue approved scheme and operates in the UK solely under which the M&C Group employees are eligible to participate in a 3 or 5 year savings contract.
- No payment is required for the grant of an option.
- 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' personal representation in the event of their death.
- 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. Accordingly, the 2016 Long-Term Incentive Plan (2016 LTIP) was introduced and replaced the 2006 LTIP scheme and was subsequently approved by the shareholders at M&C's Annual General Meeting held 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 the 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 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19 EQUITY COMPENSATION BENEFITS (CONT'D)

### *By a subsidiary (cont'd)*

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

In 2011, M&C's 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 the 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, M&C's 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. The TSR element is split with 15% of the award being subject to TSR performance relative to the FTSE 250 index (excluding investment trusts) and a further 15% of the award was also subject to TSR performance but relative to the median TSR of a tailored comparator group of international hotel companies and 20% of the award subject to the Net Asset Value plus dividends (NAV) performance condition. With regards the awards made in 2015, the weightings associated with each metric were amended so that EPS reflected 60% of the award and TSR, split equally across two peer groups, represented 20% of the award with the remaining 20% of the award subject to the NAV performance condition.

In 2016, M&C's Remuneration Committee retained the same performance conditions as that which had been used for the 2015 awards. M&C's Remuneration Committee after reviewing M&C's achievement against the relevant performance conditions for an award granted to an executive director who had retired in 2016, determined that M&C had met a portion of one of the performance conditions and as a result 4,401 shares will vest in March 2019.

In 2018, M&C's Remuneration Committee amended the performance measures so that 60% of the awards are subject to EPS growth targets, 20% of the awards are subject to TSR performance against a single comparator group comprising companies in the FTSE 250 index and 20% subject to Revenue per Available Room (RevPAR).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19 EQUITY COMPENSATION BENEFITS (CONT'D)

### *By a subsidiary (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, M&C's Remuneration Committee amended the vesting schedule of the plan so that instead of all the awards vesting in full on the third anniversary of the grant date, the deferred shares would vest over a three year period and are released to participants in tranches, subject to continued employment and the rules of the Annual Bonus Plan, with vesting of 25% of the award one year after grant; 25% of the award two years after grant; and 50% of the awards three years after grant. The shares would only be released to participants in accordance with the rules of the Annual Bonus Plan and subject to continued employment. The awards are subject to malus and clawback provisions. 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, conditional share awards would be released to participants in tranches with vesting of 25% of the award one year after grant; 25% of the award two years after grant; and 50% of the awards three years after grant. The awards are subject to malus and clawback provisions.

In 2018, M&C decided to review the metrics used under the Executive Share Plan. M&C's Remuneration Committee agreed that with regards the 2018 awards, a two prong-assessment would be used which would involve the following: (i) M&C's performance over the most recently completed financial year, looking at year-over year EPS growth and year-over year RevPAR growth in particular, in each case on a like for like basis; and (ii) the management team's success as a whole in implementing strategic initiatives over the course of the prior year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19 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 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         |
|--------------------------|----------------------------|--|---------------------------------|-----------------------------------|-----------------------------------|---------------------------------|--|--|-------------------------|
| <b>2017</b>              |                            |  |                                 |                                   |                                   |                                 |  |  |                         |
| 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 |
|                          |                            | <u>238,271</u>                           | <u>57,776</u>                   | <u>(21,500)</u>                   | <u>(64,531)</u>                   | <u>(1,284)</u>                  | <u>208,732</u>                             | <u>15,731</u>                              |                         |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19 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 2018 | 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 2018 | Options exercisable as at 31 December 2018 | Exercise period         |
|--------------------------|----------------------------|--|---------------------------------|-----------------------------------|-----------------------------------|---------------------------------|--|--|-------------------------|
| <b>2018</b>              |                            |  |                                 |                                   |                                   |                                 |  |  |                         |
| 19.04.2013               | 4.4800                     | 2,677                                    | -                               | (669)                             | -                                 | -                               | 2,008                                      | 2,008                                      | 01.08.2018 – 31.01.2019 |
| 06.05.2014               | 4.4600                     | 15,731                                   | -                               | (5,325)                           | (10,406)                          | -                               | -  | -  | 01.08.2017 – 31.01.2018 |
| 06.05.2014               | 4.4600                     | 941                                      | -                               | -                                 | -                                 | -                               | 941  | -  | 01.08.2019 – 31.01.2020 |
| 14.04.2015               | 4.6900                     | 29,721                                   | -                               | (24,737)                          | (3,528)                           | -                               | 1,456                                      | 1,456                                      | 01.08.2018 – 31.01.2019 |
| 14.04.2015               | 4.6900                     | 5,371                                    | -                               | -                                 | (639)                             | -                               | 4,732                                      | -  | 01.08.2020 – 31.01.2021 |
| 12.04.2016               | 3.3000                     | 106,717                                  | -                               | -                                 | (5,343)                           | -                               | 101,374                                    | -  | 01.08.2019 – 31.01.2020 |
| 12.04.2016               | 3.3000                     | 909                                      | -                               | -                                 | -                                 | -                               | 909  | -  | 01.08.2021 – 31.01.2022 |
| 11.04.2017               | 3.6600                     | 43,798                                   | -                               | -                                 | (6,094)                           | -                               | 37,704                                     | -  | 01.08.2020 – 31.01.2021 |
| 11.04.2017               | 3.6600                     | 2,867                                    | -                               | -                                 | (409)                             | -                               | 2,458                                      | -  | 01.08.2022 – 31.01.2023 |
| 05.06.2018               | 4.3600                     | -  | 57,582                          | -                                 | (1,402)                           | -                               | 56,180                                     | -  | 01.08.2021 – 31.01.2022 |
| 05.06.2018               | 4.3600                     | -  | 1,582                           | -                                 | -                                 | -                               | 1,582                                      | -  | 01.08.2023 – 31.01.2024 |
|                          |                            | <u>208,732</u>                           | <u>59,164</u>                   | <u>(30,731)</u>                   | <u>(27,821)</u>                   | <u>-</u>                        | <u>209,344</u>                             | <u>3,464</u>                               |                         |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19 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 |
|---------------|------------------------------|--------------------------------|----------------------------------|------------------------|--------------|
| <b>2017</b>   |                              |                                |                                  |                        |              |
| 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   |
|               | <u>880,284</u>               | <u>–</u>                       | <u>(463,412)</u>                 | <u>416,872</u>         |              |
| <b>2018</b>   |                              |                                |                                  |                        |              |
| 03.08.2015    | 219,362                      | –                              | (182,601)                        | 36,761                 | 03.08.2018   |
| 10.09.2015    | 11,867                       | –                              | (11,867)                         | –                      | 10.09.2018   |
| 29.03.2016    | 185,643                      | –                              | (148,515)                        | 37,128                 | 29.03.2019   |
| 27.06.2018    | –                            | 178,299                        | (178,299)                        | –                      | 27.06.2021   |
|               | <u>416,872</u>               | <u>178,299</u>                 | <u>(521,282)</u>                 | <u>73,889</u>          |              |

For options exercised during 2018, the weighted average share price at the date of exercise of share options is £4.60 (2017: £5.59). The options outstanding as at 31 December 2018 had an exercise price in the range of £3.30 to £4.69 (2017: £3.30 to £4.69) and a weighted average contractual life of 1.88 years (2017: 2.07 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, expected dividend yield and risk-free interest rate.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19 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     |
|---------------|------------------------------|-----------------------------|-------------------------------|----------------------------------|------------------------|---|--------------|------------------|
| <b>2017</b>   |                              |                             |                               |                                  |                        |   |              |                  |
| 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 |
|               | <u>124,970</u>               | <u>55,750</u>               | <u>(13,870)</u>               | <u>(31,055)</u>                  | <u>135,795</u>         |   |              |                  |
| <b>2018</b>   |                              |                             |                               |                                  |                        |   |              |                  |
| 08.09.2015    | 46,074                       | –                           | (33,905)                      | (10,639)                         | 1,530                  | 5.55                                      | 5.55         | 08.09.2018       |
| 06.11.2015    | 4,325                        | –                           | (4,325)                       | –                                | –                      | 4.76                                      | 4.76         | 06.11.2018       |
| 13.05.2016    | 35,904                       | –                           | (8,855)                       | (10,040)                         | 17,009                 | 4.40                                      | 4.40         | 13.05.2017/18/19 |
| 12.08.2016    | 1,782                        | –                           | (594)                         | –                                | 1,188                  | 4.21                                      | 4.21         | 12.08.2017/18/19 |
| 09.11.2016    | 732                          | –                           | (244)                         | –                                | 488                    | 4.40                                      | 4.40         | 09.11.2017/18/19 |
| 14.06.2017    | 46,978                       | –                           | (9,493)                       | (10,363)                         | 27,122                 | 4.62                                      | 4.62         | 14.06.2018/19/20 |
| 14.12.2018    | –                            | 57,358                      | –                             | –                                | 57,358                 | 4.68                                      | 4.48 to 4.61 | 14.12.2019/20/21 |
|               | <u>135,795</u>               | <u>57,358</u>               | <u>(57,416)</u>               | <u>(31,042)</u>                  | <u>104,695</u>         |   |              |                  |

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 2018 was £4.68 (2017: £4.62).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19 EQUITY COMPENSATION BENEFITS (CONT'D)

### (iv) Millennium & Copthorne Hotels plc Executive Share Plan

| Date of award | Balance at beginning of year | Awards awarded 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<br>£ | Fair value<br>£ | Vesting date     |
|---------------|------------------------------|--------------------------------|-------------------------------|----------------------------------|------------------------|--|-----------------|------------------|
| <b>2017</b>   |                              |                                |                               |                                  |                        |  |                 |                  |
| 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 |
|               | <u>37,572</u>                | <u>56,838</u>                  | <u>(8,158)</u>                | <u>(4,950)</u>                   | <u>81,302</u>          |  |                 |                  |
| <b>2018</b>   |                              |                                |                               |                                  |                        |  |                 |                  |
| 29.03.2016    | 24,464                       | –                              | (8,154)                       | –                                | 16,310                 | 4.13   | 3.94 to 4.07    | 29.03.2017/18/19 |
| 15.08.2017    | 56,838                       | –                              | (14,211)                      | –                                | 42,627                 | 4.65   | 4.42 to 4.57    | 15.08.2018/19/20 |
| 04.12.2018    | –                            | 65,649                         | –                             | –                                | 65,649                 | 4.66   | 4.47 to 4.60    | 04.12.2019/20/21 |
|               | <u>81,302</u>                | <u>65,649</u>                  | <u>(22,365)</u>               | <u>–</u>                         | <u>124,586</u>         |  |                 |                  |

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. 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 £4.66 (2017: £4.65).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19 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 |
|---------------------------|-------------------------------------|---|---|----------------|------------|-----------------------|---------------------|-------------------------|-------------------------|
| <b>2017</b>               |                                     |   |   |                |            |                       |                     |                         |                         |
| Executive Share Plan      | –                                   | 14,210                                  | 4.65                                    | –              | 4.57       | 1.00                  | –                   | 1.70%                   | –                       |
| Executive Share Plan      | –                                   | 14,210                                  | 4.65                                    | –              | 4.50       | 2.00                  | –                   | 1.70%                   | –                       |
| Executive Share Plan      | –                                   | 28,418                                  | 4.65                                    | –              | 4.42       | 3.00                  | –                   | 1.70%                   | –                       |
| Sharesave Scheme (3 year) | –                                   | 46,550                                  | 4.47                                    | 3.66           | 1.05       | 3.31                  | 26.0%               | 1.70%                   | 0.20%                   |
| Sharesave Scheme (5 year) | –                                   | 11,226                                  | 4.47                                    | 3.66           | 1.09       | 5.31                  | 24.0%               | 1.70%                   | 0.40%                   |
| Deferred Share Awards     | –                                   | 55,750                                  | 4.62                                    | –              | 4.62       | 3.00                  | –                   | 1.70%                   | –                       |
| <b>2018</b>               |                                     |   |   |                |            |                       |                     |                         |                         |
| Executive Share Plan      | –                                   | 16,412                                  | 4.66                                    | –              | 4.60       | 1.00                  | –                   | 1.39%                   | –                       |
| Executive Share Plan      | –                                   | 16,412                                  | 4.66                                    | –              | 4.53       | 2.00                  | –                   | 1.39%                   | –                       |
| Executive Share Plan      | –                                   | 32,825                                  | 4.66                                    | –              | 4.47       | 3.00                  | –                   | 1.39%                   | –                       |
| Sharesave Scheme (3 year) | –                                   | 57,582                                  | 5.32                                    | 4.36           | 1.35       | 3.16                  | 26.0%               | 1.22%                   | 0.75%                   |
| Sharesave Scheme (5 year) | –                                   | 1,582                                   | 5.32                                    | 4.36           | 1.54       | 5.16                  | 26.0%               | 1.22%                   | 0.97%                   |
| Deferred Share Awards     | –                                   | 14,340                                  | 4.68                                    | –              | 4.61       | 1.00                  | –                   | 1.39%                   | –                       |
| Deferred Share Awards     | –                                   | 14,340                                  | 4.68                                    | –              | 4.55       | 2.00                  | –                   | 1.39%                   | –                       |
| Deferred Share Awards     | –                                   | 28,678                                  | 4.68                                    | –              | 4.48       | 3.00                  | –                   | 1.39%                   | –                       |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20 INTEREST-BEARING BORROWINGS

|                         | Note | Group            |                | Company          |                |
|-------------------------|------|------------------|----------------|------------------|----------------|
|                         |      | 2018<br>\$'000   | 2017<br>\$'000 | 2018<br>\$'000   | 2017<br>\$'000 |
| Term loans              | 21   | 4,118,089        | 2,598,063      | 1,229,209        | 939,924        |
| Finance lease creditors |      | 272              | 169            | –                | –              |
| Bonds and notes         | 22   | 1,776,640        | 2,011,359      | 1,063,767        | 1,213,392      |
| Bank loans              | 23   | 432,251          | 412,091        | 337,534          | 299,384        |
|                         |      | <b>6,327,252</b> | 5,021,682      | <b>2,630,510</b> | 2,452,700      |
| Non-current             |      | 5,068,840        | 3,755,650      | 2,192,985        | 1,780,524      |
| Current                 |      | 1,258,412        | 1,266,032      | 437,525          | 672,176        |
|                         |      | <b>6,327,252</b> | 5,021,682      | <b>2,630,510</b> | 2,452,700      |

## 21 TERM LOANS

|           | Note | Group            |                | Company          |                |
|-----------|------|------------------|----------------|------------------|----------------|
|           |      | 2018<br>\$'000   | 2017<br>\$'000 | 2018<br>\$'000   | 2017<br>\$'000 |
| Secured   |      | 1,403,835        | 342,281        | –                | –              |
| Unsecured |      | 2,714,254        | 2,255,782      | 1,229,209        | 939,924        |
|           | 20   | <b>4,118,089</b> | 2,598,063      | <b>1,229,209</b> | 939,924        |

The term loans are obtained from banks and financial institutions.

The secured term loans are generally secured by:

- mortgages on the borrowing subsidiaries' property, plant and equipment, investment properties and development properties (see notes 4, 5 and 11);
- assignment of all rights and benefits to sale, lease and insurance proceeds in respect of hotels, investment and development properties; and
- pledge on cash deposits of \$135.0 million (2017: \$175.6 million).

The Group's secured term loans bore interest at rates ranging from 1.64% to 5.43% (2017: 1.00% to 5.43%) per annum during the year.

The Group's unsecured term loans bore interest at rates ranging from 0.34% to 5.34% (2017: 0.23% to 20.45%) per annum during the year. The Company's unsecured term loans bore interest at rates ranging from 1.15% to 5.34% (2017: 0.73% to 20.45%) per annum during the year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 22 BONDS AND NOTES

|           | Note | Group            |                | Company          |                |
|-----------|------|------------------|----------------|------------------|----------------|
|           |      | 2018<br>\$'000   | 2017<br>\$'000 | 2018<br>\$'000   | 2017<br>\$'000 |
| Secured   |      | 277,513          | 260,308        | –                | –              |
| Unsecured |      | 1,499,127        | 1,751,051      | 1,063,767        | 1,213,392      |
|           | 20   | <b>1,776,640</b> | 2,011,359      | <b>1,063,767</b> | 1,213,392      |

Secured bonds and notes comprise the following:

- (i) A \$39 million (2017: \$37 million) bond issued by an indirectly owned subsidiary of CDLHT in 2015. The bond bore interest at a rate of 0.66% (2017: 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) \$130 million (2017: \$124 million) bonds comprising 2 tranches issued by a subsidiary, which holds a Japan hotel through a TMK structure, in 2015. The bonds bore interest at rates ranging from 0.16% to 0.58% (2017: 0.15% to 0.58%) per annum.

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;

- (iii) \$100 million (2017: \$100 million) 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 2001. The MTN bore interest at a rate of 1.98% (2017: 1.98%) per annum during the year and are secured by a mortgage over an investment property, 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; and

- (iv) \$9 million (2017: \$Nil) bond issued by a subsidiary, which holds a Japan development property through a TMK structure during the year. The bond bore interest at a rate of 0.37% (2017: Nil) per annum during the year.

Unless previously redeemed or purchased and cancelled, the bond is redeemable at its principal amount on its maturity date in March 2020.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 22 BONDS AND NOTES (CONT'D)

Unsecured bonds and notes comprise the following:

- (i) \$1,065 million (2017: \$1,215 million) medium term notes (MTNs) which comprise 9 series (2017: 11 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 2.45% to 3.90% (2017: 1.75% 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 2019 to June 2026 (2017: March 2018 to June 2026);

- (ii) \$274 million (2017: \$268 million) MTNs which comprise 2 series (2017: 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 2.37% to 3.98% (2017: 1.90% to 2.59%) 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 (2017: July 2019 to August 2021);

- (iii) \$100 million (2017: \$150 million) Islamic Trust Certificates (Certificates) which comprise 2 series (2017: 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% (2017: 2.74% 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 June 2019 to April 2020 (2017: September 2018 to April 2020);

- (iv) \$62 million (2017: \$Nil) bond issued by a subsidiary, which holds a Japan development property through a TMK structure during the year. The bond bore interest at a rate of 0.36% (2017: Nil) per annum during the year.

Unless previously redeemed or purchased and cancelled, the bond is redeemable at its principal amount on its maturity date in March 2021; and

- (v) \$120 million MTNs as at 31 December 2017, which comprise 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% per annum. The MTNs were redeemed in June 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 23 BANK LOANS

|  | Note | Group          |                | Company        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |

|  |    |                |         |                |         |
|--|----|----------------|---------|----------------|---------|
| Bank loans repayable within 1 year – unsecured | 20 | <b>432,251</b> | 412,091 | <b>337,534</b> | 299,384 |
|--|----|----------------|---------|----------------|---------|

The Group's and the Company's unsecured bank loans bore interest at rates ranging from 0.20% to 4.95% (2017: 0.49% to 9.60%) per annum during the year.

## 24 EMPLOYEE BENEFITS

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |

|  |               |        |              |       |
|--|---------------|--------|--------------|-------|
| Net liability for:                             |               |        |              |       |
| – defined benefit obligations                  | <b>25,483</b> | 33,677 | –            | –     |
| – short-term accumulating compensated absences | <b>26,025</b> | 24,142 | <b>2,562</b> | 2,205 |
| – long service leave                           | <b>1,446</b>  | 1,128  | –            | –     |
|  | <b>52,954</b> | 58,947 | <b>2,562</b> | 2,205 |
| Non-current                                    | <b>26,392</b> | 34,387 | –            | –     |
| Current  | <b>26,562</b> | 24,560 | <b>2,562</b> | 2,205 |
|  | <b>52,954</b> | 58,947 | <b>2,562</b> | 2,205 |

|  | Group          |                |
|--|----------------|----------------|
|  | 2018<br>\$'000 | 2017<br>\$'000 |

### Net liability for defined benefit obligations

|   |                  |           |
|---|------------------|-----------|
| Present value of unfunded obligations     | <b>10,400</b>    | 12,659    |
| Present value of funded obligations       | <b>134,020</b>   | 151,463   |
| Fair value of plan assets                 | <b>(118,937)</b> | (130,445) |
| Liability for defined benefit obligations | <b>25,483</b>    | 33,677    |

### Changes in the present value of defined benefit obligations

|   |                 |         |
|---|-----------------|---------|
| Defined benefit obligations at 1 January                        | <b>164,122</b>  | 167,643 |
| Remeasurements:   |                 |         |
| – Experience adjustment   | <b>(14)</b>     | (4,380) |
| – Actuarial (loss)/gain from changes in demographic assumptions | <b>(808)</b>    | 35      |
| – Actuarial (loss)/gain from changes in financial assumptions   | <b>(15,662)</b> | 1,146   |
| Benefits paid   | <b>(6,863)</b>  | (7,892) |
| Interest cost   | <b>3,936</b>    | 4,244   |
| Current service costs   | <b>1,821</b>    | 1,893   |
| Past service costs  | <b>2,066</b>    | 166     |
| Translation differences on consolidation                        | <b>(4,178)</b>  | 1,267   |
| Defined benefit obligations at 31 December                      | <b>144,420</b>  | 164,122 |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 24 EMPLOYEE BENEFITS (CONT'D)

|  | Group          |                |
|--|----------------|----------------|
|  | 2018<br>\$'000 | 2017<br>\$'000 |
| <b>Changes in the fair value of plan assets</b>  |                |                |
| Fair value of plan assets at 1 January           | 130,445        | 124,811        |
| Return on plan assets, excluding interest income | (8,191)        | 4,529          |
| Contributions by employees                       | –              | 780            |
| Contributions by employer                        | 3,879          | 3,743          |
| Benefits paid                                    | (6,857)        | (7,826)        |
| Interest income                                  | 3,099          | 3,165          |
| Translation differences on consolidation         | (3,438)        | 1,243          |
| Fair value of plan assets at 31 December         | 118,937        | 130,445        |

The fair values of plan assets in each category are as follows:

|                           | Group          |                |
|---------------------------|----------------|----------------|
|                           | 2018<br>\$'000 | 2017<br>\$'000 |
| Equity                    | 34,796         | 39,738         |
| Bonds                     | 14,709         | 15,592         |
| Cash                      | 69,432         | 75,115         |
| Fair value of plan assets | 118,937        | 130,445        |

### Expenses recognised in profit or loss

|                                     |       |       |
|-------------------------------------|-------|-------|
| Current service costs               | 1,821 | 1,893 |
| Past service costs                  | 2,066 | 166   |
| Net interest costs                  | 837   | 1,079 |
| Defined benefit obligation expenses | 4,724 | 3,138 |

The expenses are recognised in the following line items in profit or loss:

|                                     | Note | Group          |                |
|-------------------------------------|------|----------------|----------------|
|                                     |      | 2018<br>\$'000 | 2017<br>\$'000 |
| Cost of sales                       |      | 1,073          | 1,307          |
| Administrative expenses             |      | 3,411          | 1,790          |
| Other operating expenses            |      | 240            | 41             |
| Defined benefit obligation expenses | 30   | 4,724          | 3,138          |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 24 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:

|         | 2018<br>Years | 2017<br>Years |
|---------|---------------|---------------|
| Males   | 22            | 24            |
| Females | 24            | 26            |

The weighted average duration of the defined benefit obligations as at 31 December 2018 was 18 years (2017: 25 years).

The Group expects £2 million (approximately \$4 million) contributions to be paid to the defined benefit plans in 2019.

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 2018. The contributions of the Group during the year were 11% (2017: 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 2018. 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 24 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 2018. The contributions of the Group were no less than 6% (2017: 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:

|                           | 2018<br>UK | 2018<br>South Korea | 2018<br>Taiwan | 2017<br>UK | 2017<br>South Korea | 2017<br>Taiwan |
|---------------------------|------------|---------------------|----------------|------------|---------------------|----------------|
| Inflation rate            | 3.5%       | 3.0%                | –              | 3.5%       | 3.0%                | –              |
| Discount rate             | 2.9%       | 2.5%                | 1.0%           | 2.5%       | 3.0%                | 1.0%           |
| Rate of salary increase   | 4.0%       | 3.0%                | 3.0%           | 4.0%       | 3.0%                | 3.0%           |
| Rate of pension increases | 3.3%       | –                   | –              | 3.5%       | –                   | –              |
| Rate of revaluation       | 2.5%       | –                   | –              | 2.5%       | –                   | –              |

The methodology for computing the discount rate has changed during 2018 from the spot method to the yield range method.

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 be borne out in practice. The present values of the schemes' liabilities are derived from cash flow projections over long periods and are inherently uncertain.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 24 EMPLOYEE BENEFITS (CONT'D)

### 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.

|                         | Defined benefit obligation<br>1 percent<br>increase<br>\$'000 | 1 percent<br>decrease<br>\$'000 |
|-------------------------|---|---------------------------------|
| <b>Group</b>            |   |                                 |
| <b>2018</b>             |   |                                 |
| Discount rate           | (20,707)  | 24,616                          |
| Rate of salary increase | 2,684   | (2,482)                         |
| <b>2017</b>             |   |                                 |
| Discount rate           | (25,993)  | 26,262                          |
| Rate of salary increase | 2,870   | (2,636)                         |

## 25 OTHER LIABILITIES

|  | Note | Group          |                | Company        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Deferred income  |      | 171,246        | 239,099        | –              | –              |
| Rental deposits  |      | 60,247         | 52,556         | 8,134          | 7,709          |
| Non-current retention sums payable                         |      | 8,463          | 20,363         | 713            | 11,602         |
| Derivative financial liabilities                           |      | 4,981          | 1,631          | –              | –              |
| Miscellaneous (principally deposits received and payables) |      | 17,305         | 14,574         | –              | –              |
| Other non-current financial liability                      |      | –              | 27,999         | –              | –              |
| Amount owing to a subsidiary                               | 6    | –              | –              | –              | 100,000        |
|  |      | <b>262,242</b> | <b>356,222</b> | <b>8,847</b>   | <b>119,311</b> |

Deferred income includes the following:

- (i) \$7,030,000 (2017: \$7,030,000) relating to the deferred gain on the sale of cash flows as disclosed in footnote (a) of note 43;
- (ii) \$153,853,000 (2017: \$221,461,000) relating to the deferred gain on the sale of leasehold interests in certain investment properties to associates as disclosed in footnote (b) of note 43; and
- (iii) \$6,635,000 (2017: \$6,635,000) relating to the deferred gain arising from the Group's exit of its entire interest in Summervale, an indirect wholly-owned subsidiary of the Group in October 2016. Although the Group lost control in Summervale, the Group assessed that it maintains some continuing involvement through its investment in secured fixed rate notes issued by Summervale (note 9). Accordingly, a portion of the gain on disposal of Summervale by reference to the extent of the amount of continuing involvement retained in Summervale is deferred.

Other financial liability as at 31 December 2017 related to a balance arising from the accounting of the Group's continuing involvement in the third Profit Participation Securities issued by Summervale (note 9).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 26 PROVISIONS

|  | Beijing indemnity<br>\$'000 | Capital expenditure<br>\$'000 | Legal fees<br>\$'000 | Cash flow support<br>\$'000 | Bond interest support<br>\$'000 | Interest support<br>\$'000 | Total<br>\$'000 |
|--|-----------------------------|-------------------------------|----------------------|-----------------------------|---------------------------------|----------------------------|-----------------|
| <b>Group</b>                             |                             |                               |                      |                             |                                 |                            |                 |
| At 1 January 2018                        | 16,097                      | 828                           | 3,015                | 12,829                      | 28,135                          | 62,873                     | 123,777         |
| Provision written back                   | –                           | (152)                         | (404)                | –                           | (19,309)                        | –                          | (19,865)        |
| Provision utilised                       | –                           | –                             | –                    | (3,650)                     | (9,748)                         | (19,728)                   | (33,126)        |
| Unwinding of discount                    | –                           | –                             | –                    | –                           | 979                             | 713                        | 1,692           |
| Translation differences on consolidation | 351                         | 10                            | (49)                 | –                           | –                               | –                          | 312             |
| At 31 December 2018                      | 16,448                      | 686                           | 2,562                | 9,179                       | 57                              | 43,858                     | 72,790          |
| Non-current                              |                             |                               |                      |                             |                                 |                            | 36,719          |
| Current                                  |                             |                               |                      |                             |                                 |                            | 36,071          |
|  |                             |                               |                      |                             |                                 |                            | 72,790          |

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 (b) of note 43).

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 9).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 27 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 2017<br>\$'000 | Recognised in profit or loss (note 31)<br>\$'000 | Recognised in the statement of comprehensive income (note 31)<br>\$'000 | Recognised directly in equity<br>\$'000 | Acquisition of subsidiaries (note 36)<br>\$'000 | Translation differences on consolidation<br>\$'000 | At 31 December 2017<br>\$'000 |
|---------------------------------|-----------------------------|--|---|---|---|--|-------------------------------|
| <b>Group</b>                    |                             |  |   |   |   |  |                               |
| <b>Deferred tax liabilities</b> |                             |  |   |   |   |  |                               |
| 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          | 92,721                      | (45,186)   | –   | –                                       | –   | (1,866)  | 45,669                        |
| Unremitted earnings             | 11,751                      | 4,214  | –   | –                                       | –   | –  | 15,965                        |
| Others                          | 4,587                       | 2,377  | –   | –                                       | –   | 641  | 7,605                         |
|                                 | 409,708                     | (104,329)  | –   | –                                       | 9,356   | (15,174)   | 299,561                       |
| <b>Deferred tax assets</b>      |                             |  |   |   |   |  |                               |
| Property, plant and equipment   | (29,968)                    | –  | –   | –                                       | –   | –  | (29,968)                      |
| Tax losses                      | (98,971)                    | (6,804)  | –   | –                                       | (2,776)   | 19,191   | (89,360)                      |
| Development properties          | (23,915)                    | (18,572)   | –   | –                                       | –   | 2,588  | (39,899)                      |
| Employee benefits               | (12,833)                    | –  | 1,337   | (274)                                   | –   | (102)  | (11,872)                      |
| Others                          | (12,983)                    | 6,781  | –   | –                                       | –   | (923)  | (7,125)                       |
|                                 | (178,670)                   | (18,595)   | 1,337   | (274)                                   | (2,776)   | 20,754   | (178,224)                     |
| <b>Total</b>                    | 231,038                     | (122,924)  | 1,337   | (274)                                   | 6,580   | 5,580  | 121,337                       |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 27 DEFERRED TAX LIABILITIES (CONT'D)

|                                 | At<br>1 January<br>2018<br>\$'000 | Recognised<br>in profit<br>or loss<br>(note 31)<br>\$'000 | Recognised<br>in the<br>statement of<br>comprehensive<br>income<br>(note 31)<br>\$'000 | Recognised<br>directly in<br>equity<br>\$'000 | Acquisition of<br>subsidiaries<br>(note 36)<br>\$'000 | Translation<br>differences on<br>consolidation<br>\$'000 | At<br>31 December<br>2018<br>\$'000 |
|---------------------------------|-----------------------------------|---|--|---|---|--|-------------------------------------|
| <b>Group</b>                    |                                   |   |  |   |   |  |                                     |
| <b>Deferred tax liabilities</b> |                                   |   |  |   |   |  |                                     |
| Property, plant and equipment   | 196,208                           | (18,435)  | –  | –   | –   | 1,845  | 179,618                             |
| Investment properties           | 34,114                            | (693)   | –  | –   | 25  | (612)  | 32,834                              |
| Development properties          | 45,669                            | (40,518)  | –  | –   | –   | (1)  | 5,150                               |
| Unremitted earnings             | 15,965                            | 15,016  | –  | –   | –   | –  | 30,981                              |
| Others                          | 7,605                             | 2,683   | –  | –   | –   | 23   | 10,311                              |
|                                 | <u>299,561</u>                    | <u>(41,947)</u>   | <u>–</u>   | <u>–</u>                                      | <u>25</u>   | <u>1,255</u>   | <u>258,894</u>                      |
| <b>Deferred tax assets</b>      |                                   |   |  |   |   |  |                                     |
| Property, plant and equipment   | (29,968)                          | 400   | –  | –   | –   | –  | (29,568)                            |
| Tax losses                      | (89,360)                          | (16,321)  | –  | –   | –   | (1,605)  | (107,286)                           |
| Development properties          | (39,899)                          | (4,242)   | –  | –   | –   | 659  | (43,482)                            |
| Employee benefits               | (11,872)                          | –   | 1,345  | 310   | –   | 458  | (9,759)                             |
| Others                          | (7,125)                           | (4,227)   | –  | –   | (340)   | 263  | (11,429)                            |
|                                 | <u>(178,224)</u>                  | <u>(24,390)</u>   | <u>1,345</u>   | <u>310</u>                                    | <u>(340)</u>  | <u>(225)</u>   | <u>(201,524)</u>                    |
| <b>Total</b>                    | <u>121,337</u>                    | <u>(66,337)</u>   | <u>1,345</u>   | <u>310</u>                                    | <u>(315)</u>  | <u>1,030</u>   | <u>57,370</u>                       |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 27 DEFERRED TAX LIABILITIES (CONT'D)

|                                 | At<br>1 January<br>2017<br>\$'000 | Recognised<br>in profit<br>or loss<br>\$'000 | At<br>31 December<br>2017<br>\$'000 | Recognised<br>in profit<br>or loss<br>\$'000 | At<br>31 December<br>2018<br>\$'000 |
|---------------------------------|-----------------------------------|--|-------------------------------------|--|-------------------------------------|
| <b>Company</b>                  |                                   |  |                                     |  |                                     |
| <b>Deferred tax liabilities</b> |                                   |  |                                     |  |                                     |
| Property, plant and equipment   | 593                               | (26)   | 567                                 | 196  | 763                                 |
| Investment properties           | 11,725                            | (172)  | 11,553                              | (351)  | 11,202                              |
| Development properties          | 54,244                            | (17,340)                                     | 36,904                              | (36,904)                                     | –                                   |
| Unremitted earnings             | 3,659                             | 78   | 3,737                               | 10,345                                       | 14,082                              |
|                                 | <u>70,221</u>                     | <u>(17,460)</u>                              | <u>52,761</u>                       | <u>(26,714)</u>                              | <u>26,047</u>                       |
| <b>Deferred tax assets</b>      |                                   |  |                                     |  |                                     |
| Development properties          | –                                 | –  | –                                   | (2,835)                                      | (2,835)                             |
| Others                          | (4,025)                           | (188)  | (4,213)                             | (1,438)                                      | (5,651)                             |
|                                 | <u>(4,025)</u>                    | <u>(188)</u>                                 | <u>(4,213)</u>                      | <u>(4,273)</u>                               | <u>(8,486)</u>                      |
| <b>Total</b>                    | <u>66,196</u>                     | <u>(17,648)</u>                              | <u>48,548</u>                       | <u>(30,987)</u>                              | <u>17,561</u>                       |

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 | 2018<br>\$'000   | Group<br>2017<br>\$'000 | 1 January<br>2017<br>\$'000 | Company<br>2018<br>\$'000 | Company<br>2017<br>\$'000 | 1 January<br>2017<br>\$'000 |
|--------------------------|------|------------------|-------------------------|-----------------------------|---------------------------|---------------------------|-----------------------------|
| Deferred tax assets      | 10   | <b>56,408</b>    | 57,986                  | 39,762                      | –                         | –                         | –                           |
| Deferred tax liabilities |      | <b>(113,778)</b> | (179,323)               | (270,800)                   | <b>(17,561)</b>           | (48,548)                  | (66,196)                    |
|                          |      | <b>(57,370)</b>  | (121,337)               | (231,038)                   | <b>(17,561)</b>           | (48,548)                  | (66,196)                    |

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:

|                                  | 2018<br>\$'000 | Group<br>2017<br>\$'000 | 1 January<br>2017<br>\$'000 |
|----------------------------------|----------------|-------------------------|-----------------------------|
| Deductible temporary differences | <b>147,169</b> | 107,970                 | 156,176                     |
| Tax losses                       | <b>247,003</b> | 318,470                 | 296,114                     |
|                                  | <b>394,172</b> | 426,440                 | 452,290                     |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 27 DEFERRED TAX LIABILITIES (CONT'D)

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.

The tax losses with expiry dates are as follows:

|                       | Group          |                |                             |
|-----------------------|----------------|----------------|-----------------------------|
|                       | 2018<br>\$'000 | 2017<br>\$'000 | 1 January<br>2017<br>\$'000 |
| Expiry dates          |                |                |                             |
| – Within 1 to 5 years | 83,631         | 64,855         | 82,499                      |
| – After 5 years       | 12,914         | 12,573         | 3,562                       |
|                       | <b>96,545</b>  | <b>77,428</b>  | <b>86,061</b>               |

At 31 December 2018, a deferred tax liability of \$34,593,000 (2017: \$33,689,000; 1 January 2017: \$21,196,000) in respect of temporary differences of \$356,838,000 (2017: \$238,221,000; 1 January 2017: \$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.

## 28 TRADE AND OTHER PAYABLES

|                                  | Note | Group            |                  |                             | Company          |                  |                             |
|----------------------------------|------|------------------|------------------|-----------------------------|------------------|------------------|-----------------------------|
|                                  |      | 2018<br>\$'000   | 2017<br>\$'000   | 1 January<br>2017<br>\$'000 | 2018<br>\$'000   | 2017<br>\$'000   | 1 January<br>2017<br>\$'000 |
| Trade payables                   |      | 124,298          | 142,195          | 153,261                     | 3,527            | 8,417            | 9,521                       |
| Accruals                         |      | 562,125          | 624,086          | 604,487                     | 99,475           | 106,630          | 104,180                     |
| Deferred income                  |      | 39,844           | 36,260           | 35,191                      | –                | 6                | 8                           |
| Other payables                   |      | 150,622          | 188,032          | 163,587                     | 766              | 1,173            | 845                         |
| Rental and other deposits        |      | 113,832          | 123,175          | 72,818                      | 8,572            | 8,096            | 9,450                       |
| Retention sums payable           |      | 29,541           | 38,661           | 39,660                      | 8,638            | 5,798            | 10,907                      |
| Amounts owing to:                |      |                  |                  |                             |                  |                  |                             |
| – subsidiaries                   | 6    | –                | –                | –                           | 2,367,178        | 2,011,817        | 1,655,331                   |
| – joint ventures                 | 8    | 22,727           | 22,749           | 22,728                      | 22,727           | 22,737           | 22,728                      |
| – fellow subsidiaries            | 15   | 233,043          | 123,838          | 137,900                     | 15               | –                | –                           |
| – other related party            |      | 53               | –                | –                           | –                | –                | –                           |
| Other financial liability        |      | 17,214           | –                | –                           | –                | –                | –                           |
| Derivative financial liabilities |      | 37               | 276              | 336                         | –                | –                | –                           |
|                                  |      | <b>1,293,336</b> | <b>1,299,272</b> | <b>1,229,968</b>            | <b>2,510,898</b> | <b>2,164,674</b> | <b>1,812,970</b>            |

Included in other payables is the Group's obligation of an amount of \$88,897,000 (2017: \$85,212,000; 1 January 2017: \$83,176,000) in respect of its share of losses in a joint venture in excess of its interest in that joint venture.

Other financial liability as at 31 December 2018 relates to a balance arising from the accounting of the Group's continuing involvement in the third Profit Participation Securities issued by Summervale.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 29 REVENUE

Revenue of the Group includes property development income, income from owning and operating hotels, rental income, dividend income and others but excludes intra-group transactions. Property development income consists mainly of sale proceeds of commercial and residential properties. Others include mainly management and consultancy fees, and income from provision of laundry services.

|   | Group            |                  |
|---|------------------|------------------|
|   | 2018<br>\$'000   | 2017<br>\$'000   |
| Dividends from investments:                           |                  |                  |
| – fellow subsidiaries                                 |                  |                  |
| – quoted equity investments – available-for-sale      | –                | 1,088            |
| – quoted equity investments – at FVOCI                | 1,523            | –                |
| – unquoted equity investments – available-for-sale    | –                | 4,894            |
| – unquoted equity investments – at FVOCI              | 3,375            | –                |
| – others  |                  |                  |
| – quoted equity investments – available-for-sale      | –                | 416              |
| – quoted equity investments – designated at FVTPL     | –                | 834              |
| – quoted equity investments – at FVOCI                | 367              | –                |
| – quoted equity investments – mandatorily at FVTPL    | 738              | –                |
| – unquoted equity investments – available-for-sale    | –                | 134              |
| – unquoted equity investments – at FVOCI              | 68               | –                |
| Hotel operations                                      | 1,679,418        | 1,694,232        |
| Development properties for which revenue is:          |                  |                  |
| – recognised over time                                | 167,817          | 357,507          |
| – recognised at a point in time                       | 1,877,492        | 1,295,183        |
| Rental and car park income from investment properties | 358,234          | 346,898          |
| Others  | 133,531          | 128,009          |
|   | <b>4,222,563</b> | <b>3,829,195</b> |

As at 31 December 2018, the Group has property development income of \$431,263,000 which is expected to be recognised over the next four years as construction of the development properties progresses.

On adoption of SFRS(I) 15, the Group applied the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, and it recognises revenue in that amount.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 29 REVENUE (CONT'D)

### Disaggregation of revenue

In the following table, revenue is disaggregated by geographical markets and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

|  | Reportable segments  |                  |                  |                  | Others*        |                | Total            |                  |
|--|----------------------|------------------|------------------|------------------|----------------|----------------|------------------|------------------|
|  | Property development |                  | Hotel operations |                  | 2018           | 2017           | 2018             | 2017             |
|  | 2018                 | 2017             | 2018             | 2017             |                |                |                  |                  |
| <b>Geographical market</b>                           |                      |                  |                  |                  |                |                |                  |                  |
| Singapore  | 1,538,784            | 1,369,429        | 250,055          | 248,617          | 133,367        | 127,644        | 1,922,206        | 1,745,690        |
| China  | 304,376              | 201,533          | 47,096           | 46,612           | -              | 3              | 351,472          | 248,148          |
| United States  | -                    | -                | 535,937          | 535,201          | -              | -              | 535,937          | 535,201          |
| United Kingdom                                       | 6,177                | 267              | 328,714          | 347,503          | -              | -              | 334,891          | 347,770          |
| Australasia  | 86,199               | 80,271           | 153,532          | 141,678          | -              | -              | 239,731          | 221,949          |
| Rest of Asia (excluding Singapore and China)         | 109,773              | 1,190            | 330,552          | 343,409          | 164            | 362            | 440,489          | 344,961          |
| Other countries                                      | -                    | -                | 33,532           | 31,212           | -              | -              | 33,532           | 31,212           |
|  | <b>2,045,309</b>     | <b>1,652,690</b> | <b>1,679,418</b> | <b>1,694,232</b> | <b>133,531</b> | <b>128,009</b> | <b>3,858,258</b> | <b>3,474,931</b> |
| <b>Timing of revenue recognition</b>                 |                      |                  |                  |                  |                |                |                  |                  |
| Products and services transferred at a point in time | 1,877,492            | 1,295,183        | 1,679,418        | 1,694,232        | 6,957          | 10,828         | 3,563,867        | 3,000,243        |
| Products and services transferred over time          | 167,817              | 357,507          | -                | -                | 126,574        | 117,181        | 294,391          | 474,688          |
|  | <b>2,045,309</b>     | <b>1,652,690</b> | <b>1,679,418</b> | <b>1,694,232</b> | <b>133,531</b> | <b>128,009</b> | <b>3,858,258</b> | <b>3,474,931</b> |

\* Excluding dividend income

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 30 PROFIT FOR THE YEAR

The following items have been included in arriving at profit for the year:

|   | Note | 2018<br>\$'000 | Group<br>2017<br>\$'000 |
|---|------|----------------|-------------------------|
| <b>Other operating income</b>   |      |                |                         |
| Insurance claim   |      | 1,198          | -                       |
| Gain on loss of control in subsidiaries   | 36   | -              | 52,094                  |
| Gain on liquidation of a subsidiary   |      | -              | 390                     |
| Management fees and miscellaneous income  |      | 2,634          | 22,925                  |
| Profit on realisation of investments in relation to financial assets with related parties       |      | -              | 3,339                   |
| Profit on sale of property, plant and equipment and investment properties                       |      | 41,735         | 30,728                  |
|   |      | <b>45,567</b>  | <b>109,476</b>          |
| <b>Staff costs</b>  |      |                |                         |
| Contributions to defined contribution plans   |      | 49,382         | 43,234                  |
| Equity settled share-based transactions   |      | 636            | 216                     |
| Increase in liability for defined benefit plans   | 24   | 4,724          | 3,138                   |
| Increase in liability for short-term accumulating compensated absences                          |      | 1,825          | 1,174                   |
| Wages and salaries  |      | 794,441        | 789,329                 |
|   |      | <b>851,008</b> | <b>837,091</b>          |
| Less:   |      |                |                         |
| Staff costs capitalised in:   |      |                |                         |
| - development properties  |      | (847)          | (5,747)                 |
|   |      | <b>850,161</b> | <b>831,344</b>          |
| <b>Other expenses</b>   |      |                |                         |
| Amortisation of intangible assets   |      | 757            | 689                     |
| Amortisation of lease premium prepayment  |      | 3,789          | 3,875                   |
| Audit fees paid to:   |      |                |                         |
| - auditors of the Company   |      | 2,827          | 2,622                   |
| - other auditors  |      | 3,429          | 3,096                   |
| Non-audit fees:   |      |                |                         |
| - auditors of the Company   |      | 1,464          | 1,680                   |
| - other auditors  |      | 1,400          | 947                     |
| Depreciation of:  |      |                |                         |
| - investment properties   | 5    | 72,376         | 64,960                  |
| - property, plant and equipment   | 4    | 141,918        | 145,699                 |
| Direct operating expenses arising from investment properties which are not leased               |      | 86             | 109                     |
| Direct operating expenses arising from rental of investment properties (excluding depreciation) |      | 100,489        | 92,379                  |
| Allowance made/(written back) for foreseeable losses on development properties (net)            | 11   | 19,256         | (19,516)                |
| Provisions (written back)/made  | 26   | (19,865)       | 25,570                  |
| Impairment losses recognised/(reversed) on:   |      |                |                         |
| - amounts owing by joint ventures   | 8    | -              | (22,320)                |
| - goodwill arising from acquisition of a subsidiary   | 36   | -              | 6,874                   |
| - property, plant and equipment   | 4    | 94,099         | 49,220                  |
| - investment properties   | 5    | -              | 3,013                   |
| - trade and other receivables   | 38   | 4,235          | 7,671                   |
| Loss on liquidation of subsidiaries   |      | 41             | -                       |
| Operating lease expenses  |      | 20,055         | 22,489                  |
| Property, plant and equipment and investment properties written off                             |      | 4,007          | 4,471                   |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 30 PROFIT FOR THE YEAR (CONT'D)

|   | Group          |                |
|---|----------------|----------------|
|   | 2018<br>\$'000 | 2017<br>\$'000 |
| <b>Finance income</b>   |                |                |
| Interest income under the effective interest method:                |                |                |
| – amounts owing by joint ventures at amortised cost                 | 3,043          | 5,082          |
| – amounts owing by fellow subsidiaries at amortised cost            | 3              | 3              |
| – cash and cash equivalents   | 44,575         | 39,904         |
| – others  | 9,177          | 4,302          |
| Fair value gains on financial derivatives designated at FVTPL (net) | 6,091          | 1,385          |
| Fair value gains on financial assets held for trading (net)         | –              | 2,340          |
|   | <b>62,889</b>  | <b>53,016</b>  |
| Finance income capitalised in development properties                | (64)           | (317)          |
| Total finance income  | <b>62,825</b>  | <b>52,699</b>  |
| <b>Finance costs</b>  |                |                |
| Amortisation of transaction costs capitalised                       | 5,493          | 6,635          |
| Interest expense:   |                |                |
| – term loans and bank loans at amortised cost                       | 76,015         | 67,880         |
| – bonds and notes at amortised cost                                 | 54,796         | 56,518         |
| – amounts owing by fellow subsidiaries at amortised cost            | 3,892          | 2,757          |
| – financial derivatives designated at FVTPL                         | 1,213          | 186            |
| – others  | 372            | 98             |
| Fair value losses on financial assets mandatorily measured at FVTPL | 5,004          | –              |
| Net exchange loss   | 18,242         | 7,197          |
| Unwinding of discount on non-current liabilities                    | 1,723          | 2,224          |
|   | <b>166,750</b> | <b>143,495</b> |
| Finance costs capitalised in:                                       |                |                |
| – development properties*   | (9,599)        | (12,496)       |
| – property, plant and equipment                                     | (386)          | –              |
| Total finance costs   | <b>156,765</b> | <b>130,999</b> |
| <b>Net finance costs</b>  | <b>93,940</b>  | <b>78,300</b>  |

\* Relates to development properties for which revenue is recognised at a point in time. Borrowing costs on development properties where revenue is recognised over time is charged to profit or loss, as incurred.

|  | Group          |                |
|--|----------------|----------------|
|  | 2018<br>\$'000 | 2017<br>\$'000 |
| 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 FVTPL: |                |                |
| – total interest income on financial assets  | <b>48,235</b>  | 48,359         |
| – total finance costs on financial liabilities   | <b>124,873</b> | 114,757        |

During the year, net finance costs of the Group have been capitalised at rates ranging from 0.25% to 2.45% (2017: 0.05% to 4.85%) per annum for development properties and 2.73% to 3.05% per annum for property, plant and equipment.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 31 TAX EXPENSE

|  | Note | Group           |                  |
|--|------|-----------------|------------------|
|  |      | 2018<br>\$'000  | 2017<br>\$'000   |
| <b>Current tax expense</b>                       |      |                 |                  |
| Current year                                     |      | 242,002         | 216,811          |
| Over provision in respect of prior years         |      | (18,700)        | (18,239)         |
|  |      | <b>223,302</b>  | <b>198,572</b>   |
| <b>Deferred tax credit</b>                       |      |                 |                  |
| Movements in temporary differences               |      | (81,937)        | (119,509)        |
| Effect of changes in tax rates and legislation   |      | 194             | (2,242)          |
| Under/(Over) provision in respect of prior years |      | 15,406          | (1,173)          |
|  | 27   | <b>(66,337)</b> | <b>(122,924)</b> |
| <b>Land appreciation tax</b>                     |      |                 |                  |
| Current year                                     |      | 57,795          | 30,322           |
| <b>Total tax expense</b>                         |      | <b>214,760</b>  | <b>105,970</b>   |

### Tax recognised in other comprehensive income

|  | 2018                    |                                      |                         | 2017                    |                                      |                         |
|--|-------------------------|--------------------------------------|-------------------------|-------------------------|--------------------------------------|-------------------------|
|  | Before<br>tax<br>\$'000 | Tax<br>credit<br>(note 27)<br>\$'000 | Net<br>of tax<br>\$'000 | Before<br>tax<br>\$'000 | Tax<br>credit<br>(note 27)<br>\$'000 | Net<br>of tax<br>\$'000 |
| <b>Group</b>   |                         |                                      |                         |                         |                                      |                         |
| Defined benefit plan remeasurements  | 8,293                   | (1,345)                              | 6,948                   | 7,728                   | (1,337)                              | 6,391                   |
| Changes in fair value of equity instruments measured at fair value through other comprehensive income              | (34,427)                | –                                    | (34,427)                | –                       | –                                    | –                       |
| Changes in fair value of available-for-sale equity investments   | –                       | –                                    | –                       | 2,171                   | –                                    | 2,171                   |
| Effective portion of changes in fair value of cash flow hedges   | (2,399)                 | –                                    | (2,399)                 | 2,606                   | –                                    | 2,606                   |
| Exchange differences on hedges of net investments in foreign operations  | (5,414)                 | –                                    | (5,414)                 | 22,452                  | –                                    | 22,452                  |
| Exchange differences on monetary items forming part of net investments in foreign operations                       | (3,460)                 | –                                    | (3,460)                 | (37,580)                | –                                    | (37,580)                |
| Exchange differences reclassified to profit or loss on liquidation and cessation of business of foreign operations | 850                     | –                                    | 850                     | (7,711)                 | –                                    | (7,711)                 |
| Share of translation differences of equity-accounted investees   | (8,639)                 | –                                    | (8,639)                 | (6,085)                 | –                                    | (6,085)                 |
| Translation differences arising on consolidation of foreign operations   | (41,593)                | –                                    | (41,593)                | (102,737)               | –                                    | (102,737)               |
|  | <b>(86,789)</b>         | <b>(1,345)</b>                       | <b>(88,134)</b>         | <b>(119,156)</b>        | <b>(1,337)</b>                       | <b>(120,493)</b>        |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 31 TAX EXPENSE (CONT'D)

### Reconciliation of effective tax rate

|   | Group           |                |
|---|-----------------|----------------|
|   | 2018<br>\$'000  | 2017<br>\$'000 |
| Profit before tax   | <b>875,538</b>  | 763,279        |
| Tax using the Singapore tax rate of 17% (2017: 17%)                           | <b>148,842</b>  | 129,757        |
| Income not subject to tax   | <b>(35,396)</b> | (67,556)       |
| Expenses not deductible for tax purposes:                                     |                 |                |
| – expenses  | <b>30,435</b>   | 38,558         |
| – write-back  | <b>(3,612)</b>  | (13,532)       |
| Effect of changes in tax rates and legislation                                | <b>194</b>      | (2,242)        |
| Effect of different tax rates in other countries                              | <b>25,453</b>   | 9,809          |
| Effect of share of results of associates and joint ventures                   | <b>1,928</b>    | 3,785          |
| Land appreciation tax   | <b>57,795</b>   | 30,322         |
| Effect of tax deduction on land appreciation tax                              | <b>(14,450)</b> | (3,519)        |
| Unrecognised deferred tax assets  | <b>11,407</b>   | 10,645         |
| Tax effect of losses not allowed to be set off against future taxable profits | <b>8,487</b>    | 3,892          |
| Tax incentives  | <b>(484)</b>    | (1,711)        |
| Utilisation of previously unrecognised deferred tax assets                    | <b>(12,545)</b> | (12,826)       |
| Over provision in respect of prior years                                      | <b>(3,294)</b>  | (19,412)       |
|   | <b>214,760</b>  | 105,970        |

## 32 EARNINGS PER SHARE

Basic earnings per share is calculated based on:

|   | Group           |                |
|---|-----------------|----------------|
|   | 2018<br>\$'000  | 2017<br>\$'000 |
| Profit attributable to owners of the Company  | <b>557,330</b>  | 522,179        |
| Less:   |                 |                |
| Dividends on non-redeemable convertible non-cumulative preference shares  | <b>(12,904)</b> | (12,904)       |
| Profit attributable to ordinary shareholders after adjustment of non-redeemable convertible non-cumulative preference dividends | <b>544,426</b>  | 509,275        |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 32 EARNINGS PER SHARE (CONT'D)

|  | Group                       |                             |
|--|-----------------------------|-----------------------------|
|  | 2018<br>Number of<br>shares | 2017<br>Number of<br>shares |
| <b>Weighted average number of ordinary shares</b>          |                             |                             |
| Issued ordinary shares at 1 January                        | <b>909,301,330</b>          | 909,301,330                 |
| Effect of treasury shares held                             | <b>(719,726)</b>            | –                           |
| Weighted average number of ordinary shares during the year | <b>908,581,604</b>          | 909,301,330                 |
| Basic earnings per share                                   | <b>59.9 cents</b>           | 56.0 cents                  |

Diluted earnings per share is based on:

|  | 2018           | 2017    |
|--|----------------|---------|
|  | \$'000         | \$'000  |
| Profit attributable to ordinary shareholders after adjustment for non-redeemable convertible non-cumulative preference dividends | <b>544,426</b> | 509,275 |
| Add:   |                |         |
| Dividends on non-redeemable convertible non-cumulative preference shares   | <b>12,904</b>  | 12,904  |
| Net profit used for computing diluted earnings per share   | <b>557,330</b> | 522,179 |

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                       |                             |
|--|-----------------------------|-----------------------------|
|  | 2018<br>Number of<br>shares | 2017<br>Number of<br>shares |
| Weighted average number of ordinary shares issued used in the calculation of basic earnings per share                | <b>908,581,604</b>          | 909,301,330                 |
| Potential ordinary shares issuable under non-redeemable convertible non-cumulative preference shares                 | <b>44,998,898</b>           | 44,998,898                  |
| Weighted average number of ordinary shares issued and potential shares assuming full conversion of preference shares | <b>953,580,502</b>          | 954,300,228                 |
| Diluted earnings per share   | <b>58.4 cents</b>           | 54.7 cents                  |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 33 DIVIDENDS

|   | Company        |                |
|---|----------------|----------------|
|   | 2018<br>\$'000 | 2017<br>\$'000 |
| Final tax exempt (one-tier) ordinary dividend paid of 8.0 cents (2017: 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 6.0 cents (2017: 4.0 cents) per ordinary share in respect of the previous financial year  | 54,558         | 36,372         |
| Special interim tax exempt (one-tier) ordinary dividend paid of 6.0 cents (2017: 4.0 cents) per ordinary share in respect of the current financial year | 54,527         | 36,372         |
| Non-cumulative tax exempt (one-tier) preference dividend paid of 1.94 cents (2017: 1.93 cents) per preference share                                     | 6,434          | 6,399          |
| Non-cumulative tax exempt (one-tier) preference dividend paid of 1.96 cents (2017: 1.97 cents) per preference share                                     | 6,470          | 6,505          |
|   | <b>194,733</b> | <b>158,392</b> |

After the respective reporting dates, the directors proposed the following ordinary dividends, which have not been provided for:

|   | Company        |                |
|---|----------------|----------------|
|   | 2018<br>\$'000 | 2017<br>\$'000 |
| Final tax exempt (one-tier) ordinary dividend of 8.0 cents (2017: 8.0 cents) per ordinary share         | 72,552         | 72,744         |
| Special final tax exempt (one-tier) ordinary dividend of 6.0 cents (2017: 6.0 cents) per ordinary share | 54,414         | 54,558         |
|   | <b>126,966</b> | <b>127,302</b> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 34 COMMITMENTS

The Group and the Company have the following commitments as at the reporting date:

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Development expenditure contracted but not provided for in the financial statements        | 414,749        | 434,448        | –              | 7,047          |
| Capital expenditure contracted but not provided for in the financial statements            | 135,213        | 93,170         | 591            | 11,073         |
| Commitments in respect of purchase of properties for which deposits have been paid         | 42,603         | 34,054         | –              | –              |
| Commitments in respect of investments in joint ventures                                    | –              | 31,526         | –              | –              |
| Commitments in respect of investment in an associate                                       | 37,867         | –              | –              | –              |
| Commitments in respect of financial assets designated at fair value through profit or loss | –              | 29,145         | –              | –              |
| Commitments in respect of capital contribution to investments in financial assets in:      |                |                |                |                |
| – related parties  | 86,520         | 24,039         | –              | –              |
| – third parties  | 8,847          | –              | –              | –              |

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        |                |
|---------------------------------|----------------|----------------|----------------|----------------|
|                                 | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Within 1 year                   | 33,281         | 31,849         | 6,403          | 4,912          |
| After 1 year but within 5 years | 85,489         | 78,119         | 8,713          | 9,299          |
| After 5 years                   | 345,127        | 300,116        | –              | –              |
|                                 | <b>463,897</b> | <b>410,084</b> | <b>15,116</b>  | <b>14,211</b>  |

Included in the non-cancellable operating lease rental payables above are commitments with associates and a joint venture amounting to \$1,126,000 and \$4,993,000 (2017: \$2,500,000 and \$1,569,000), respectively.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 34 COMMITMENTS (CONT'D)

(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 2018, the Group recorded a lease payment of \$403,000 (£224,000) (2017: \$402,000 (£226,000)).

(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        |                |
|---------------------------------|------------------|----------------|----------------|----------------|
|                                 | 2018<br>\$'000   | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Within 1 year                   | 272,928          | 225,491        | 47,661         | 49,746         |
| After 1 year but within 5 years | 583,922          | 387,268        | 65,438         | 32,061         |
| After 5 years                   | 289,887          | 229,195        | 1,882          | –              |
|                                 | <b>1,146,737</b> | 841,954        | <b>114,981</b> | 81,807         |

Contingent rents, generally determined based on a percentage of tenants' revenue, of \$7,202,000 (2017: \$7,325,000) and \$1,948,000 (2017: \$1,947,000) have been recognised as income by the Group and the Company, respectively, in profit or loss during the year.

Included in the non-cancellable operating lease rental receivables above are commitments with related parties which are set out below.

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Non-cancellable operating lease rentals receivable from: |                |                |                |                |
| – joint ventures   | 49,751         | 50,590         | –              | –              |
| – a fellow subsidiary                                    | 923            | 252            | 923            | 252            |
| – an associate   | 43             | 172            | –              | –              |
| – an associate of the ultimate holding company           | 186            | 212            | –              | –              |
| – subsidiaries   | –              | –              | 5,965          | 4,714          |
|  | <b>50,903</b>  | 51,226         | <b>6,888</b>   | 4,966          |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 35 RELATED PARTIES

Other than as disclosed elsewhere in the financial statements, the transactions with related parties based on terms agreed between the parties are as follows:

|  | Group          |                |
|--|----------------|----------------|
|  | 2018<br>\$'000 | 2017<br>\$'000 |
| Insurance premium paid and payable to an associate of the ultimate holding company | (1,118)        | (1,216)        |
| Management services fees received and receivable from:                             |                |                |
| – fellow subsidiaries  | 1,209          | (35)           |
| – associates   | 2,672          | 4,689          |
| – joint ventures   | 6,394          | 4,874          |
|  | <b>10,275</b>  | 9,528          |
| Maintenance services fees received and receivable from:                            |                |                |
| – fellow subsidiaries  | 304            | 279            |
| – associates   | 2,699          | 2,655          |
| – joint ventures   | 3,834          | 4,954          |
|  | <b>6,837</b>   | 7,888          |
| Rental and rental-related income received and receivable from:                     |                |                |
| – fellow subsidiaries  | 320            | 320            |
| – an associate   | 575            | 132            |
| – an associate of the ultimate holding company                                     | 217            | 212            |
| – joint ventures   | 78             | 85             |
|  | <b>1,190</b>   | 749            |
| Management services fees paid and payable to a fellow subsidiary                   | (1,007)        | (1,789)        |
| Rental and rental-related expenses paid and payable to:                            |                |                |
| – associates   | (972)          | (1,036)        |
| – a joint venture  | (1,724)        | (1,728)        |
|  | <b>(2,696)</b> | (2,764)        |
| Sale of property, plant and equipment to a joint venture                           | –              | 430            |
| Compensation paid and payable to key management personnel:                         |                |                |
| – short-term employee benefits   | 34,234         | 32,704         |
| – other long-term benefits   | 487            | 270            |
|  | <b>34,721</b>  | 32,974         |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 36 ACQUISITION OF AND LOSS OF CONTROL IN SUBSIDIARIES, AND CHANGES IN INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL

### (I) Acquisition of subsidiaries

#### 2018

- (a) On 24 July 2018, the Group through its indirect wholly-owned subsidiary, Shanghai Tuo Cheng Enterprise Management Co., Ltd., acquired 100% of the shares and voting interest in Shanghai Meidao Investment Co., Ltd. (Shanghai Meidao) for a total consideration of approximately \$65 million (RMB323 million). Shanghai Meidao owns a five-tower office project known as Hong Kong Plaza Hongqiao (formerly known as Meidao Business Plaza) located in Shanghai's Hongqiao Central Business District.
- (b) On 13 September 2018, the Group through its two indirect wholly-owned subsidiaries known as Allsgate Properties Limited (Allsgate) and Androgate Properties Limited (Androgate), acquired all units in Aldgate House Unit Trust (Unit Trust) and 100% of the shares and voting interest in Aldgate House General Partner Limited (Aldgate GP) for a total consideration of \$319 million (GBP177 million). The Unit Trust, together with Aldgate GP, hold 99.9% and 0.1% interest respectively in Aldgate House Limited Partnership which in turn owns a prime freehold Grade A commercial building known as Aldgate House in London, United Kingdom.
- (c) On 4 October 2018, the Group through its wholly-owned subsidiary, Singapura Developments (Private) Limited, acquired 100% of the shares and voting interest in Bravogate Holdings S.à.r.l. (Bravogate) in Luxembourg. Bravogate subsequently entered into a purchase and sale agreement to acquire 100% of the shares and voting interest in BOP Luxembourg (125 OBS) 2 S.À R.L (BOP Lux) for a total consideration of \$681 million (GBP384 million).
- BOP Lux, together with BOP Lux's wholly-owned subsidiary, 125 OBS GP Limited, hold 99.9% and 0.1% interest respectively in 125 OBS Limited Partnership which in turn owns a prime freehold Grade A tower and ancillary retail space known as 125 Old Broad Street in London, United Kingdom.
- (d) On 27 November 2018, the Group through its indirect non-wholly owned subsidiary, CDLHT, acquired 95.0% of the shares and voting interest in Event Hospitality Group III B.V., which wholly-owns Event Hospitality Group III Italy SRL, sole shareholder of NKS Hospitality III for a total consideration of \$51.6 million (EUR33 million). NKS Hospitality III SRL is the legal owner of Hotel Cerretani Florence, M Gallery by Sofitel and the fixture, furniture and equipment therein.
- (e) On 11 December 2018, the Group through its indirect wholly-owned subsidiary, Central Mall Pte. Ltd., acquired 100% of the shares and voting interest in Centro Investment Holding Pte. Ltd. (CIH) for a total consideration of \$20 million from Golden Crest Holdings Pte. Ltd., an associate of the Group. CIH, together with CIH's wholly-owned subsidiary, Centro Property Holdings Pte. Ltd., owns an office tower known as Central Mall Office Tower in Singapore.

The above acquisitions were accounted for as acquisitions of assets and are out of scope of SFRS(I) 3 *Business Combinations*.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 36 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)

#### 2018 (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 | Total<br>\$'000 |
|---|------|-----------------|
| Property, plant and equipment                                   | 4    | 60              |
| Investment properties (including capitalised transaction costs) |      | 1,302,835       |
| Deferred tax assets   | 27   | 340             |
| Development properties  |      | 195,216         |
| Trade and other receivables                                     |      | 23,677          |
| Cash at bank  |      | 7,670           |
| Trade and other payables  |      | (46,988)        |
| Shareholders' loan  |      | (226,927)       |
| Interest-bearing borrowings                                     |      | (117,432)       |
| Provision for taxation  |      | (113)           |
| Deferred tax liabilities  | 27   | (25)            |
| Net identifiable assets acquired                                |      | 1,138,313       |
| Shareholders' loan assumed                                      |      | 226,927         |
| Non-controlling interests                                       |      | (2,302)         |
| Total consideration   |      | 1,362,938       |
| Less: Cash acquired   |      | (7,670)         |
| Less: Consideration not yet paid                                |      | (3,184)         |
| Less: Consideration paid in prior year                          |      | (42,841)        |
| Total net cash outflow  |      | 1,309,243       |

#### 2017

- (a) On 4 May 2017, the Group through 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 was out of scope of SFRS(I) 3 *Business Combinations*.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 36 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)

#### 2017 (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<br>\$'000 | German Acquisition<br>\$'000 | Total<br>\$'000 |
|---|------|--------------------------|------------------------------|-----------------|
| Property, plant and equipment                                   | 4    | 94,427                   | –                            | 94,427          |
| Investment properties (including capitalised transaction costs) | 5    | –                        | 167,744                      | 167,744         |
| Deferred tax assets   | 27   | 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  | 27   | (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<br>(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         |

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 | <i>Comparative and discounted cash flow methods:</i> The comparative method involved 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 involved forecasting the UK Property's income stream for 10 years and discounting the income stream at 8.25%. |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 36 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)

#### 2017 (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           | 30   | (6,874)  |
|                                       |      | –        |

CDLHT undertook 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.

### (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:

#### 2018

- A subsidiary of M&C, M&C REIT Management Limited (M&C REIT), being a REIT manager for CDLHT, received 6,540,031 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.
- A subsidiary of M&C, M&C Business Trust Management Limited (MBTM), being a trustee manager for HBT, received 102,663 units in CDLHT in lieu of management fee income during the year. There was no significant change to the Group's effective interest in CDLHT.
- CDL Investments New Zealand Limited (CDLI), an indirect subsidiary of M&C, declared dividend in specie to its minority shareholders. There was no significant change to the Group's effective interest.
- An indirect subsidiary of M&C, Hong Leong International Hotel (Singapore) Pte. Ltd. (HLIHS), acquired an additional 0.02% equity interest in Hong Leong Hotel Development Limited for a cash consideration of \$18,176. There was no significant change to the Group's effective interest.
- The Group's indirect wholly-owned subsidiary, CBM Pte Ltd, acquired additional interest in Systematic Holdings Pte Ltd for a cash consideration of \$987,916, increasing its effective interest from 70% to 90%.
- M&C acquired 21,411 treasury shares via an employee benefit trust established by M&C Group at a weighted average cost of £5.27 per share, for a total consideration of \$202,945.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 36 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

- (a) M&C REIT 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) CDLI declared dividend in specie to its minority shareholders. There was no significant change to the Group's effective interest.
- (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) M&C acquired 23,211 treasury shares via an employee benefit trust established by M&C Group at a weighted average cost of £4.68 per share, for a total consideration of \$193,574.
- (f) 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.
- (g) 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.

The following summarises the effect of changes in the Group's ownership interests in the above subsidiaries:

|  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| Consideration paid for acquisition of non-controlling interests  | (1,208)        | (23,545)       |
| Net decrease in equity attributable to non-controlling interests | 5,046          | 30,412         |
| Net increase in equity attributable to owners of the Company     | <b>3,838</b>   | 6,867          |
| Represented by:  |                |                |
| Increase in capital reserve                                      | 3,838          | 6,510          |
| Increase in foreign currency translation reserve                 | -              | 353            |
| Increase in accumulated profits                                  | -              | 4              |
| Net increase in equity attributable to owners of the Company     | <b>3,838</b>   | 6,867          |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 36 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

#### 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 (CQHYY); and
- China Venture's 50% equity interests in Chongqing Eling Property Development Co., Ltd (CQEL).

Following the disposal, the Group lost its control over CQHYY 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.

The total effect of the loss of control in subsidiaries on the cash flows of the Group was as follows:

|   | Note | 2017<br>\$'000 |
|---|------|----------------|
| Property, plant and equipment           | 4    | 86             |
| Development properties                  |      | 285,500        |
| Trade and other receivables             |      | 1,668          |
| Cash and cash equivalents               |      | 8,566          |
| Trade and other payables                |      | (5,221)        |
| Interest-bearing borrowings             |      | (38,874)       |
| Provision for taxation                  |      | (14)           |
| Net assets on disposal                  |      | <u>251,711</u> |
| Total consideration                     |      | 201,716        |
| Less:                                   |      |                |
| Cash and cash equivalents disposed of   |      | (8,566)        |
| Net cash inflow                         |      | <u>193,150</u> |
| Total consideration                     |      | 201,716        |
| Fair value of retained equity interests |      | 100,862        |
|   |      | <u>302,578</u> |
| Less:                                   |      |                |
| Net assets on disposal                  |      | (251,711)      |
| Realisation of reserves                 |      | 3,519          |
| Transaction costs                       |      | (2,292)        |
| Gain arising from loss of control       | 30   | <u>52,094</u>  |

The gain on loss of control was recognised in "other operating income" in the consolidated statement of profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 37 RECONCILIATION OF MOVEMENTS OF ASSETS AND LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

|  | Liabilities/(Assets)                         |                          |                            |   |  |
|--|--|--------------------------|----------------------------|---|--|
|  | Interest-bearing borrowings (note 20) \$'000 | Interest payable* \$'000 | Other liabilities** \$'000 | Non-trade amounts owing to fellow subsidiaries \$'000 | Restricted deposits and restricted cash (note 16) \$'000 |
| <b>Balance at 1 January 2017</b>                     | 5,737,767                                    | 29,049                   | 21,490                     | 137,884   | (319,807)  |
| <b>Financing cash flows</b>                          | (604,222)                                    | (124,596)                | 3,659                      | (16,803)  | (79,083)   |
| <b>Non-cash changes</b>                              |  |                          |                            |   |  |
| Changes arising from loss of control in subsidiaries | (38,874)                                     | (102)                    | –                          | –   | –  |
| Effect of changes in foreign exchange rates          | (80,748)                                     | (5,577)                  | (847)                      | –   | 8,494  |
| <b>Liability-related</b>                             |  |                          |                            |   |  |
| Interest expense/capitalised                         | –  | 124,682                  | –                          | 2,757   | –  |
| Others   | 7,759  | –                        | –                          | –   | –  |
| <b>Total non-cash changes</b>                        | (111,863)                                    | 119,003                  | (847)                      | 2,757   | 8,494  |
| <b>Balance at 31 December 2017</b>                   | 5,021,682                                    | 23,456                   | 24,302                     | 123,838   | (390,396)  |
| <b>Balance at 1 January 2018</b>                     | 5,021,682                                    | 23,456                   | 24,302                     | 123,838   | (390,396)  |
| <b>Financing cash flows</b>                          | 1,189,903                                    | (127,817)                | (2,222)                    | 105,298   | 43,017   |
| <b>Non-cash changes</b>                              |  |                          |                            |   |  |
| Changes arising from acquisition in subsidiaries     | 117,432                                      | 375                      | –                          | –   | –  |
| Effect of changes in foreign exchange rates          | (8,400)                                      | (3,143)                  | 999                        | –   | (2,474)  |
| <b>Liability-related</b>                             |  |                          |                            |   |  |
| Interest expense/capitalised                         | –  | 132,396                  | –                          | 3,892   | –  |
| Others   | 6,635  | –                        | –                          | –   | –  |
| <b>Total non-cash changes</b>                        | 115,667                                      | 129,628                  | 999                        | 3,892   | (2,474)  |
| <b>Balance at 31 December 2018</b>                   | 6,327,252                                    | 25,267                   | 23,079                     | 233,028   | (349,853)  |

\* Included in "trade and other payables"

\*\* Included in "trade and other payables" and "other liabilities"

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS

### Financial risk management

#### Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

#### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management is responsible for developing and monitoring the Group's risk management policies. Management reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. 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. 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 oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. 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.

#### (i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and debt investments.

At the reporting date, there is no significant concentration of credit risk for the Group. At the reporting date, the amounts owing by subsidiaries and joint ventures represent a significant portion of the Company's financial assets. Except as disclosed, there is no significant concentration of credit risk for the Company. The carrying amounts of financial assets and contract assets represent the Group and the Company's maximum exposures to credit risk, before taking into account any collateral held.

Impairment losses on trade and other receivables recognised in profit or loss were as follows:

|  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| Impairment loss on trade and other receivables | 4,235          | 7,671          |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (i) Credit risk (cont'd)

#### Trade and other receivables and contract assets

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.

The Group limits its exposure to credit risk from trade receivables by collecting deposits as collateral, where possible.

In monitoring customer credit risk, the Group considers the trade history of the customers with the Group, aging profile, maturity and existence of previous financial difficulties.

#### Exposure to credit risk

The maximum exposure to credit risk for contract assets and trade and other receivables at the reporting date by business segment is set out below:

|                      | Group   |           |                | Company   |           |                |
|----------------------|---------|-----------|----------------|-----------|-----------|----------------|
|                      | 2018    | 2017      | 1 January 2017 | 2018      | 2017      | 1 January 2017 |
|                      | \$'000  | \$'000    | \$'000         | \$'000    | \$'000    | \$'000         |
| Property development | 672,247 | 878,552   | 1,104,216      | 3,189,141 | 3,018,051 | 3,049,108      |
| Hotel operations     | 114,105 | 107,430   | 179,086        | 162,144   | 159,586   | 154,312        |
| Rental properties    | 142,983 | 58,940    | 122,129        | 310,819   | 94,646    | 283,932        |
| Others               | 47,727  | 60,754    | 60,740         | 806,484   | 1,248,776 | 838,632        |
|                      | 977,062 | 1,105,676 | 1,466,171      | 4,468,588 | 4,521,059 | 4,325,984      |

#### Expected credit loss assessment as at 1 January and 31 December 2018

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are based on actual credit loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The exposure to credit risk and ECL for trade receivables as at 31 December 2018 is insignificant.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

|                            | Group                 |                           | Company               |                           |
|----------------------------|-----------------------|---------------------------|-----------------------|---------------------------|
|                            | Gross carrying amount | Impairment loss allowance | Gross carrying amount | Impairment loss allowance |
|                            | \$'000                | \$'000                    | \$'000                | \$'000                    |
| <b>Group</b>               |                       |                           |                       |                           |
| Current (not past due)     | 79,207                | 6                         | 263                   | –                         |
| 1 – 30 days past due       | 32,995                | 40                        | 4,776                 | 6                         |
| 31 – 60 days past due      | 7,967                 | 96                        | 235                   | 86                        |
| 61 – 90 days past due      | 3,706                 | 189                       | 15                    | 13                        |
| More than 90 days past due | 13,293                | 7,705                     | 169                   | –                         |
|                            | 137,168               | 8,036                     | 5,458                 | 105                       |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (i) Credit risk (cont'd)

#### Trade and other receivables and contract assets (cont'd)

Comparative information under FRS 39

An analysis of trade receivables and impairment losses recognised is as follows:

|                       | Group                 |                   | Company               |                   |
|-----------------------|-----------------------|-------------------|-----------------------|-------------------|
|                       | Gross carrying amount | Impairment losses | Gross carrying amount | Impairment losses |
|                       | 2017                  | 2017              | 2017                  | 2017              |
|                       | \$'000                | \$'000            | \$'000                | \$'000            |
| <b>Group</b>          |                       |                   |                       |                   |
| Not past due          | 114,899               | 288               | 22,019                | –                 |
| Past due 1 – 30 days  | 36,442                | 1                 | 1,153                 | 1                 |
| Past due 31 – 60 days | 8,890                 | 496               | 274                   | –                 |
| Past due 61 – 90 days | 1,904                 | 337               | 332                   | 11                |
| More than 90 days     | 9,262                 | 5,054             | 910                   | 383               |
|                       | 171,397               | 6,176             | 24,688                | 395               |

#### Movements in allowance for impairment in respect of trade and other receivables

The movements in the allowance for impairment in respect of trade and other receivables during the year are as follows:

|                                | Note | Group Individual impairments | Company Individual impairments |
|--------------------------------|------|------------------------------|--------------------------------|
|                                |      | \$'000                       | \$'000                         |
| At 1 January 2017 per FRS 39   |      | 4,892                        | 1,506                          |
| Acquisition of subsidiaries    |      | 20                           | –                              |
| Impairment losses recognised   | 30   | 7,671                        | 48                             |
| Impairment losses utilised     |      | (809)                        | (19)                           |
| Translation differences        |      | (292)                        | 15                             |
| At 31 December 2017 per FRS 39 |      | 11,482                       | 1,550                          |

|  | Note | Group Lifetime ECL | Company Lifetime ECL |
|--|------|--------------------|----------------------|
|  |      | \$'000             | \$'000               |
| At 1 January 2018 per FRS 39 and SFRS(I) 9 |      | 11,482             | 1,550                |
| Impairment loss recognised                 | 30   | 4,235              | (277)                |
| Impairment loss utilised                   |      | (2,002)            | (38)                 |
| Translation differences                    |      | 18                 | –                    |
| At 31 December 2018 per SFRS(I) 9          |      | 13,733             | 1,235                |

Impairment losses recognised were included in "other operating expenses".

There is no impairment loss on contract assets.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (i) Credit risk (cont'd)

#### Non-trade amounts due from subsidiaries

The Company held non-trade receivables from its subsidiaries which were lent to subsidiaries to meet their funding requirements. Impairment on these balances has been measured on the 12 months and lifetime expected loss basis. The amount of the allowance on these balances is set out in note 6.

#### Debt investments

The Group limits its exposure to credit risk on investments held by investing only with counterparties that are of acceptable credit quality.

The exposure to credit risk for debt investments at the reporting date by geographic region was as follows:

|               | Group<br>Carrying amount |                |
|---------------|--------------------------|----------------|
|               | 2018<br>\$'000           | 2017<br>\$'000 |
| Singapore     | 274,146                  | 272,500        |
| Australia     | 28,040                   | 30,186         |
| United States | 16,078                   | –              |
| Vietnam       | 27,391                   | –              |
|               | <u>345,655</u>           | <u>302,686</u> |

There is no impairment recognised on the debt investments as at 31 December 2018 and 31 December 2017.

#### Derivatives

Derivatives are only entered into with bank and financial institution counterparties with sound credit ratings. As at the reporting date, the Group has cross-currency swaps and forward exchange contracts with a total notional amount of \$614,868,000 (2017: \$253,428,000) and \$210,520,000 (2017: \$10,047,000) respectively. The Company has cross-currency swaps and forward exchange contracts with a total notional amount of \$441,255,000 (2017: \$83,526,000) and \$181,820,000 (2017: \$Nil) respectively.

#### Cash and cash equivalents

The Group and the Company held cash and cash equivalents of \$2,512 million and \$727 million (2017: \$3,989 million and \$1,384 million), respectively at 31 December 2018. The cash and cash equivalents are held with bank and financial institution counterparties with sound credit ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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.

The Group has contractual commitments to incur capital expenditure on its property, plant and equipment and investment properties, purchase properties and investments in joint ventures and investees (see note 34).

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

|  | Carrying<br>amount<br>\$'000 | Contractual<br>cash flows<br>\$'000 | After 1 year<br>but within |                    |                            |
|--|------------------------------|-------------------------------------|----------------------------|--------------------|----------------------------|
|  |                              |                                     | Within<br>1 year<br>\$'000 | 5 years<br>\$'000  | After<br>5 years<br>\$'000 |
| <b>Group</b>                                   |                              |                                     |                            |                    |                            |
| <b>31 December 2018</b>                        |                              |                                     |                            |                    |                            |
| <b>Non-derivative financial liabilities</b>    |                              |                                     |                            |                    |                            |
| Interest-bearing borrowings                    | 6,327,252                    | (6,754,750)                         | (1,378,433)                | (4,895,783)        | (480,534)                  |
| Trade and other payables*                      | 1,253,455                    | (1,258,159)                         | (1,258,159)                | –                  | –                          |
| Other liabilities*                             | 86,015                       | (86,015)                            | –                          | (73,627)           | (12,388)                   |
|  | <u>7,666,722</u>             | <u>(8,098,924)</u>                  | <u>(2,636,592)</u>         | <u>(4,969,410)</u> | <u>(492,922)</u>           |
| <b>Derivative financial instruments</b>        |                              |                                     |                            |                    |                            |
| Forward exchange contracts<br>(gross-settled): | 37                           |                                     |                            |                    |                            |
| – Outflow                                      |                              | (1,714)                             | (1,714)                    | –                  | –                          |
| – Inflow                                       |                              | 1,656                               | 1,656                      | –                  | –                          |
| Cross-currency swaps (gross-settled):          | 1,337                        |                                     |                            |                    |                            |
| – Outflow                                      |                              | (70,715)                            | (277)                      | (70,438)           | –                          |
| – Inflow                                       |                              | 72,046                              | 1,910                      | 70,136             | –                          |
| Interest rate swaps (net-settled)              | 3,644                        | (2,233)                             | (975)                      | (1,258)            | –                          |
|  | <u>5,018</u>                 | <u>(960)</u>                        | <u>600</u>                 | <u>(1,560)</u>     | <u>–</u>                   |
| Forward exchange contracts<br>(gross-settled): | (8,727)                      |                                     |                            |                    |                            |
| – Outflow                                      |                              | (201,017)                           | (201,017)                  | –                  | –                          |
| – Inflow                                       |                              | 208,865                             | 208,865                    | –                  | –                          |
| Cross-currency swaps (gross-settled):          | (18,040)                     |                                     |                            |                    |                            |
| – Outflow                                      |                              | (533,109)                           | (85,991)                   | (447,118)          | –                          |
| – Inflow                                       |                              | 563,093                             | 90,812                     | 472,281            | –                          |
|  | <u>(26,767)</u>              | <u>37,832</u>                       | <u>12,669</u>              | <u>25,163</u>      | <u>–</u>                   |
|  | <u>(21,749)</u>              | <u>36,872</u>                       | <u>13,269</u>              | <u>23,603</u>      | <u>–</u>                   |
|  | <u>7,644,973</u>             | <u>(8,062,052)</u>                  | <u>(2,623,323)</u>         | <u>(4,945,807)</u> | <u>(492,922)</u>           |

\* Excluding derivatives (shown separately) and deferred income.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (ii) Liquidity risk (cont'd)

|   | Carrying amount<br>\$'000 | Contractual cash flows<br>\$'000 | Within 1 year<br>\$'000 | After 1 year but within 5 years<br>\$'000 | After 5 years<br>\$'000 |
|---|---------------------------|----------------------------------|-------------------------|---|-------------------------|
| <b>Group</b>                                |                           |                                  |                         |   |                         |
| <b>31 December 2017</b>                     |                           |                                  |                         |   |                         |
| <b>Non-derivative financial liabilities</b> |                           |                                  |                         |   |                         |
| Interest-bearing borrowings                 | 5,021,682                 | (5,366,725)                      | (1,352,073)             | (3,437,329)                               | (577,323)               |
| Trade and other payables*                   | 1,262,736                 | (1,263,123)                      | (1,263,123)             | –   | –                       |
| Other liabilities*                          | 115,492                   | (115,492)                        | –                       | (99,278)                                  | (16,214)                |
|   | 6,399,910                 | (6,745,340)                      | (2,615,196)             | (3,536,607)                               | (593,537)               |
| <b>Derivative financial instruments</b>     |                           |                                  |                         |   |                         |
| Cross-currency swaps (gross-settled):       | (1,044)                   |                                  |                         |   |                         |
| – Outflow                                   |                           | (83,025)                         | (67,622)                | (15,403)                                  | –                       |
| – Inflow                                    |                           | 83,732                           | 68,653                  | 15,079                                    | –                       |
| Forward exchange contracts (gross-settled): | (252)                     |                                  |                         |   |                         |
| – Outflow                                   |                           | (7,698)                          | (7,698)                 | –   | –                       |
| – Inflow                                    |                           | 7,950                            | 7,950                   | –   | –                       |
|   | (1,296)                   | 959                              | 1,283                   | (324)                                     | –                       |
| Cross-currency swaps (gross-settled):       | 1,893                     |                                  |                         |   |                         |
| – Outflow                                   |                           | (177,626)                        | (953)                   | (176,673)                                 | –                       |
| – Inflow                                    |                           | 184,335                          | 3,114                   | 181,221                                   | –                       |
| Forward exchange contracts (gross-settled): | 14                        |                                  |                         |   |                         |
| – Outflow                                   |                           | (2,101)                          | (2,101)                 | –   | –                       |
| – Inflow                                    |                           | 2,097                            | 2,097                   | –   | –                       |
|   | 1,907                     | 6,705                            | 2,157                   | 4,548                                     | –                       |
|   | 611                       | 7,664                            | 3,440                   | 4,224                                     | –                       |
|   | 6,400,521                 | (6,737,676)                      | (2,611,756)             | (3,532,383)                               | (593,537)               |
| <b>1 January 2017</b>                       |                           |                                  |                         |   |                         |
| <b>Non-derivative financial liabilities</b> |                           |                                  |                         |   |                         |
| Interest-bearing borrowings                 | 5,737,767                 | (6,146,213)                      | (1,912,756)             | (3,532,752)                               | (700,705)               |
| Trade and other payables*                   | 1,194,441                 | (1,197,273)                      | (1,197,273)             | –   | –                       |
| Other liabilities*                          | 149,108                   | (149,108)                        | –                       | (130,935)                                 | (18,173)                |
|   | 7,081,316                 | (7,492,594)                      | (3,110,029)             | (3,663,687)                               | (718,878)               |

\* Excluding derivatives (shown separately) and deferred income.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (ii) Liquidity risk (cont'd)

|   | Carrying amount<br>\$'000 | Contractual cash flows<br>\$'000 | Within 1 year<br>\$'000 | After 1 year but within 5 years<br>\$'000 | After 5 years<br>\$'000 |
|---|---------------------------|----------------------------------|-------------------------|---|-------------------------|
| <b>Company</b>                              |                           |                                  |                         |   |                         |
| <b>31 December 2018</b>                     |                           |                                  |                         |   |                         |
| <b>Non-derivative financial liabilities</b> |                           |                                  |                         |   |                         |
| Interest-bearing borrowings                 | 2,630,510                 | (2,816,405)                      | (481,339)               | (1,924,758)                               | (410,308)               |
| Trade and other payables*                   | 2,510,898                 | (2,513,405)                      | (2,513,405)             | –   | –                       |
| Other liabilities                           | 8,847                     | (8,847)                          | –                       | (8,847)                                   | –                       |
|   | 5,150,255                 | (5,338,657)                      | (2,994,744)             | (1,933,605)                               | (410,308)               |
| <b>Derivative financial instruments</b>     |                           |                                  |                         |   |                         |
| Cross-currency swaps (gross-settled):       | (14,080)                  |                                  |                         |   |                         |
| – Outflow                                   |                           | (430,566)                        | (85,337)                | (345,229)                                 | –                       |
| – Inflow                                    |                           | 448,658                          | 88,114                  | 360,544                                   | –                       |
| Forward exchange contracts (gross-settled): | (8,509)                   |                                  |                         |   |                         |
| – Outflow                                   |                           | (174,110)                        | (174,110)               | –   | –                       |
| – Inflow                                    |                           | 181,820                          | 181,820                 | –   | –                       |
|   | (22,589)                  | 25,802                           | 10,487                  | 15,315                                    | –                       |
|   | 5,127,666                 | (5,312,855)                      | (2,984,257)             | (1,918,290)                               | (410,308)               |
| <b>31 December 2017</b>                     |                           |                                  |                         |   |                         |
| <b>Non-derivative financial liabilities</b> |                           |                                  |                         |   |                         |
| Interest-bearing borrowings                 | 2,452,700                 | (2,673,217)                      | (714,667)               | (1,381,227)                               | (577,323)               |
| Trade and other payables*                   | 2,164,668                 | (2,166,043)                      | (2,166,043)             | –   | –                       |
| Other liabilities                           | 119,311                   | (124,421)                        | (2,241)                 | (122,180)                                 | –                       |
|   | 4,736,679                 | (4,963,681)                      | (2,882,951)             | (1,503,407)                               | (577,323)               |
| <b>Derivative financial instruments</b>     |                           |                                  |                         |   |                         |
| Cross-currency swaps (gross-settled):       | (1,044)                   |                                  |                         |   |                         |
| – Outflow                                   |                           | (83,025)                         | (67,622)                | (15,403)                                  | –                       |
| – Inflow                                    |                           | 83,732                           | 68,653                  | 15,079                                    | –                       |
|   | (1,044)                   | 707                              | 1,031                   | (324)                                     | –                       |
|   | 4,735,635                 | (4,962,974)                      | (2,881,920)             | (1,503,731)                               | (577,323)               |
| <b>1 January 2017</b>                       |                           |                                  |                         |   |                         |
| <b>Non-derivative financial liabilities</b> |                           |                                  |                         |   |                         |
| Interest-bearing borrowings                 | 2,806,546                 | (3,091,243)                      | (1,051,969)             | (1,338,569)                               | (700,705)               |
| Trade and other payables*                   | 1,812,962                 | (1,812,962)                      | (1,812,962)             | –   | –                       |
| Other liabilities                           | 170,137                   | (180,991)                        | (3,616)                 | (177,375)                                 | –                       |
|   | 4,789,645                 | (5,085,196)                      | (2,868,547)             | (1,515,944)                               | (700,705)               |

\* Excluding derivatives (shown separately) and deferred income

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (ii) Liquidity risk (cont'd)

The maturity analyses show the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/(outflows) disclosed represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement e.g. forward exchange contracts. Net-settled derivative financial assets are included in the maturity analyses as they are held to hedge the cash flow variability of the Group's floating rate loans.

The interest payments on variable interest rate loans and bonds and notes in the table above reflect market forward interest rates at the period end and these amounts may change as market interest rates changes. It is not expected that the cash flows in the maturity analysis could occur significantly earlier, or at significantly different amounts.

### (iii) 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.

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.

The Group enters into interest rate swap agreements to hedge the interest rate risk exposure arising from its SGD variable rate term loan (note 21). As at the end of the financial year, the Group has interest rate swap agreements with notional amount totalling \$450,000,000 (2017: \$Nil) whereby it receives variable rate equal to SIBOR and pays fixed rates of between 2.08% and 2.15% (2017: Nil%) on the notional amount.

#### Fair value sensitivity analysis for fixed rate instruments

The Group has fixed rate debt instruments measured at FVTPL. A change in interest rates at the reporting date would not have a material impact on the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Market risk (cont'd)

#### Interest rate risk (cont'd)

#### Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

|  | Group                      |                            | Company                    |                            |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
|  | 31 December 2018<br>\$'000 | 31 December 2017<br>\$'000 | 31 December 2018<br>\$'000 | 31 December 2017<br>\$'000 |

#### 100 bp increase

|   |          |          |     |       |
|---|----------|----------|-----|-------|
| (Reduction)/Increase in profit before tax | (39,333) | (27,613) | 272 | (161) |
|---|----------|----------|-----|-------|

A 100bp decrease in interest rates at the reporting date would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

#### 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, Hong Kong Dollar, Australian Dollar, Sterling Pound, Renminbi, Japanese Yen 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. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Market risk (cont'd)

#### Foreign currency risk (cont'd)

The Group's and the Company's exposure to foreign currencies are as follows:

|   | United States<br>Dollar<br>\$'000 | Singapore<br>Dollar<br>\$'000 | Hong Kong<br>Dollar<br>\$'000 | Australian<br>Dollar<br>\$'000 | Sterling<br>Pound<br>\$'000 | Renminbi<br>\$'000 | Japanese<br>Yen<br>\$'000 | Euro<br>\$'000 | Others<br>\$'000 |
|---|-----------------------------------|-------------------------------|-------------------------------|--------------------------------|-----------------------------|--------------------|---------------------------|----------------|------------------|
| <b>Group</b>  |                                   |                               |                               |                                |                             |                    |                           |                |                  |
| <b>31 December 2018</b>                                 |                                   |                               |                               |                                |                             |                    |                           |                |                  |
| Financial assets  | 41,124                            | –                             | –                             | –                              | –                           | –                  | –                         | –              | –                |
| Trade and other receivables*                            | 364                               | 799                           | –                             | –                              | –                           | 1,988              | –                         | 48,839         | 362              |
| Cash and cash equivalents (net of cash pool overdrafts) | 49,739                            | 4,626                         | 371                           | 55,850                         | 2,777                       | 138,149            | 1,657                     | 2,852          | 3,492            |
| Amounts owing by/(to) subsidiaries (net)***             | 261,231                           | (223,254)                     | 27,142                        | 43,114                         | (202,722)                   | (63,405)           | (121,158)                 | 53,587         | 3,795            |
| Interest-bearing borrowings                             | (718,695)                         | –                             | (20,580)                      | (12,400)                       | (1,370,373)                 | (19,143)           | (92,272)                  | (235,177)      | –                |
| Trade and other payables**                              | (5,190)                           | (331)                         | (64)                          | (20)                           | (1,365)                     | (509)              | (24)                      | –              | (12)             |
| Net statement of financial position exposure            | (371,427)                         | (218,160)                     | 6,869                         | 86,544                         | (1,571,683)                 | 57,080             | (211,797)                 | (129,899)      | 7,637            |
| Forward exchange contracts                              | (577)                             | 18,363                        | –                             | (1,978)                        | (175,968)                   | –                  | (802)                     | –              | (3,499)          |
| Cross-currency swaps                                    | 173,613                           | –                             | –                             | –                              | (292,505)                   | (14,786)           | (70,335)                  | (227,416)      | –                |
| Net exposure  | (198,391)                         | (199,797)                     | 6,869                         | 84,566                         | (2,040,156)                 | 42,294             | (282,934)                 | (357,315)      | 4,138            |
| <b>31 December 2017</b>                                 |                                   |                               |                               |                                |                             |                    |                           |                |                  |
| Financial assets  | 26,993                            | –                             | –                             | –                              | –                           | –                  | –                         | –              | –                |
| Trade and other receivables*                            | 490                               | 1,310                         | –                             | –                              | 147                         | 3,323              | 1,244                     | –              | 474              |
| Cash and cash equivalents (net of cash pool overdrafts) | 44,499                            | 691,917                       | 2,293                         | 1,764                          | 1,289                       | 117,364            | 5,429                     | 6,469          | 6,059            |
| Amounts owing by/(to) subsidiaries (net)***             | 209,145                           | (926,552)                     | (13,074)                      | 76,113                         | 763,640                     | 68,068             | 27,920                    | 9,090          | 4,213            |
| Interest-bearing borrowings                             | (803,187)                         | –                             | –                             | (30,323)                       | (846,771)                   | (76,002)           | (114,999)                 | (153,033)      | –                |
| Trade and other payables**                              | (235)                             | (554)                         | (42)                          | (52)                           | (372)                       | (697)              | (58)                      | (1)            | (9)              |
| Net statement of financial position exposure            | (522,295)                         | (233,879)                     | (10,823)                      | 47,502                         | (82,067)                    | 112,056            | (80,464)                  | (137,475)      | 10,737           |
| Forward exchange contracts                              | (645)                             | –                             | –                             | (1,344)                        | (2,850)                     | –                  | (1,389)                   | –              | (3,819)          |
| Cross-currency swaps                                    | 169,902                           | –                             | –                             | –                              | –                           | (15,179)           | (67,161)                  | (173,846)      | –                |
| Net exposure  | (353,038)                         | (233,879)                     | (10,823)                      | 46,158                         | (84,917)                    | 96,877             | (149,014)                 | (311,321)      | 6,918            |
| <b>1 January 2017</b>                                   |                                   |                               |                               |                                |                             |                    |                           |                |                  |
| Financial assets  | 13,386                            | –                             | –                             | –                              | –                           | –                  | –                         | –              | –                |
| Trade and other receivables*                            | 121                               | 767                           | –                             | –                              | 24                          | 4,652              | –                         | –              | 367              |
| Cash and cash equivalents (net of cash pool overdrafts) | 155,019                           | 3,040                         | 520                           | 751                            | 4,274                       | 135,073            | 1,950                     | (10,313)       | 3,457            |
| Amounts owing by/(to) subsidiaries (net)***             | 27,296                            | (227,806)                     | (17,761)                      | 9,971                          | 629,736                     | 183,415            | 35,418                    | –              | 10,259           |
| Interest-bearing borrowings                             | (802,271)                         | –                             | –                             | (97,431)                       | (486,019)                   | (176,353)          | (206,694)                 | (175,015)      | –                |
| Trade and other payables**                              | (549)                             | (644)                         | (46)                          | –                              | (355)                       | (3,903)            | (77)                      | –              | (9)              |
| Net statement of financial position exposure            | (606,998)                         | (224,643)                     | (17,287)                      | (86,709)                       | 147,660                     | 142,884            | (169,403)                 | (185,328)      | 14,074           |
| Forward exchange contracts                              | (2,510)                           | –                             | –                             | (2,479)                        | (3,286)                     | –                  | (2,086)                   | –              | (5,669)          |
| Net exposure  | (609,508)                         | (224,643)                     | (17,287)                      | (89,188)                       | 144,374                     | 142,884            | (171,489)                 | (185,328)      | 8,405            |

\* Excluding prepayments

\*\* Excluding deferred income

\*\*\* Excluding amounts owing by/(to) subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Market risk (cont'd)

#### Foreign currency risk (cont'd)

|  | United States<br>Dollar<br>\$'000 | Hong Kong<br>Dollar<br>\$'000 | Japanese<br>Yen<br>\$'000 | Sterling<br>Pound<br>\$'000 | Renminbi<br>\$'000 | Australian<br>Dollar<br>\$'000 | Euro<br>\$'000 | Others<br>\$'000 |
|--|-----------------------------------|-------------------------------|---------------------------|-----------------------------|--------------------|--------------------------------|----------------|------------------|
| <b>Company</b>                               |                                   |                               |                           |                             |                    |                                |                |                  |
| <b>31 December 2018</b>                      |                                   |                               |                           |                             |                    |                                |                |                  |
| Trade and other receivables*                 | -                                 | -                             | -                         | -                           | 5                  | -                              | -              | 56               |
| Cash and cash equivalents                    | 535                               | 21                            | -                         | -                           | 10,046             | -                              | -              | 267              |
| Amounts owing by/(to) subsidiaries (net)     | 10,373                            | 23,116                        | 121,853                   | 1,729,396                   | 131,031            | 28,964                         | 52,412         | (5)              |
| Interest-bearing borrowings                  | (10,590)                          | (20,580)                      | (51,663)                  | (1,254,538)                 | (19,143)           | (12,400)                       | -              | -                |
| Trade and other payables**                   | (18)                              | (13)                          | (24)                      | (854)                       | (96)               | (20)                           | -              | (14)             |
| Net statement of financial position exposure | 300                               | 2,544                         | 70,166                    | 474,004                     | 121,843            | 16,544                         | 52,412         | 304              |
| Forward exchange contracts                   | -                                 | -                             | -                         | (174,110)                   | -                  | -                              | -              | -                |
| Cross-currency swaps                         | -                                 | -                             | (70,335)                  | (292,505)                   | (14,786)           | -                              | (52,724)       | -                |
| Net exposure                                 | 300                               | 2,544                         | (169)                     | 7,389                       | 107,057            | 16,544                         | (312)          | 304              |
| <b>31 December 2017</b>                      |                                   |                               |                           |                             |                    |                                |                |                  |
| Trade and other receivables*                 | -                                 | -                             | -                         | -                           | -                  | -                              | -              | 56               |
| Cash and cash equivalents                    | 514                               | 34                            | -                         | -                           | -                  | -                              | -              | 11               |
| Amounts owing by/(to) 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)              |
| Net statement of financial position exposure | 301                               | (17,291)                      | 65,802                    | 6,465                       | (48,168)           | 68                             | -              | 53               |
| Cross-currency swaps                         | -                                 | -                             | (67,161)                  | -                           | (15,179)           | -                              | -              | -                |
| Net exposure                                 | 301                               | (17,291)                      | (1,359)                   | 6,465                       | (63,347)           | 68                             | -              | 53               |
| <b>1 January 2017</b>                        |                                   |                               |                           |                             |                    |                                |                |                  |
| Trade and other receivables*                 | -                                 | -                             | -                         | -                           | -                  | -                              | -              | 45               |
| Cash and cash equivalents                    | 550                               | 45                            | -                         | 1,079                       | -                  | -                              | -              | 19               |
| Amounts owing by/(to) 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)              |
| Net exposure                                 | 319                               | (18,785)                      | (34,540)                  | 6,620                       | (66,042)           | -                              | -              | 50               |

\* Excluding prepayments

\*\* Excluding deferred income and derivative financial liabilities

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Market risk (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.

|                      | 2018                        |                  | 2017                        |                  |
|----------------------|-----------------------------|------------------|-----------------------------|------------------|
|                      | Profit before tax<br>\$'000 | Equity<br>\$'000 | Profit before tax<br>\$'000 | Equity<br>\$'000 |
| <b>Group</b>         |                             |                  |                             |                  |
| United States Dollar | 3,444                       | (13,364)         | 1,465                       | (19,117)         |
| Singapore Dollar     | (10,909)                    | 918              | (11,694)                    | -                |
| Hong Kong Dollar     | 344                         | -                | (541)                       | -                |
| Australian Dollar    | 4,229                       | -                | 2,308                       | -                |
| Sterling Pound       | (96,217)                    | (5,788)          | 6,575                       | (10,821)         |
| Renminbi             | 2,855                       | (739)            | 5,603                       | (759)            |
| Japanese Yen         | (12,117)                    | (2,029)          | (5,513)                     | (1,937)          |
| Euro                 | (11,794)                    | (8,514)          | (11,396)                    | (4,170)          |
| <b>Company</b>       |                             |                  |                             |                  |
| United States Dollar | 15                          | -                | 15                          | -                |
| Hong Kong Dollar     | 127                         | -                | (865)                       | -                |
| Japanese Yen         | (8)                         | -                | (68)                        | -                |
| Sterling Pound       | 369                         | -                | 323                         | -                |
| Renminbi             | 5,353                       | -                | (3,167)                     | -                |
| Australian Dollar    | 827                         | -                | 3                           | -                |
| Euro                 | (16)                        | -                | -                           | -                |

#### Equity price risk

The Group and the Company are exposed to equity price changes arising from quoted equity investments at FVOCI and FVTPL (2017: quoted equity investments available for sale and held for trading). A change in the underlying equity prices of the investments at the reporting date by 10% (2017: 10%) and 5% (2017: 5%) for the Group and the Company, respectively, would impact profit and other components of equity (before any tax effect) by the amounts shown below. Similarly, a change in the revalued net asset values or dividend rate of unquoted equity investments at FVOCI and FVTPL at the reporting date by 10% and 5% for the Group and the Company, respectively, would impact profit and other components of equity (before any tax effect) by the amounts shown below.

This analysis assumes that all other variables remain constant.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Market risk (cont'd)

#### Equity price risk (cont'd)

##### Equity investments

|  | Increase by<br>10%<br>Group<br>\$'000 | Increase by<br>5%<br>Company<br>\$'000 | Decrease by<br>10%<br>Group<br>\$'000 | Decrease by<br>5%<br>Company<br>\$'000 |
|--|---------------------------------------|--|---------------------------------------|--|
| <b>2018</b>  |                                       |  |                                       |  |
| <b>Quoted equity investments at FVOCI and FVTPL</b>                      |                                       |  |                                       |  |
| Equity   | 10,498                                | 1,162                                  | (10,498)                              | (1,162)                                |
| Profit before tax  | 5,827                                 | 102                                    | (5,827)                               | (102)                                  |
| <b>Unquoted equity investments at FVOCI and FVTPL</b>                    |                                       |  |                                       |  |
| Equity   | 32,901                                | 16,377                                 | (32,901)                              | (16,377)                               |
| Profit before tax  | 4,355                                 | -                                      | (4,355)                               | -                                      |
| <b>2017</b>  |                                       |  |                                       |  |
| <b>Quoted equity investments available for sale and held for trading</b> |                                       |  |                                       |  |
| Equity   | 4,234                                 | 1,364                                  | (3,200)                               | (1,364)                                |
| Profit before tax  | 1,577                                 | -                                      | (2,611)                               | -                                      |

There is no sensitivity analysis prepared for unquoted equity investments at FVOCI and FVTPL as at 31 December 2017 which were carried at amortised cost.

### (iv) Hedge accounting

#### Net investment hedges

At the reporting date, the Group has designated certain foreign currency denominated interest-bearing borrowings and cross-currency swaps to hedge against the currency risk arising from the Group's net investments in certain subsidiaries in the United States of America, Europe, China, Australia, Germany, Maldives and Japan.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (iv) Hedge accounting (cont'd)

At 31 December 2018, the Group held the following instruments to hedge exposures to changes in foreign currencies:

|   | Notional amount          | Carrying amount – Assets/ (Liabilities) \$'000 | Line item in the statement of financial position where the hedging instrument is included | Changes in the value of the hedging instrument recognised in OCI \$'000 | Hedge ineffectiveness recognised in profit or loss \$'000 | Line item in profit or loss that includes hedge ineffectiveness | Amount reclassified from reserve to profit of loss \$'000         | Hedged foreign exchange rate                | Year of maturity   |
|---|--------------------------|--|---|---|---|---|---|---|--|
| <b>Group</b>  |                          |  |   |   |   |   |   |   |  |
| <b>Cash flow hedges</b>   |                          |  |   |   |   |   |   |   |  |
| Foreign exchange risk   |                          |  |   |   |   |   |   |   |  |
| – Forward exchange contract to hedge foreign currency borrowings  | \$18,362,000             | 23   | Trade and other receivables   | (54)  | –   | Not applicable  | –   | KRW/SGD 816.96                              | 2019   |
| – Cross-currency swaps to hedge foreign currency borrowings   | EUR 45,000,000           | (1,337)  | Other liabilities   | (2,345)   | –   | Not applicable  | –   | USD/EUR 0.891                               | 2020   |
| <b>Net investment hedges</b>  |                          |  |   |   |   |   |   |   |  |
| Foreign exchange risk   |                          |  |   |   |   |   |   |   |  |
| – Borrowings to hedge net investments in foreign operations   | \$494,315,000 equivalent | (494,315)                                      | Interest-bearing borrowings   | (5,833)   | (4,141)   | Finance costs   | 3,411   | Not applicable                              | 2019 to 2022   |
| – Cross-currency swaps to hedge net investments in foreign operations   | RMB74,190,000            | 219  | Trade and other receivables   | 419   | –   | Not applicable  | –   | SGD/RMB 4.92                                | 2019   |
|   |                          |  |   |   |   |   | Change in value used for calculating hedge ineffectiveness \$'000 | Foreign currency translation reserve \$'000 | Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied \$'000 |
| Net investments in certain foreign subsidiaries whose functional currencies are denominated in United States Dollar, Euro, Australian Dollar, Japanese Yen and Sterling Pound |                          |  |   |   |   |   | 5,414   | 28,267                                      | –  |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (v) Accounting classifications and fair values

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

|   | Note | Mandatorily at FVTPL – others \$'000 | FVOCI – equity instruments \$'000 | Fair value – hedging instruments \$'000 | Amortised cost \$'000 | Other financial liabilities \$'000 | Total carrying amount \$'000 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total fair value \$'000 |
|---|------|--------------------------------------|-----------------------------------|---|-----------------------|------------------------------------|------------------------------|----------------|----------------|----------------|-------------------------|
| <b>Group</b>  |      |                                      |                                   |   |                       |                                    |                              |                |                |                |                         |
| <b>31 December 2018</b>                                 |      |                                      |                                   |   |                       |                                    |                              |                |                |                |                         |
| <b>Financial assets measured at fair value</b>          |      |                                      |                                   |   |                       |                                    |                              |                |                |                |                         |
| Unquoted debt investments – mandatorily at FVTPL        | 9    | 345,655                              | –                                 | –                                       | –                     | –                                  | 345,655                      | –              | 274,146        | 71,509         | 345,655                 |
| Unquoted equity investments – at FVOCI                  | 9    | –                                    | 329,013                           | –                                       | –                     | –                                  | 329,013                      | –              | –              | 329,013        | 329,013                 |
| Unquoted equity investments – mandatorily at FVTPL      | 9    | 43,548                               | –                                 | –                                       | –                     | –                                  | 43,548                       | –              | –              | 43,548         | 43,548                  |
| Quoted equity instruments – at FVOCI                    | 9    | –                                    | 104,977                           | –                                       | –                     | –                                  | 104,977                      | 104,977        | –              | –              | 104,977                 |
| Quoted equity investments – mandatorily at FVTPL        | 9    | 58,272                               | –                                 | –                                       | –                     | –                                  | 58,272                       | 58,272         | –              | –              | 58,272                  |
| Other financial asset – mandatorily at FVTPL            | 9    | 17,214                               | –                                 | –                                       | –                     | –                                  | 17,214                       | –              | –              | 17,214         | 17,214                  |
| Derivative financial assets                             |      | –                                    | –                                 | 26,767                                  | –                     | –                                  | 26,767                       | –              | 26,767         | –              | 26,767                  |
|   |      | 464,689                              | 433,990                           | 26,767                                  | –                     | –                                  | 925,446                      | –              | –              | –              | –                       |
| <b>Financial assets not measured at fair value</b>      |      |                                      |                                   |   |                       |                                    |                              |                |                |                |                         |
| Other non-current assets <sup>^</sup>                   | 10   | –                                    | –                                 | –                                       | 234,414               | –                                  | 234,414                      | –              | –              | –              | –                       |
| Trade and other receivables <sup>#</sup>                | 14   | –                                    | –                                 | –                                       | 869,821               | –                                  | 869,821                      | –              | –              | –              | –                       |
| Cash and cash equivalents                               | 16   | –                                    | –                                 | –                                       | 2,289,247             | –                                  | 2,289,247                    | –              | –              | –              | –                       |
|   |      | –                                    | –                                 | –                                       | 3,393,482             | –                                  | 3,393,482                    | –              | –              | –              | –                       |
| <b>Financial liabilities measured at fair value</b>     |      |                                      |                                   |   |                       |                                    |                              |                |                |                |                         |
| Derivative financial liabilities                        |      | –                                    | –                                 | 5,018                                   | –                     | –                                  | 5,018                        | –              | 5,018          | –              | 5,018                   |
| <b>Financial liabilities not measured at fair value</b> |      |                                      |                                   |   |                       |                                    |                              |                |                |                |                         |
| Interest-bearing borrowings                             | 20   | –                                    | –                                 | –                                       | –                     | 6,327,252                          | 6,327,252                    | –              | 6,342,815      | –              | 6,342,815               |
| Other liabilities <sup>*</sup>                          | 25   | –                                    | –                                 | –                                       | –                     | 86,015                             | 86,015                       | –              | –              | –              | –                       |
| Trade and other payables <sup>*</sup>                   | 28   | –                                    | –                                 | –                                       | –                     | 1,253,455                          | 1,253,455                    | –              | –              | –              | –                       |
|   |      | –                                    | –                                 | –                                       | –                     | 7,666,722                          | 7,666,722                    | –              | –              | –              | –                       |

<sup>^</sup> Excluding derivative financial assets, prepayments, intangible assets and deferred tax assets

<sup>#</sup> Excluding prepayments and derivative financial assets

<sup>\*</sup> Excluding deferred income and derivative financial liabilities

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (v) Accounting classifications and fair values (cont'd)

|   | Note | FVTPL<br>\$'000 | Designated<br>at FVTPL<br>\$'000 | Fair value –<br>hedging<br>instruments<br>\$'000 | Loans and<br>receivables<br>\$'000 | Available-<br>for-sale<br>\$'000 | Other<br>financial<br>liabilities<br>\$'000 | Total<br>carrying<br>amount<br>\$'000 | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>fair value<br>\$'000 |
|---|------|-----------------|----------------------------------|--|------------------------------------|----------------------------------|---|---------------------------------------|-------------------|-------------------|-------------------|-------------------------------|
| <b>Group</b>  |      |                 |                                  |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| <b>31 December 2017</b>                                       |      |                 |                                  |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| <b>Financial assets measured at fair value</b>                |      |                 |                                  |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| Unquoted debt investments – designated at FVTPL               | 9    | –               | 30,186                           | –  | –                                  | –                                | –   | 30,186                                | –                 | –                 | 30,186            | 30,186                        |
| Quoted equity investments – available-for-sale                | 9    | –               | –                                | –  | –                                  | 42,338                           | –   | 42,338                                | 42,338            | –                 | –                 | 42,338                        |
| Quoted equity investments – held-for-trading                  | 9    | 15,770          | –                                | –  | –                                  | –                                | –   | 15,770                                | 15,770            | –                 | –                 | 15,770                        |
| Derivative financial assets                                   | 14   | –               | –                                | 1,296  | –                                  | –                                | –   | 1,296                                 | –                 | 1,296             | –                 | 1,296                         |
|   |      | 15,770          | 30,186                           | 1,296  | –                                  | 42,338                           | –   | 89,590                                |                   |                   |                   |                               |
| <b>Financial assets not measured at fair value</b>            |      |                 |                                  |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| Unquoted debt investments – loans and receivables             | 9    | –               | –                                | –  | 272,500                            | –                                | –   | 272,500                               |                   |                   |                   |                               |
| Unquoted equity investments – available-for-sale <sup>Ⓞ</sup> | 9    | –               | –                                | –  | –                                  | 59,900                           | –   | 59,900                                |                   |                   |                   |                               |
| Other financial assets – loans and receivables                | 9    | –               | –                                | –  | 27,999                             | –                                | –   | 27,999                                |                   |                   |                   |                               |
| Other non-current assets <sup>^</sup>                         | 10   | –               | –                                | –  | 426,598                            | –                                | –   | 426,598                               |                   |                   |                   |                               |
| Trade and other receivables <sup>#</sup>                      | 14   | –               | –                                | –  | 797,249                            | –                                | –   | 797,249                               |                   |                   |                   |                               |
| Cash and cash equivalents                                     | 16   | –               | –                                | –  | 3,775,909                          | –                                | –   | 3,775,909                             |                   |                   |                   |                               |
|   |      | –               | –                                | –  | 5,300,255                          | 59,900                           | –   | 5,360,155                             |                   |                   |                   |                               |
| <b>Financial liabilities measured at fair value</b>           |      |                 |                                  |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| Derivative financial liabilities                              |      | –               | –                                | 1,907  | –                                  | –                                | –   | 1,907                                 | –                 | 1,907             | –                 | 1,907                         |
| <b>Financial liabilities not measured at fair value</b>       |      |                 |                                  |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| Interest-bearing borrowings                                   | 20   | –               | –                                | –  | –                                  | –                                | 5,021,682                                   | 5,021,682                             | –                 | 5,043,354         | –                 | 5,043,354                     |
| Other liabilities <sup>*</sup>                                | 25   | –               | –                                | –  | –                                  | –                                | 115,492                                     | 115,492                               |                   |                   |                   |                               |
| Trade and other payables <sup>*</sup>                         | 28   | –               | –                                | –  | –                                  | –                                | 1,262,736                                   | 1,262,736                             |                   |                   |                   |                               |
|   |      | –               | –                                | –  | –                                  | –                                | 6,399,910                                   | 6,399,910                             |                   |                   |                   |                               |

Ⓞ Fair values of unquoted equity investments were not disclosed as the investments were stated at cost and their fair values cannot be determined

<sup>^</sup> Excluding derivative financial assets, prepayments, intangible assets and deferred tax assets

<sup>#</sup> Excluding prepayments and derivative financial assets

<sup>\*</sup> Excluding deferred income and derivative financial liabilities



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (v) Accounting classifications and fair values (cont'd)

|   | Note | FVTPL<br>\$'000 | Fair value –<br>hedging<br>instruments<br>\$'000 | Loans and<br>receivables<br>\$'000 | Available-<br>for-sale<br>\$'000 | Other<br>financial<br>liabilities<br>\$'000 | Total<br>carrying<br>amount<br>\$'000 | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>fair value<br>\$'000 |
|---|------|-----------------|--|------------------------------------|----------------------------------|---|---------------------------------------|-------------------|-------------------|-------------------|-------------------------------|
| <b>Group</b>  |      |                 |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| <b>1 January 2017</b>   |      |                 |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| <b>Financial assets measured at fair value</b>                |      |                 |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| Quoted equity investments – available-for-sale                |      | –               | –  | –                                  | 38,752                           | –   | 38,752                                | 38,752            | –                 | –                 | 38,752                        |
| Quoted equity investments – held-for-trading                  |      | 16,399          | –  | –                                  | –                                | –   | 16,399                                | 16,399            | –                 | –                 | 16,399                        |
| Trade and other receivables – derivative financial assets     | 14   | –               | 171  | –                                  | –                                | –   | 171                                   | –                 | 171               | –                 | 171                           |
|   |      | <u>16,399</u>   | <u>171</u>                                       | <u>–</u>                           | <u>38,752</u>                    | <u>–</u>                                    | <u>55,322</u>                         |                   |                   |                   |                               |
| <b>Financial assets not measured at fair value</b>            |      |                 |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| Unquoted equity investments – available-for-sale <sup>®</sup> |      | –               | –  | –                                  | 38,698                           | –   | 38,698                                |                   |                   |                   |                               |
| Unquoted debt investments – loans and receivables             |      | –               | –  | 272,500                            | –                                | –   | 272,500                               |                   |                   |                   |                               |
| Other financial assets – loans and receivables                |      | –               | –  | 48,653                             | –                                | –   | 48,653                                |                   |                   |                   |                               |
| Other non-current assets <sup>^</sup>                         | 10   | –               | –  | 221,957                            | –                                | –   | 221,957                               |                   |                   |                   |                               |
| Trade and other receivables <sup>#</sup>                      | 14   | –               | –  | 871,130                            | –                                | –   | 871,130                               |                   |                   |                   |                               |
| Cash and cash equivalents                                     |      | –               | –  | 3,673,037                          | –                                | –   | 3,673,037                             |                   |                   |                   |                               |
|   |      | <u>–</u>        | <u>–</u>   | <u>5,087,277</u>                   | <u>38,698</u>                    | <u>–</u>                                    | <u>5,125,975</u>                      |                   |                   |                   |                               |
| <b>Financial liabilities measured at fair value</b>           |      |                 |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| Derivative financial liabilities                              | 28   | –               | 336  | –                                  | –                                | –   | 336                                   | –                 | 336               | –                 | 336                           |
| <b>Financial liabilities not measured at fair value</b>       |      |                 |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| Interest-bearing borrowings                                   |      | –               | –  | –                                  | –                                | 5,737,767                                   | 5,737,767                             | –                 | 5,718,056         | –                 | 5,718,056                     |
| Other liabilities <sup>*</sup>                                |      | –               | –  | –                                  | –                                | 149,108                                     | 149,108                               |                   |                   |                   |                               |
| Trade and other payables <sup>*</sup>                         | 28   | –               | –  | –                                  | –                                | 1,194,441                                   | 1,194,441                             |                   |                   |                   |                               |
|   |      | <u>–</u>        | <u>–</u>   | <u>–</u>                           | <u>–</u>                         | <u>7,081,316</u>                            | <u>7,081,316</u>                      |                   |                   |                   |                               |

<sup>®</sup> Fair values of unquoted equity investments were not disclosed as the investments were stated at cost and their fair values cannot be determined

<sup>^</sup> Excluding derivative financial assets, prepayments, intangible assets and deferred tax assets

<sup>#</sup> Excluding prepayments and derivative financial assets

<sup>\*</sup> Excluding deferred income and derivative financial liabilities

# NOTES TO THE FINANCIAL STATEMENTS

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (v) Accounting classifications and fair values (cont'd)

|   | Note | Mandatorily<br>at FVTPL –<br>others<br>\$'000 | Fair value –<br>hedging<br>instruments<br>\$'000 | Amortised<br>cost<br>\$'000 | FVOCI –<br>equity<br>instruments<br>\$'000 | Other<br>financial<br>liabilities<br>\$'000 | Total<br>carrying<br>amount<br>\$'000 | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>fair value<br>\$'000 |
|---|------|---|--|-----------------------------|--|---|---------------------------------------|-------------------|-------------------|-------------------|-------------------------------|
| <b>Company</b>  |      |   |  |                             |  |   |                                       |                   |                   |                   |                               |
| <b>31 December 2018</b>                                 |      |   |  |                             |  |   |                                       |                   |                   |                   |                               |
| <b>Financial assets measured at fair value</b>          |      |   |  |                             |  |   |                                       |                   |                   |                   |                               |
| Unquoted equity investments – at FVOCI                  | 9    | –   | –  | –                           | 327,544                                    | –   | 327,544                               | –                 | –                 | 327,544           | 327,544                       |
| Quoted equity investments – at FVOCI                    | 9    | –   | –  | –                           | 23,240                                     | –   | 23,240                                | 23,240            | –                 | –                 | 23,240                        |
| Quoted equity investments – mandatorily at FVTPL        | 9    | 2,047   | –  | –                           | –  | –   | 2,047                                 | 2,047             | –                 | –                 | 2,047                         |
| Other non-current assets – derivative financial assets  | 10   | –   | 13,706   | –                           | –  | –   | 13,706                                | –                 | 13,706            | –                 | 13,706                        |
| Derivative financial assets                             | 14   | –   | 8,883  | –                           | –  | –   | 8,883                                 | –                 | 8,883             | –                 | 8,883                         |
|   |      | 2,047   | 22,589   | –                           | 350,784                                    | –   | 375,420                               |                   |                   |                   |                               |
| <b>Financial assets not measured at fair value</b>      |      |   |  |                             |  |   |                                       |                   |                   |                   |                               |
| Other non-current assets <sup>^</sup>                   | 10   | –   | –  | 3,606,618                   | –  | –   | 3,606,618                             |                   |                   |                   |                               |
| Trade and other receivables <sup>#</sup>                | 14   | –   | –  | 4,416,784                   | –  | –   | 4,416,784                             |                   |                   |                   |                               |
| Cash and cash equivalents                               | 16   | –   | –  | 727,373                     | –  | –   | 727,373                               |                   |                   |                   |                               |
|   |      | –   | –  | 8,750,775                   | –  | –   | 8,750,775                             |                   |                   |                   |                               |
| <b>Financial liabilities not measured at fair value</b> |      |   |  |                             |  |   |                                       |                   |                   |                   |                               |
| Interest-bearing borrowings                             | 20   | –   | –  | –                           | –  | 2,630,510                                   | 2,630,510                             | –                 | 2,646,658         | –                 | 2,646,658                     |
| Other liabilities                                       | 25   | –   | –  | –                           | –  | 8,847                                       | 8,847                                 |                   |                   |                   |                               |
| Trade and other payables <sup>*</sup>                   | 28   | –   | –  | –                           | –  | 2,510,898                                   | 2,510,898                             |                   |                   |                   |                               |
|   |      | –   | –  | –                           | –  | 5,150,255                                   | 5,150,255                             |                   |                   |                   |                               |

<sup>^</sup> Excluding derivative financial assets

<sup>#</sup> Excluding prepayments and derivative financial assets

<sup>\*</sup> Excluding deferred income

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (v) Accounting classifications and fair values (cont'd)

|   | Note | Fair value –<br>hedging<br>instruments<br>\$'000 | Loans and<br>receivables<br>\$'000 | Available-<br>for-sale<br>\$'000 | Other<br>financial<br>liabilities<br>\$'000 | Total<br>carrying<br>amount<br>\$'000 | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>fair value<br>\$'000 |
|---|------|--|------------------------------------|----------------------------------|---|---------------------------------------|-------------------|-------------------|-------------------|-------------------------------|
| <b>Company</b>  |      |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| <b>31 December 2017</b>                                       |      |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| <b>Financial assets measured at fair value</b>                |      |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| Quoted equity investments – available-for-sale                | 9    | –  | –                                  | 27,271                           | –   | 27,271                                | 27,271            | –                 | –                 | 27,271                        |
| Trade and other receivables – derivative financial assets     | 14   | 1,044  | –                                  | –                                | –   | 1,044                                 | –                 | 1,044             | –                 | 1,044                         |
|   |      | <u>1,044</u>                                     | <u>–</u>                           | <u>27,271</u>                    | <u>–</u>                                    | <u>28,315</u>                         |                   |                   |                   |                               |
| <b>Financial assets not measured at fair value</b>            |      |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| Unquoted equity investments – available-for-sale <sup>®</sup> | 9    | –  | –                                  | 3,290                            | –   | 3,290                                 |                   |                   |                   |                               |
| Other non-current assets                                      | 10   | –  | 2,540,071                          | –                                | –   | 2,540,071                             |                   |                   |                   |                               |
| Trade and other receivables <sup>#</sup>                      | 14   | –  | 4,342,274                          | –                                | –   | 4,342,274                             |                   |                   |                   |                               |
| Cash and cash equivalents                                     | 16   | –  | 1,384,157                          | –                                | –   | 1,384,157                             |                   |                   |                   |                               |
|   |      | <u>–</u>   | <u>8,266,502</u>                   | <u>3,290</u>                     | <u>–</u>                                    | <u>8,269,792</u>                      |                   |                   |                   |                               |
| <b>Financial liabilities not measured at fair value</b>       |      |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| Interest-bearing borrowings                                   | 20   | –  | –                                  | –                                | 2,452,700                                   | 2,452,700                             | –                 | 2,475,141         | –                 | 2,475,141                     |
| Other liabilities   | 25   | –  | –                                  | –                                | 119,311                                     | 119,311                               |                   |                   |                   |                               |
| Trade and other payables *                                    | 28   | –  | –                                  | –                                | 2,164,668                                   | 2,164,668                             |                   |                   |                   |                               |
|   |      | <u>–</u>   | <u>–</u>                           | <u>–</u>                         | <u>4,736,679</u>                            | <u>4,736,679</u>                      |                   |                   |                   |                               |

<sup>®</sup> Fair value of unquoted equity investment was not disclosed as the investment was stated at cost and its fair value cannot be determined

<sup>#</sup> Excluding prepayments and derivative financial assets

\* Excluding deferred income



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (v) Accounting classifications and fair values (cont'd)

|   | Note | Fair value –<br>hedging<br>instruments<br>\$'000 | Loans and<br>receivables<br>\$'000 | Available-<br>for-sale<br>\$'000 | Other<br>financial<br>liabilities<br>\$'000 | Total<br>carrying<br>amount<br>\$'000 | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>fair value<br>\$'000 |
|---|------|--|------------------------------------|----------------------------------|---|---------------------------------------|-------------------|-------------------|-------------------|-------------------------------|
| <b>Company</b>  |      |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| <b>1 January 2017</b>   |      |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| <b>Financial assets measured at fair value</b>                |      |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| Quoted equity investments – available-for-sale                |      | –  | –                                  | 25,039                           | –   | 25,039                                | 25,039            | –                 | –                 | 25,039                        |
| <b>Financial assets not measured at fair value</b>            |      |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| Unquoted equity investments – available-for-sale <sup>®</sup> |      | –  | –                                  | 3,290                            | –   | 3,290                                 |                   |                   |                   |                               |
| Other non-current assets                                      |      | –  | 1,861,215                          | –                                | –   | 1,861,215                             |                   |                   |                   |                               |
| Trade and other receivables <sup>#</sup>                      | 14   | –  | 4,325,983                          | –                                | –   | 4,325,983                             |                   |                   |                   |                               |
| Cash and cash equivalents                                     |      | –  | 2,043,714                          | –                                | –   | 2,043,714                             |                   |                   |                   |                               |
|   |      | –  | 8,230,912                          | 3,290                            | –   | 8,234,202                             |                   |                   |                   |                               |
| <b>Financial liabilities not measured at fair value</b>       |      |  |                                    |                                  |   |                                       |                   |                   |                   |                               |
| Interest-bearing borrowings                                   |      | –  | –                                  | –                                | 2,806,546                                   | 2,806,546                             | –                 | 2,790,351         | –                 | 2,790,351                     |
| Other liabilities   |      | –  | –                                  | –                                | 170,137                                     | 170,137                               |                   |                   |                   |                               |
| Trade and other payables <sup>*</sup>                         | 28   | –  | –                                  | –                                | 1,812,962                                   | 1,812,962                             |                   |                   |                   |                               |
|   |      | –  | –                                  | –                                | 4,789,645                                   | 4,789,645                             |                   |                   |                   |                               |

<sup>®</sup> Fair value of unquoted equity investment was not disclosed as the investment was stated at cost and its fair value cannot be determined

<sup>#</sup> Excluding prepayments

<sup>\*</sup> Excluding deferred income

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (v) Accounting classifications and fair values (cont'd)

#### Measurement of fair values

#### Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at Level 3 fair value

| Type   | Valuation techniques  | Significant unobservable inputs                            | Inter-relationship between key unobservable inputs and fair value measurement               |
|--|---|--|---|
| Unquoted debt investments – mandatorily at FVTPL (2017: designated at FVTPL)                 | Discounted cash flows: The valuation model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate.   | Discount rate:<br>2018: 5.4% to 8.3%<br>2017: 5.7% to 8.3% | The estimated fair value would increase/(decrease) if the discount rate was lower (higher). |
| Other financial asset – mandatorily at FVTPL (2017: classified as loans and receivables)     |   |  |   |
| Unquoted debt investments – mandatorily at FVTPL (2017: classified as loans and receivables) | Option pricing model: the fair value is estimated based on present value techniques and reflect both the time value and the intrinsic value of an option.   | Discount rate:<br>2018: 25%<br>2017: N/A                   | The estimated fair value would increase/(decrease) if the discount rate was lower (higher). |
| Unquoted equity investment – FVOCI (2017: held at cost)                                      | The fair value is calculated using the net asset value (NAV) of the investee entity adjusted for the fair value of the underlying properties, where applicable. A discount is applied to take into consideration the non-marketable nature of the investment, where applicable. | Discount rate:<br>2018: 0% to 30%<br>2017: N/A             | The estimated fair value would increase/(decrease) if the discount rate was lower (higher). |
| Unquoted equity investments – mandatorily at FVTPL (2017: held at cost)                      |   |  |   |

N/A: Not applicable

Financial instruments measured at Level 2 fair value

#### Financial derivatives

The fair values of forward exchange contracts and cross-currency swaps are based on banks' quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Unquoted debt investments – mandatorily at FVTPL (2017: classified as loans and receivables)

The fair value of unquoted debt investments are calculated based on the present value of the expected future payments, discounted using a risk-adjusted discount rate.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 FINANCIAL INSTRUMENTS (CONT'D)

### (v) Accounting classifications and fair values (cont'd)

#### Measurement of fair values (cont'd)

#### Valuation techniques and significant unobservable inputs (cont'd)

Financial instruments not measured at fair value

#### Interest-bearing borrowings

The fair value of borrowings which reprice after six months 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.

Transfers between levels in the fair value hierarchy

The Group and Company have not reclassified any investments between various levels in the fair value hierarchy during the year.

Level 3 fair values

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:

|  | Group   |                                      |                                      |  |                                | Company                              |          |
|--|---|--------------------------------------|--------------------------------------|--|--------------------------------|--------------------------------------|----------|
|  | Unquoted debt investments designated at FVTPL | Unquoted equity instruments at FVOCI | Unquoted equity instruments at FVTPL | Unquoted debt instruments mandatorily at FVTPL | Other financial asset at FVTPL | Unquoted equity investments at FVOCI |          |
|  | 2018  | 2017                                 | 2018                                 | 2018   | 2018                           | 2018                                 | 2018     |
|  | \$'000  | \$'000                               | \$'000                               | \$'000   | \$'000                         | \$'000                               | \$'000   |
| At 1 January   | 30,186  | –                                    | –                                    | –  | –                              | –                                    | –        |
| Transfer between categories under initial application of SFRS(I) 9 | (30,186)                                      | –                                    | –                                    | –  | 30,186                         | –                                    | –        |
| Transfer into Level 3 under initial application of SFRS(I) 9       | –   | –                                    | 370,222                              | 49,741   | –                              | 27,999                               | 368,888  |
| Adjusted balance at 1 January                                      | –   | –                                    | 370,222                              | 49,741   | 30,186                         | 27,999                               | 368,888  |
| Additions  | –   | 30,186                               | –                                    | 11,223   | 43,469                         | –                                    | –        |
| Redemption   | –   | –                                    | –                                    | (16,419)                                       | –                              | –                                    | –        |
| Release of obligations   | –   | –                                    | –                                    | –  | –                              | (10,785)                             | –        |
| Total loss recognised in profit or loss                            | –   | –                                    | –                                    | –  | –                              | –                                    | –        |
| – finance expense  | –   | –                                    | –                                    | (1,582)  | –                              | –                                    | –        |
| Total loss for the period included in other comprehensive income   | –   | –                                    | –                                    | –  | –                              | –                                    | –        |
| – net change in fair value of equity investments at FVOCI          | –   | –                                    | (41,209)                             | –  | –                              | –                                    | (41,344) |
| Translation differences on consolidation                           | –   | –                                    | –                                    | 585  | (2,146)                        | –                                    | –        |
| At 31 December   | –   | 30,186                               | 329,013                              | 43,548   | 71,509                         | 17,214                               | 327,544  |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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 2018 and 2017.

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.

### Information about reportable segments

|  | Property development<br>\$'000 | Hotel operations<br>\$'000 | Rental properties<br>\$'000 | Total<br>\$'000 | Others<br>\$'000 | Total<br>\$'000 |
|--|--------------------------------|----------------------------|-----------------------------|-----------------|------------------|-----------------|
| <b>2018</b>  |                                |                            |                             |                 |                  |                 |
| Total revenue (including inter-segment revenue)            | 2,045,309                      | 1,700,201                  | 453,844                     | 4,199,354       | 187,667          | 4,387,021       |
| Inter-segment revenue                                      | –                              | (20,783)                   | (95,610)                    | (116,393)       | (48,065)         | (164,458)       |
| External revenue   | 2,045,309                      | 1,679,418                  | 358,234                     | 4,082,961       | 139,602          | 4,222,563       |
| Profit from operating activities                           | 619,829                        | 73,870                     | 197,928                     | 891,627         | 12,948           | 904,575         |
| Share of after-tax profit of associates and joint ventures | 37,405                         | 1,227                      | 11,048                      | 49,680          | 15,223           | 64,903          |
| Finance income   | 28,217                         | 15,422                     | 14,392                      | 58,031          | 4,794            | 62,825          |
| Finance costs  | (62,093)                       | (50,542)                   | (34,366)                    | (147,001)       | (9,764)          | (156,765)       |
| Net finance costs  | (33,876)                       | (35,120)                   | (19,974)                    | (88,970)        | (4,970)          | (93,940)        |
| Reportable segment profit before tax                       | 623,358                        | 39,977*                    | 189,002                     | 852,337         | 23,201           | 875,538         |
| Depreciation and amortisation                              | 444                            | 117,001                    | 94,242                      | 211,287         | 7,153            | 218,840         |

\* Hotel operations for 2018 comprise revenue and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) attributable to hotel rooms owned by the Group amounting to \$1,136.9 million and \$143.0 million respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 39 OPERATING SEGMENTS (CONT'D)

### Information about reportable segments (cont'd)

|   | Property development<br>\$'000 | Hotel operations<br>\$'000 | Rental properties<br>\$'000 | Total<br>\$'000 | Others<br>\$'000 | Total<br>\$'000 |
|---|--------------------------------|----------------------------|-----------------------------|-----------------|------------------|-----------------|
| <b>2018</b>   |                                |                            |                             |                 |                  |                 |
| <b>Other material non-cash items</b>                            |                                |                            |                             |                 |                  |                 |
| Impairment losses on property, plant and equipment              | –                              | (94,099)                   | –                           | (94,099)        | –                | (94,099)        |
| Allowance made for foreseeable losses on development properties | (19,256)                       | –                          | –                           | (19,256)        | –                | (19,256)        |
| Investments in associates and joint ventures                    | 568,230                        | 507,746                    | 433,175                     | 1,509,151       | 226,340          | 1,735,491       |
| Other segment assets  | 8,182,315                      | 4,843,863                  | 5,328,539                   | 18,354,717      | 739,076          | 19,093,793      |
| Reportable segment assets                                       | 8,750,545                      | 5,351,609                  | 5,761,714                   | 19,863,868      | 965,416          | 20,829,284      |
| Deferred tax assets   |                                |                            |                             |                 |                  | 56,408          |
| Total assets  |                                |                            |                             |                 |                  | 20,885,692      |
| Reportable segment liabilities                                  | 4,490,973                      | 1,513,208                  | 1,846,885                   | 7,851,066       | 261,515          | 8,112,581       |
| Deferred tax liabilities  |                                |                            |                             |                 |                  | 113,778         |
| Provision for taxation  |                                |                            |                             |                 |                  | 385,393         |
| Total liabilities   |                                |                            |                             |                 |                  | 8,611,752       |
| Additions to non-current assets**                               | 17,522                         | 145,275                    | 122,019                     | 284,816         | 41,215           | 326,031         |

\*\* Non-current assets include property, plant and equipment, investment properties, lease premium prepayment, investments in associates and joint ventures, and intangible assets.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 39 OPERATING SEGMENTS (CONT'D)

### Information about reportable segments (cont'd)

|   | Property development<br>\$'000 | Hotel operations<br>\$'000 | Rental properties<br>\$'000 | Total<br>\$'000 | Others<br>\$'000 | Total<br>\$'000 |
|---|--------------------------------|----------------------------|-----------------------------|-----------------|------------------|-----------------|
| <b>2017</b>   |                                |                            |                             |                 |                  |                 |
| Total revenue (including inter-segment revenue)                         | 1,652,690                      | 1,714,501                  | 445,129                     | 3,812,320       | 153,564          | 3,965,884       |
| Inter-segment revenue   | –                              | (20,269)                   | (98,231)                    | (118,500)       | (18,189)         | (136,689)       |
| External revenue  | 1,652,690                      | 1,694,232*                 | 346,898                     | 3,693,820       | 135,375          | 3,829,195       |
| Profit from operating activities  | 423,662                        | 172,640                    | 183,930                     | 780,232         | 16,891           | 797,123         |
| Share of after-tax profit/(loss) of associates and joint ventures       | 36,286                         | (4,824)                    | 5,164                       | 36,626          | 7,830            | 44,456          |
| Finance income  | 38,461                         | 6,512                      | 3,143                       | 48,116          | 4,583            | 52,699          |
| Finance costs   | (63,834)                       | (24,920)                   | (32,223)                    | (120,977)       | (10,022)         | (130,999)       |
| Net finance costs   | (25,373)                       | (18,408)                   | (29,080)                    | (72,861)        | (5,439)          | (78,300)        |
| Reportable segment profit before tax                                    | 434,575                        | 149,408*                   | 160,014                     | 743,997         | 19,282           | 763,279         |
| Depreciation and amortisation   | 1,046                          | 122,411                    | 86,728                      | 210,185         | 5,038            | 215,223         |
| <b>Other material non-cash items</b>                                    |                                |                            |                             |                 |                  |                 |
| Impairment losses on property, plant and equipment                      | –                              | (49,220)                   | –                           | (49,220)        | –                | (49,220)        |
| Impairment loss on investment properties                                | –                              | –                          | (3,013)                     | (3,013)         | –                | (3,013)         |
| Impairment loss on goodwill arising from acquisition of a subsidiary    | –                              | (6,874)                    | –                           | (6,874)         | –                | (6,874)         |
| Impairment reversed on amounts owing by a joint venture                 | –                              | 22,320                     | –                           | 22,320          | –                | 22,320          |
| Allowance written back for foreseeable losses on development properties | 19,516                         | –                          | –                           | 19,516          | –                | 19,516          |
| Gain on loss of control in/liquidation of subsidiaries (net)            | 52,094                         | –                          | –                           | 52,094          | 390              | 52,484          |

\* 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 \$232.3 million respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 39 OPERATING SEGMENTS (CONT'D)

### Information about reportable segments (cont'd)

|  | Property development<br>\$'000 | Hotel operations<br>\$'000 | Rental properties<br>\$'000 | Total<br>\$'000 | Others<br>\$'000 | Total<br>\$'000 |
|--|--------------------------------|----------------------------|-----------------------------|-----------------|------------------|-----------------|
| <b>2017</b>                                  |                                |                            |                             |                 |                  |                 |
| Investments in associates and joint ventures | 605,379                        | 415,389                    | 320,278                     | 1,341,046       | 160,796          | 1,501,842       |
| Other segment assets                         | 7,722,338                      | 4,979,366                  | 4,220,379                   | 16,922,083      | 882,383          | 17,804,466      |
| Reportable segment assets                    | 8,327,717                      | 5,394,755                  | 4,540,657                   | 18,263,129      | 1,043,179        | 19,306,308      |
| Deferred tax assets                          |                                |                            |                             |                 |                  | 57,986          |
| Total assets                                 |                                |                            |                             |                 |                  | 19,364,294      |
| Reportable segment liabilities               | 3,894,436                      | 1,513,551                  | 1,722,313                   | 7,130,300       | 85,851           | 7,216,151       |
| Deferred tax liabilities                     |                                |                            |                             |                 |                  | 179,323         |
| Provision for taxation                       |                                |                            |                             |                 |                  | 322,694         |
| Total liabilities                            |                                |                            |                             |                 |                  | 7,718,168       |
| Additions to non-current assets*             | 7,582                          | 97,065                     | 94,980                      | 199,627         | 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.

### Geographical segments

|                           | Singapore<br>\$'000 | United States<br>\$'000 | United Kingdom<br>\$'000 | China<br>\$'000 | Other countries<br>\$'000 | Total<br>\$'000 |
|---------------------------|---------------------|-------------------------|--------------------------|-----------------|---------------------------|-----------------|
| <b>2018</b>               |                     |                         |                          |                 |                           |                 |
| Revenue                   | 2,162,908           | 545,276                 | 346,236                  | 356,581         | 811,562                   | 4,222,563       |
| Non-current assets**      | 3,812,647           | 1,430,982               | 2,090,213                | 806,110         | 2,453,523                 | 10,593,475      |
| Reportable segment assets | 10,269,888          | 1,561,281               | 3,221,937                | 1,865,474       | 3,910,704                 | 20,829,284      |
| <b>2017</b>               |                     |                         |                          |                 |                           |                 |
| Revenue                   | 1,995,164           | 544,000                 | 349,463                  | 248,282         | 692,286                   | 3,829,195       |
| Non-current assets**      | 3,394,098           | 1,492,058               | 1,143,865                | 626,482         | 2,402,183                 | 9,058,686       |
| Reportable segment assets | 9,202,923           | 1,611,428               | 2,861,203                | 1,916,757       | 3,713,997                 | 19,306,308      |

\*\* Include property, plant and equipment, investment properties, lease premium prepayment, investments in associates and joint ventures, prepayment (non-current portion) and intangible assets.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)s). 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)s with effect from annual periods beginning on or after 1 January 2018.

As stated in note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I)s and IFRSs.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with the previous FRS.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I), interpretations of SFRS(I) and requirements of SFRS(I) which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations did not have a material effect on the financial statements, except for SFRS(I) 15 and SFRS(I) 9.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 and SFRS(I) 15 have affected the Group's financial position, financial performance and cash flows, and the Company's financial position is set out under the summary of quantitative impact and the accompanying notes.

### Summary of quantitative impact

The following reconciliations summarise the key 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 1 January 2017, 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. There were no material adjustments to the Group's statement of cash flows for the year ended 31 December 2017 arising on transition to SFRS(I).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

### Summary of quantitative impact (cont'd)

### Reconciliation of the Group's equity

### Consolidated statement of financial position

|   | Note                   | 31 December 2017     |                  |                   | 1 January 2018    |                  |                   |
|---|------------------------|----------------------|------------------|-------------------|-------------------|------------------|-------------------|
|   |                        | FRS framework \$'000 | SFRS(I) 1 \$'000 | SFRS(I) 15 \$'000 | SFRS(I) \$'000    | SFRS(I) 9 \$'000 | SFRS(I) \$'000    |
| <b>Assets</b>                                       |                        |                      |                  |                   |                   |                  |                   |
| Property, plant and equipment                       | A(i)                   | 5,013,767            | (14,880)         | –                 | 4,998,887         | –                | 4,998,887         |
| 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                       | B(i), (ii), (iii)      | 1,168,450            | –                | (55,968)          | 1,112,482         | –                | 1,112,482         |
| Financial assets                                    | C(i)                   | 432,923              | –                | –                 | 432,923           | 363,135          | 796,058           |
| Other non-current assets                            | B(iii)                 | 483,740              | –                | 3,612             | 487,352           | –                | 487,352           |
| <b>Non-current assets</b>                           |                        | <b>10,043,429</b>    | <b>(14,880)</b>  | <b>(52,356)</b>   | <b>9,976,193</b>  | <b>363,135</b>   | <b>10,339,328</b> |
| Lease premium prepayment                            |                        | 3,793                | –                | –                 | 3,793             | –                | 3,793             |
| Development properties                              | B(ii), (iii), (iv)     | 4,560,819            | –                | (253,049)         | 4,307,770         | –                | 4,307,770         |
| Contract costs                                      | B(i)                   | –                    | –                | 12,767            | 12,767            | –                | 12,767            |
| Contract assets                                     | B(iv)                  | –                    | –                | 308,427           | 308,427           | –                | 308,427           |
| 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                         | B(iv)                  | 1,035,936            | –                | (139,907)         | 896,029           | –                | 896,029           |
| Cash and cash equivalents                           |                        | 3,775,909            | –                | –                 | 3,775,909         | –                | 3,775,909         |
| <b>Current assets</b>                               |                        | <b>9,459,863</b>     | <b>–</b>         | <b>(71,762)</b>   | <b>9,388,101</b>  | <b>–</b>         | <b>9,388,101</b>  |
| <b>Total assets</b>                                 |                        | <b>19,503,292</b>    | <b>(14,880)</b>  | <b>(124,118)</b>  | <b>19,364,294</b> | <b>363,135</b>   | <b>19,727,429</b> |
| <b>Equity attributable to owners of the Company</b> |                        |                      |                  |                   |                   |                  |                   |
| Share capital                                       |                        | 1,991,397            | –                | –                 | 1,991,397         | –                | 1,991,397         |
| Reserves (excluding accumulated profits)            | A(i), (ii), B(i), C(i) | (360,427)            | 489,248          | 16                | 128,837           | 460              | 129,297           |
| Accumulated profits                                 |                        | 7,952,604            | (500,653)        | (180,903)         | 7,271,048         | 362,675          | 7,633,723         |
|   |                        | 9,583,574            | (11,405)         | (180,887)         | 9,391,282         | 363,135          | 9,754,417         |
| Non-controlling interests                           |                        | 2,257,576            | (3,475)          | 743               | 2,254,844         | –                | 2,254,844         |
| <b>Total equity</b>                                 |                        | <b>11,841,150</b>    | <b>(14,880)</b>  | <b>(180,144)</b>  | <b>11,646,126</b> | <b>363,135</b>   | <b>12,009,261</b> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

### Summary of quantitative impact (cont'd)

### Reconciliation of the Group's equity (cont'd)

### Consolidated statement of financial position (cont'd)

|                                     | Note                       | 31 December 2017  |                 |                  | 1 January 2018    |                |                   |
|-------------------------------------|----------------------------|-------------------|-----------------|------------------|-------------------|----------------|-------------------|
|                                     |                            | FRS               | SFRS(I)         |                  | SFRS(I)           | SFRS(I)        |                   |
|                                     |                            | framework         | SFRS(I) 1       | 15               | SFRS(I)           | SFRS(I) 9      | SFRS(I)           |
|                                     |                            | \$'000            | \$'000          | \$'000           | \$'000            | \$'000         |                   |
| <b>Liabilities</b>                  |                            |                   |                 |                  |                   |                |                   |
| 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            | B(i),<br>(ii), (iii)       | 179,179           | –               | 144              | 179,323           | –              | 179,323           |
| <b>Non-current liabilities</b>      |                            | <b>4,400,636</b>  | <b>–</b>        | <b>144</b>       | <b>4,400,780</b>  | <b>–</b>       | <b>4,400,780</b>  |
| Trade and other payables            | B(i), (ii),<br>(iii), (iv) | 1,604,302         | –               | (305,030)        | 1,299,272         | –              | 1,299,272         |
| Contract liabilities                | B(iv)                      | –                 | –               | 356,251          | 356,251           | –              | 356,251           |
| Interest-bearing borrowings         |                            | 1,266,032         | –               | –                | 1,266,032         | –              | 1,266,032         |
| Employee benefits                   |                            | 24,560            | –               | –                | 24,560            | –              | 24,560            |
| Provision for taxation              | B(i),<br>(ii), (iii)       | 318,033           | –               | 4,661            | 322,694           | –              | 322,694           |
| Provisions                          |                            | 48,579            | –               | –                | 48,579            | –              | 48,579            |
| <b>Current liabilities</b>          |                            | <b>3,261,506</b>  | <b>–</b>        | <b>55,882</b>    | <b>3,317,388</b>  | <b>–</b>       | <b>3,317,388</b>  |
| <b>Total liabilities</b>            |                            | <b>7,662,142</b>  | <b>–</b>        | <b>56,026</b>    | <b>7,718,168</b>  | <b>–</b>       | <b>7,718,168</b>  |
| <b>Total equity and liabilities</b> |                            | <b>19,503,292</b> | <b>(14,880)</b> | <b>(124,118)</b> | <b>19,364,294</b> | <b>363,135</b> | <b>19,727,429</b> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

### Summary of quantitative impact (cont'd)

### Reconciliation of the Group's equity (cont'd)

### Consolidated statement of financial position (cont'd)

|   | Note                  | 1 January 2017    |                 |                  |                   |
|---|-----------------------|-------------------|-----------------|------------------|-------------------|
|   |                       | FRS               | SFRS(I)         |                  | SFRS(I)           |
|   |                       | framework         | SFRS(I) 1       | 15               | SFRS(I)           |
|   |                       | \$'000            | \$'000          | \$'000           |                   |
| <b>Assets</b>                                       |                       |                   |                 |                  |                   |
| Property, plant and equipment                       | A(i)                  | 5,135,688         | (16,305)        | –                | 5,119,383         |
| Investment properties                               |                       | 2,346,114         | –               | –                | 2,346,114         |
| Lease premium prepayment                            |                       | 113,587           | –               | –                | 113,587           |
| Investments in associates                           |                       | 371,370           | –               | –                | 371,370           |
| Investments in joint ventures                       | B(i),<br>(ii), (iii)  | 1,090,142         | –               | (56,921)         | 1,033,221         |
| Financial assets                                    | C(i)                  | 398,603           | –               | –                | 398,603           |
| Other non-current assets                            | B(iii)                | 261,353           | –               | 3,612            | 264,965           |
| <b>Non-current assets</b>                           |                       | <b>9,716,857</b>  | <b>(16,305)</b> | <b>(53,309)</b>  | <b>9,647,243</b>  |
| Lease premium prepayment                            |                       | 3,913             | –               | –                | 3,913             |
| Development properties                              | B(ii),<br>(iii), (iv) | 5,208,900         | –               | (440,643)        | 4,768,257         |
| Contract costs                                      | B(i)                  | –                 | –               | 12,870           | 12,870            |
| Contract assets                                     | B(iv)                 | –                 | –               | 595,041          | 595,041           |
| Consumable stocks                                   |                       | 11,823            | –               | –                | 11,823            |
| Financial assets                                    |                       | 16,399            | –               | –                | 16,399            |
| Trade and other receivables                         | B(iv)                 | 1,166,493         | –               | (223,179)        | 943,314           |
| Cash and cash equivalents                           |                       | 3,673,037         | –               | –                | 3,673,037         |
| <b>Current assets</b>                               |                       | <b>10,080,565</b> | <b>–</b>        | <b>(55,911)</b>  | <b>10,024,654</b> |
| <b>Total assets</b>                                 |                       | <b>19,797,422</b> | <b>(16,305)</b> | <b>(109,220)</b> | <b>19,671,897</b> |
| <b>Equity attributable to owners of the Company</b> |                       |                   |                 |                  |                   |
| Share capital                                       |                       | 1,991,397         | –               | –                | 1,991,397         |
| Reserves (excluding accumulated profits)            | A(ii)                 | (273,673)         | 478,948         | –                | 205,275           |
| Accumulated profits                                 |                       | 7,576,084         | (491,185)       | (174,125)        | 6,910,774         |
|   |                       | 9,293,808         | (12,237)        | (174,125)        | 9,107,446         |
| Non-controlling interests                           |                       | 2,114,876         | (4,068)         | 2,652            | 2,113,460         |
| <b>Total equity</b>                                 |                       | <b>11,408,684</b> | <b>(16,305)</b> | <b>(171,473)</b> | <b>11,220,906</b> |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

### Summary of quantitative impact (cont'd)

### Reconciliation of the Group's equity (cont'd)

### Consolidated statement of financial position (cont'd)

|                                     | Note                    | 1 January 2017       |                  |                   |                   |
|-------------------------------------|-------------------------|----------------------|------------------|-------------------|-------------------|
|                                     |                         | FRS framework \$'000 | SFRS(I) 1 \$'000 | SFRS(I) 15 \$'000 | SFRS(I) \$'000    |
| <b>Liabilities</b>                  |                         |                      |                  |                   |                   |
| Interest-bearing borrowings         |                         | 3,954,937            | –                | –                 | 3,954,937         |
| Employee benefits                   |                         | 42,837               | –                | –                 | 42,837            |
| Other liabilities                   |                         | 375,646              | –                | –                 | 375,646           |
| Provisions                          |                         | 84,917               | –                | –                 | 84,917            |
| Deferred tax liabilities            | B(i), (ii), (iii)       | 271,013              | –                | (213)             | 270,800           |
| <b>Non-current liabilities</b>      |                         | <b>4,729,350</b>     | <b>–</b>         | <b>(213)</b>      | <b>4,729,137</b>  |
| Trade and other payables            | B(i), (ii), (iii), (iv) | 1,575,230            | –                | (345,262)         | 1,229,968         |
| Contract liabilities                | B(iv)                   | –                    | –                | 403,213           | 403,213           |
| Interest-bearing borrowings         |                         | 1,782,830            | –                | –                 | 1,782,830         |
| Employee benefits                   |                         | 24,544               | –                | –                 | 24,544            |
| Provision for taxation              | B(i), (ii), (iii)       | 251,629              | –                | 4,515             | 256,144           |
| Provisions                          |                         | 25,155               | –                | –                 | 25,155            |
| <b>Current liabilities</b>          |                         | <b>3,659,388</b>     | <b>–</b>         | <b>62,466</b>     | <b>3,721,854</b>  |
| <b>Total liabilities</b>            |                         | <b>8,388,738</b>     | <b>–</b>         | <b>62,253</b>     | <b>8,450,991</b>  |
| <b>Total equity and liabilities</b> |                         | <b>19,797,422</b>    | <b>(16,305)</b>  | <b>(109,220)</b>  | <b>19,671,897</b> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

### Summary of quantitative impact (cont'd)

### Reconciliation of the Group's profit or loss

### Consolidated statement of profit or loss

|   | Note              | Year ended 31 December 2017 |                  |                   |                  |
|---|-------------------|-----------------------------|------------------|-------------------|------------------|
|   |                   | FRS framework \$'000        | SFRS(I) 1 \$'000 | SFRS(I) 15 \$'000 | SFRS(I) \$'000   |
| <b>Revenue</b>                                | B(i), (ii)        | 3,828,621                   | –                | 574               | 3,829,195        |
| Cost of sales                                 | B(i), (ii), (iii) | (2,143,672)                 | –                | (1,355)           | (2,145,027)      |
| <b>Gross profit</b>                           |                   | <b>1,684,949</b>            | <b>–</b>         | <b>(781)</b>      | <b>1,684,168</b> |
| Other operating income                        | A(ii)             | 121,145                     | (11,669)         | –                 | 109,476          |
| Administrative expenses                       | A(i)              | (529,703)                   | 8,196            | –                 | (521,507)        |
| Other operating expenses                      | A(i)              | (476,565)                   | 1,706            | (155)             | (475,014)        |
| <b>Profit from operating activities</b>       |                   | <b>799,826</b>              | <b>(1,767)</b>   | <b>(936)</b>      | <b>797,123</b>   |
| Finance income                                | B(iii)            | 52,789                      | –                | (90)              | 52,699           |
| Finance costs                                 | A(i), (ii), B(ii) | (117,703)                   | (7,197)          | (6,099)           | (130,999)        |
| <b>Net finance costs</b>                      |                   | <b>(64,914)</b>             | <b>(7,197)</b>   | <b>(6,189)</b>    | <b>(78,300)</b>  |
| Share of after-tax profit of associates       |                   | 29,648                      | –                | –                 | 29,648           |
| Share of after-tax profit of joint ventures   | B(i), (ii), (iii) | 15,886                      | –                | (1,078)           | 14,808           |
| <b>Profit before tax</b>                      |                   | <b>780,446</b>              | <b>(8,964)</b>   | <b>(8,203)</b>    | <b>763,279</b>   |
| Tax expense                                   | B(i), (ii), (iii) | (105,486)                   | –                | (484)             | (105,970)        |
| <b>Profit for the year</b>                    |                   | <b>674,960</b>              | <b>(8,964)</b>   | <b>(8,687)</b>    | <b>657,309</b>   |
| Profit attributable to owners of the Company: |                   |                             |                  |                   |                  |
| – Ordinary shareholders                       |                   | 525,318                     | (9,265)          | (6,778)           | 509,275          |
| – Preference shareholders                     |                   | 12,904                      | –                | –                 | 12,904           |
|   |                   | 538,222                     | (9,265)          | (6,778)           | 522,179          |
| Non-controlling interests                     |                   | 136,738                     | 301              | (1,909)           | 135,130          |
| <b>Profit for the year</b>                    |                   | <b>674,960</b>              | <b>(8,964)</b>   | <b>(8,687)</b>    | <b>657,309</b>   |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

### Summary of quantitative impact (cont'd)

#### Reconciliation of the Group's total comprehensive income

#### Consolidated statement of other comprehensive income

|   | Year ended 31 December 2017 |                  |                   |                |
|---|-----------------------------|------------------|-------------------|----------------|
|   | FRS framework \$'000        | SFRS(I) 1 \$'000 | SFRS(I) 15 \$'000 | SFRS(I) \$'000 |
| <b>Profit for the year</b>  | 674,960                     | (8,964)          | (8,687)           | 657,309        |
| <b>Other comprehensive income</b>   |                             |                  |                   |                |
| <b>Items that will not be reclassified to profit or loss</b>  |                             |                  |                   |                |
| Defined benefit plan remeasurements   | 6,391                       | –                | –                 | 6,391          |
| <b>Items that are or may be reclassified subsequently to profit or loss</b>                                 |                             |                  |                   |                |
| 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 reclassified to profit or loss on loss of control in/liquidation of foreign operations | (15,802)                    | 8,091            | –                 | (7,711)        |
| Share of translation differences of equity-accounted investees  | (6,085)                     | –                | –                 | (6,085)        |
| Translation difference arising on consolidation of foreign operations                                       | (105,051)                   | 2,298            | 16                | (102,737)      |
| <b>Other comprehensive income for the year, net of tax</b>  | (130,898)                   | 10,389           | 16                | (120,493)      |
| <b>Total comprehensive income</b>   | 544,062                     | 1,425            | (8,671)           | 536,816        |
| <b>Total comprehensive income attributable to:</b>  |                             |                  |                   |                |
| Owners of the Company   | 440,848                     | 832              | (6,762)           | 434,918        |
| Non-controlling interests   | 103,214                     | 593              | (1,909)           | 101,898        |
| <b>Total comprehensive income</b>   | 544,062                     | 1,425            | (8,671)           | 536,816        |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

### Summary of quantitative impact (cont'd)

#### Reconciliation of the Company's equity

#### Statement of financial position for the Company

|  | Note               | 31 December 2017     |                   |                | 1 January 2018   |                |
|--|--------------------|----------------------|-------------------|----------------|------------------|----------------|
|  |                    | FRS framework \$'000 | SFRS(I) 15 \$'000 | SFRS(I) \$'000 | SFRS(I) 9 \$'000 | SFRS(I) \$'000 |
| <b>Assets</b>                            |                    |                      |                   |                |                  |                |
| Property, plant and equipment            |                    | 7,735                | –                 | 7,735          | –                | 7,735          |
| Investment properties                    |                    | 453,365              | –                 | 453,365        | –                | 453,365        |
| Investments in subsidiaries              |                    | 2,131,243            | –                 | 2,131,243      | –                | 2,131,243      |
| Investments in joint ventures            |                    | 37,360               | –                 | 37,360         | –                | 37,360         |
| Financial assets                         | C(i)               | 30,561               | –                 | 30,561         | 365,598          | 396,159        |
| Other non-current assets                 |                    | 2,540,071            | –                 | 2,540,071      | –                | 2,540,071      |
| <b>Non-current assets</b>                |                    | 5,200,335            | –                 | 5,200,335      | 365,598          | 5,565,933      |
| Development properties                   | B(ii), (iii), (iv) | 359,703              | (171,479)         | 188,224        | –                | 188,224        |
| Contract cost                            | B(i)               | –                    | 379               | 379            | –                | 379            |
| Contract assets                          | B(iv)              | –                    | 177,741           | 177,741        | –                | 177,741        |
| Trade and other receivables              | B(iv)              | 4,352,813            | (8,786)           | 4,344,027      | –                | 4,344,027      |
| Cash and cash equivalents                |                    | 1,384,157            | –                 | 1,384,157      | –                | 1,384,157      |
| <b>Current assets</b>                    |                    | 6,096,673            | (2,145)           | 6,094,528      | –                | 6,094,528      |
| <b>Total assets</b>                      |                    | 11,297,008           | (2,145)           | 11,294,863     | 365,598          | 11,660,461     |
| Equity                                   |                    |                      |                   |                |                  |                |
| Share capital                            |                    | 1,991,397            | –                 | 1,991,397      | –                | 1,991,397      |
| Reserves (excluding accumulated profits) |                    | 78,269               | –                 | 78,269         | (463)            | 77,806         |
| Accumulated profits                      |                    | 4,392,121            | (2,338)           | 4,389,783      | 366,061          | 4,755,844      |
| <b>Total equity</b>                      |                    | 6,461,787            | (2,338)           | 6,459,449      | 365,598          | 6,825,047      |
| <b>Liabilities</b>                       |                    |                      |                   |                |                  |                |
| Interest-bearing borrowings              |                    | 1,780,524            | –                 | 1,780,524      | –                | 1,780,524      |
| Other liabilities                        |                    | 119,311              | –                 | 119,311        | –                | 119,311        |
| Deferred tax liabilities                 | B(i), (ii), (iii)  | 49,027               | (479)             | 48,548         | –                | 48,548         |
| <b>Non-current liabilities</b>           |                    | 1,948,862            | (479)             | 1,948,383      | –                | 1,948,383      |
| Trade and other payables                 |                    | 2,164,002            | 672               | 2,164,674      | –                | 2,164,674      |
| 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         |
| <b>Current liabilities</b>               |                    | 2,886,359            | 672               | 2,887,031      | –                | 2,887,031      |
| <b>Total liabilities</b>                 |                    | 4,835,221            | 193               | 4,835,414      | –                | 4,835,414      |
| <b>Total equity and liabilities</b>      |                    | 11,297,008           | (2,145)           | 11,294,863     | 365,598          | 11,660,461     |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

### Summary of quantitative impact (cont'd)

### Reconciliation of the Company's equity (cont'd)

### Statement of financial position for the Company (cont'd)

|  | Note               | 1 January 2017       |                   |                   |
|--|--------------------|----------------------|-------------------|-------------------|
|  |                    | FRS framework \$'000 | SFRS(I) 15 \$'000 | SFRS(I) \$'000    |
| <b>Assets</b>                            |                    |                      |                   |                   |
| Property, plant and equipment            |                    | 8,368                | –                 | 8,368             |
| Investment properties                    |                    | 444,682              | –                 | 444,682           |
| Investments in subsidiaries              |                    | 2,132,213            | –                 | 2,132,213         |
| Investments in joint ventures            |                    | 37,360               | –                 | 37,360            |
| Financial assets                         |                    | 28,329               | –                 | 28,329            |
| Other non-current assets                 |                    | 1,861,215            | –                 | 1,861,215         |
| <b>Non-current assets</b>                |                    | <b>4,512,167</b>     | <b>–</b>          | <b>4,512,167</b>  |
|  | B(ii), (iii), (iv) | 497,674              | (271,910)         | 225,764           |
| Development properties                   |                    |                      |                   |                   |
| Contract cost                            | B(i)               | –                    | 2,411             | 2,411             |
| Contract assets                          | B(iv)              | –                    | 281,364           | 281,364           |
| Trade and other receivables              | B(iv)              | 4,335,835            | (9,238)           | 4,326,597         |
| Cash and cash equivalents                |                    | 2,043,714            | –                 | 2,043,714         |
| <b>Current assets</b>                    |                    | <b>6,877,223</b>     | <b>2,627</b>      | <b>6,879,850</b>  |
| <b>Total assets</b>                      |                    | <b>11,389,390</b>    | <b>2,627</b>      | <b>11,392,017</b> |
| <b>Equity</b>                            |                    |                      |                   |                   |
| Share capital                            |                    | 1,991,397            | –                 | 1,991,397         |
| Reserves (excluding accumulated profits) |                    | 76,037               | –                 | 76,037            |
| Accumulated profits                      |                    | 4,445,965            | (668)             | 4,445,297         |
| <b>Total equity</b>                      |                    | <b>6,513,399</b>     | <b>(668)</b>      | <b>6,512,731</b>  |
| <b>Liabilities</b>                       |                    |                      |                   |                   |
| Interest-bearing borrowings              |                    | 1,808,330            | –                 | 1,808,330         |
| Other liabilities                        |                    | 170,137              | –                 | 170,137           |
|  | B(i), (ii), (iii)  | 66,333               | (137)             | 66,196            |
| Deferred tax liabilities                 |                    |                      |                   |                   |
| <b>Non-current liabilities</b>           |                    | <b>2,044,800</b>     | <b>(137)</b>      | <b>2,044,663</b>  |
| Trade and other payables                 |                    | 1,809,538            | 3,432             | 1,812,970         |
| Interest-bearing borrowings              |                    | 998,216              | –                 | 998,216           |
| Employee benefits                        |                    | 2,282                | –                 | 2,282             |
| Provision for taxation                   |                    | 21,155               | –                 | 21,155            |
| <b>Current liabilities</b>               |                    | <b>2,831,191</b>     | <b>3,432</b>      | <b>2,834,623</b>  |
| <b>Total liabilities</b>                 |                    | <b>4,875,991</b>     | <b>3,295</b>      | <b>4,879,286</b>  |
| <b>Total equity and liabilities</b>      |                    | <b>11,389,390</b>    | <b>2,627</b>      | <b>11,392,017</b> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

### Notes to the reconciliations

#### A SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not 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 elected the optional exemption in SFRS(I) 1 to use the fair values previously adopted by M&C for certain hotels as their deemed cost in its SFRS(I) financial statements at the date of transition to SFRS(I).

By electing this optional exemption, the Group's property, plant and equipment as at 31 December 2017 decreased by \$14.9 million (1 January 2017: \$16.3 million), accumulated profits decreased by \$11.4 million (1 January 2017: \$12.2 million) and non-controlling interests decreased by \$3.5 million (1 January 2017: \$4.1 million).

#### (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 elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassified 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.

By electing this optional exemption, the cumulative FCTR increased by \$478.9 million and accumulated profits decreased by the same amount as at 1 January 2017.

#### B 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 adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below, and the comparative information presented for 2017 has been restated.

The Group and the Company have applied the following practical expedients as allowed under SFRS(I) 1:

- Completed contracts that began and ended in the same annual reporting period in 2017 and contracts completed at 1 January 2017 are not restated.
- For the year ended 31 December 2017, the Group and the Company did not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group and the Company expect to recognise that amount as revenue.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

### Notes to the reconciliations (cont'd)

#### B SFRS(I) 15 (cont'd)

##### (i) Success-based sales commissions

The Group and the Company pay sales commissions to both external and internal property sales agents for securing property sales contracts for the Group on a success basis. The Group and the Company previously recognised sales commissions as an expense when incurred, but now capitalises such costs as costs of obtaining a contract under SFRS(I) 15 i.e. contract costs as they are incremental and are expected to be recovered. The capitalised costs are amortised consistently with the pattern of revenue recognised for the related contract. The impact to the financial statements is as follows:

|  | Group            |                | Company          |                |
|--|------------------|----------------|------------------|----------------|
|  | 31 December 2017 | 1 January 2017 | 31 December 2017 | 1 January 2017 |
|  | \$'000           | \$'000         | \$'000           | \$'000         |

#### Statements of financial position

|  |          |          |       |         |
|--|----------|----------|-------|---------|
| Increase in investment in joint ventures         | 3,572    | 2,735    | -     | -       |
| Increase in contract costs                       | 12,767   | 12,870   | 379   | 2,411   |
| Increase in deferred tax liabilities             | (863)    | (554)    | (64)  | (408)   |
| Decrease in provision for taxation               | 47       | 203      | -     | -       |
| Increase in trade and other payables             | (818)    | (727)    | -     | -       |
| Increase in accumulated profits                  | (12,458) | (11,649) | (315) | (2,003) |
| Increase in foreign currency translation reserve | (16)     | -        | -     | -       |
| Increase in non-controlling interests            | (2,231)  | (2,878)  | -     | -       |

**Group  
2017  
\$'000**

#### Consolidated statement of profit or loss

|   |            |
|---|------------|
| Decrease in revenue                                     | (182)      |
| Increase in cost of sales                               | (52)       |
| Increase in share of after-tax profit of joint ventures | 842        |
| Increase in tax expenses                                | (446)      |
| Decrease in non-controlling interests                   | 647        |
| Increase in profit for the year                         | <u>809</u> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

### Notes to the reconciliations (cont'd)

#### B SFRS(I) 15 (cont'd)

##### (ii) Amortisation of development costs

The Group and the Company previously recognised cost of sales on the sold units in its development projects by applying the percentage of completion on the relevant projects' total estimated construction costs. On adoption of SFRS(I) 15, the Group and the Company recognise such costs in profit or loss when incurred to the extent of units sold in a development project.

|  | Group            |                | Company          |                |
|--|------------------|----------------|------------------|----------------|
|  | 31 December 2017 | 1 January 2017 | 31 December 2017 | 1 January 2017 |
|  | \$'000           | \$'000         | \$'000           | \$'000         |

#### Statements of financial position

|  |       |         |         |         |
|--|-------|---------|---------|---------|
| Decrease in investment in joint ventures           | (987) | (1,292) | -       | -       |
| Increase in development properties                 | 1,998 | 3,477   | 6,268   | 6,248   |
| (Decrease)/Increase in trade and other receivables | (436) | 639     | -       | -       |
| Increase in deferred tax liabilities               | (890) | (842)   | (1,064) | (1,062) |
| Increase in provision for taxation                 | (94)  | (83)    | -       | -       |
| Decrease/(Increase) in trade and other payables    | 145   | (1,455) | -       | -       |
| Decrease/(Increase) in accumulated profits         | 113   | 643     | (5,204) | (5,186) |
| Decrease/(Increase) in non-controlling interests   | 151   | (1,087) | -       | -       |

**Group  
2017  
\$'000**

#### Consolidated statement of profit or loss

|   |            |
|---|------------|
| Increase in revenue                                     | 756        |
| Increase in cost of sales                               | (1,670)    |
| Increase in finance costs                               | (40)       |
| Increase in share of after-tax profit of joint ventures | 305        |
| Increase in tax expenses                                | (59)       |
| Decrease in non-controlling interests                   | 1,238      |
| Increase in profit for the year                         | <u>530</u> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

### Notes to the reconciliations (cont'd)

#### B SFRS(I) 15 (cont'd)

##### (iii) Borrowing costs

Arising from the tentative agenda decision issued by the IFRS Interpretation Committee (IFRIC) relating to the capitalisation of borrowing costs for the construction of a residential multi-unit estate development where revenue is recognised over time, the Group has ceased capitalisation of borrowing costs on its development properties.

|  | Group            |                | Company          |                |
|--|------------------|----------------|------------------|----------------|
|  | 31 December 2017 | 1 January 2017 | 31 December 2017 | 1 January 2017 |
|  | \$'000           | \$'000         | \$'000           | \$'000         |
| <b>Statements of financial position</b>  |                  |                |                  |                |
| Decrease in investment in joint ventures | (58,553)         | (58,364)       | –                | –              |
| Increase in deferred tax assets          | 3,612            | 3,612          | –                | –              |
| Decrease in development properties       | (86,763)         | (80,927)       | (9,464)          | (9,464)        |
| Decrease in deferred tax liabilities     | 1,609            | 1,609          | 1,607            | 1,607          |
| Increase in provision for taxation       | (4,614)          | (4,635)        | –                | –              |
| Increase in trade and other payables     | (49,875)         | (47,739)       | –                | –              |
| Decrease in accumulated profits          | 193,248          | 185,131        | 7,857            | 7,857          |
| Decrease in non-controlling interests    | 1,337            | 1,313          | –                | –              |

|  | Group 2017 |
|--|------------|
|  | \$'000     |
|  |            |

#### Consolidated statement of profit or loss

|   |         |
|---|---------|
| Decrease in cost of sales                               | 367     |
| Increase in other operating expenses                    | (155)   |
| Decrease in finance income                              | (90)    |
| Increase in finance costs                               | (6,059) |
| Decrease in share of after-tax profit of joint ventures | (2,225) |
| Decrease in tax expenses                                | 21      |
| Decrease in non-controlling interests                   | 24      |
| Decrease in profit for the year                         | (8,117) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

### Notes to the reconciliations (cont'd)

#### B SFRS(I) 15 (cont'd)

##### (iv) Presentation of contract assets and liabilities

On adopting SFRS(I) 15, the Group and the Company have also changed the presentation of the following amounts:

- (a) Contract assets in respect of the property development business which relate primarily to the Group's and the Company's right to consideration for work completed but have not been billed at the reporting date.

#### Group

As at 31 December 2017, \$139.5 million and \$168.9 million (1 January 2017: \$223.8 million and \$371.2 million) which were presented as "trade receivables" and "development properties" respectively, under FRS have been reclassified to contract assets.

#### Company

As at 31 December 2017, \$8.8 million and \$168.9 million (1 January 2017: \$9.2 million and \$272.1 million) which were presented as "trade receivables" and "development properties" respectively under FRS have been reclassified to contract assets.

- (b) Contract liabilities in respect of the property development business which relate mainly to advance consideration received from customers and progress billings in excess of the Group's right to the consideration.

#### Group

As at 31 December 2017, \$356.3 million (1 January 2017: \$403.2 million) which was presented as "trade and other payables" under FRS has been reclassified to contract liabilities.

#### C SFRS(I) 9

SFRS(I) 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. 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.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under SFRS(I) 7 relating to items within the scope of FRS 39 are provided for the comparative period.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

### Notes to the reconciliations (cont'd)

#### C SFRS(I) 9 (cont'd)

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 following assessments were 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 a 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, then the Group assumed 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 at 31 December 2017 met the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 and therefore were regarded as continuing hedging relationships.

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

#### (i) Classification and measurement: financial assets

SFRS(I) 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous categories under FRS 39 *Financial Instruments: Recognition and measurement* of held to maturity, loans and receivables and available for sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

SFRS(I) 9 largely retains the existing requirements in FRS 39 for the classification and measurement of financial liabilities.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under SFRS(I) 9, see note 3.7.

For financial assets held by the Group on 1 January 2018, management has assessed the business model that are applicable on that date to those assets so as to classify them into the appropriate categories under SFRS(I) 9. Reclassifications resulting from management's assessment are disclosed below.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

### Notes to the reconciliations (cont'd)

#### C SFRS(I) 9 (cont'd)

#### (i) Classification and measurement: financial assets (cont'd)

|                                    | Note | Original classification under FRS 39 | New classification under SFRS(I) 9 | Original carrying amount under FRS 39 \$'000 | New carrying amount under SFRS(I) 9 \$'000 |
|------------------------------------|------|--------------------------------------|------------------------------------|--|--|
| <b>Group</b>                       |      |                                      |                                    |  |  |
| <b>Financial assets</b>            |      |                                      |                                    |  |  |
| Unquoted debt investments          |      |                                      |                                    |  |  |
| – non-related companies            | a    | Loans and receivables                | Mandatorily at FVTPL               | 272,500                                      | 275,572                                    |
| – non-related companies            | b    | Designated as at FVTPL               | Mandatorily at FVTPL               | 30,186                                       | 30,186                                     |
| Unquoted equity investments        |      |                                      |                                    |  |  |
| – fellow subsidiaries              | c    | Available-for-sale                   | FVOCI – equity instrument          | 3,290  | 368,888                                    |
| – other related parties            | d    | Available-for-sale                   | Mandatorily at FVTPL               | 29,617                                       | 18,854                                     |
| – non-related companies            | d    | Available-for-sale                   | Mandatorily at FVTPL               | 26,993                                       | 32,221                                     |
| Quoted equity investments          |      |                                      |                                    |  |  |
| – fellow subsidiaries              | c    | Available-for-sale                   | FVOCI – equity instrument          | 29,705                                       | 29,705                                     |
| – non-related companies            | c    | Available-for-sale                   | FVOCI – equity instrument          | 10,341                                       | 10,341                                     |
| – non-related companies            | d    | Available-for-sale                   | Mandatorily at FVTPL               | 2,292  | 2,292                                      |
| – non-related companies            | e    | Held-for-trading                     | Mandatorily at FVTPL               | 15,770                                       | 15,770                                     |
| Other financial asset              | a    | Loans and receivables                | Mandatorily at FVTPL               | 27,999                                       | 27,999                                     |
|                                    |      |                                      |                                    | 448,693                                      | 811,828                                    |
| <b>Trade and other receivables</b> |      |                                      |                                    |  |  |
| – non-current                      | f    | Loans and receivables                | Amortised cost                     | 426,598                                      | 426,598                                    |
| – current                          | f    | Loans and receivables                | Amortised cost                     | 778,302                                      | 778,302                                    |
| – current                          | a    | Loans and receivables                | Mandatorily at FVTPL               | 18,947                                       | 18,947                                     |
|                                    |      | Fair value – hedging instrument      | Fair value – hedging instrument    | 1,296  | 1,296                                      |
| <b>Derivative financial assets</b> |      |                                      |                                    |  |  |
|                                    |      | Loans and receivables                | Amortised cost                     | 3,775,909                                    | 3,775,909                                  |
| <b>Cash and cash equivalents</b>   |      |                                      |                                    |  |  |
|                                    |      |                                      |                                    | 5,449,745                                    | 5,812,880                                  |
| <b>Total</b>                       |      |                                      |                                    |  |  |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

### Notes to the reconciliations (cont'd)

#### C SFRS(I) 9 (cont'd)

##### (i) Classification and measurement: financial assets (cont'd)

|                                    | Note | Original classification under FRS 39 | New classification under SFRS(I) 9 | Original carrying amount under FRS 39 \$'000 | New carrying amount under SFRS(I) 9 \$'000 |
|------------------------------------|------|--------------------------------------|------------------------------------|--|--|
| <b>Company</b>                     |      |                                      |                                    |  |  |
| <b>Financial assets</b>            |      |                                      |                                    |  |  |
| Unquoted equity investments        |      |                                      |                                    |  |  |
| – fellow subsidiaries              | c    | Available-for-sale                   | FVOCI – equity instrument          | 3,290  | 368,888                                    |
| Quoted equity investments          |      |                                      |                                    |  |  |
| – fellow subsidiaries              | c    | Available-for-sale                   | FVOCI – equity instrument          | 24,979                                       | 24,979                                     |
| – non-related companies            | d    | Available-for-sale                   | Mandatorily at FVTPL               | 2,292  | 2,292                                      |
|                                    |      |                                      |                                    | 30,561                                       | 396,159                                    |
| <b>Trade and other receivables</b> |      |                                      |                                    |  |  |
| – non-current                      | f    | Loans and receivables                | Amortised cost                     | 2,540,071                                    | 2,540,071                                  |
| – current                          | f    | Loans and receivables                | Amortised cost                     | 4,342,274                                    | 4,342,274                                  |
| <b>Derivative financial assets</b> |      |                                      |                                    |  |  |
|                                    |      | Fair value – hedging instrument      | Fair value – hedging instrument    | 1,044  | 1,044                                      |
| <b>Cash and cash equivalents</b>   |      |                                      |                                    |  |  |
|                                    |      | Loans and receivables                | Amortised cost                     | 1,384,157                                    | 1,384,157                                  |
| <b>Total</b>                       |      |                                      |                                    | <b>8,298,107</b>                             | <b>8,663,705</b>                           |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

### Notes to the reconciliations (cont'd)

#### C SFRS(I) 9 (cont'd)

##### (i) Classification and measurement: financial assets (cont'd)

- On adoption of SFRS(I) 9, the Group has reclassified these debt instruments from loans and receivables to mandatorily at FVTPL as their contractual terms do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Under FRS 39, these debt investments were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under SFRS(I) 9.
- These equity investments represent investments that the Group and the Company intend to hold for the long term for strategic purposes. As permitted by SFRS(I) 9, the Group and the Company have designated these investments at the date of initial application as measured at FVOCI. Unlike FRS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.
- These equity investments categorised as available-for-sale under FRS 39 are to derive dividend income, but may be sold to meet liquidity requirements arising in the normal course of business. These assets have been classified as mandatorily measured at FVTPL under SFRS(I) 9.
- Under FRS 39, these equity investments were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under SFRS(I) 9.
- Trade and other receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost.

##### (ii) Impairment

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost, contract assets, but not to equity investments.

The Group applied the simplified approach and record lifetime expected losses on all trade receivables and contract assets. The amount of the allowance was negligible.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 41 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

### Applicable to financial statements for the year 2019 and thereafter

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning after 1 January 2019.

### 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)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

### Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

### 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 in the process of assessing the impact of the new SFRS(I), amendments to and interpretations of SFRS(I) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 41 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONT'D)

### SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group and the Company plan to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adoption SFRS(I) 16 will be recognised as an adjustment to the opening balance of accumulated profits at 1 January 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

### The Group and the Company as lessee

The Group and the Company expect to measure lease liabilities by applying a single discount rate to their portfolio of property leases with reasonably similar characteristics. Furthermore, the Group and the Company are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group and the Company are expected to use hindsight in determining the lease term.

The Group and the Company expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under the principles of SFRS(I) 16.

The Group and the Company's operating lease commitments amounted to approximately \$463.9 million and \$15.1 million respectively as at 31 December 2018. Under SFRS(I) 16, remaining lease payments under the operating leases will be recognised at their present value discounted using appropriate discount rates. In addition, the nature of expenses 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 is in the process of quantifying the adjustments required in the adoption of the standard.

### The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group and the Company continue to classify their 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 42 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES

The following are the Group's significant investments in subsidiaries:

| Principal activity                                 | Principal place of business/<br>Country of incorporation  | Ownership interest     |           |     |
|--|---|------------------------|-----------|-----|
|  |   | 2018<br>%              | 2017<br>% |     |
| <b>Direct/Indirect Subsidiaries of the Company</b> |   |                        |           |     |
| * 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        | 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       | 100 |
| * Canvey Developments Pte. Ltd.                    | Property owner and developer  | Singapore              | 70        | 70  |
| * 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 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 42 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

| Principal activity  | Principal place of business/<br>Country of incorporation   | Ownership interest |           |     |
|---|--|--------------------|-----------|-----|
|   |  | 2018<br>%          | 2017<br>% |     |
| <b>Direct/Indirect Subsidiaries of the Company (cont'd)</b> |  |                    |           |     |
| * 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 |
| * CDL Regulus Pte. Ltd.                                     | Property development   | Singapore          | 100       | -   |
| * CDL Pegasus Pte. Ltd.                                     | Property owner and developer   | Singapore          | 100       | -   |
| * Central Mall Pte Ltd                                      | Property owner   | Singapore          | 100       | 100 |
| * Centro Property Holding Pte. Ltd.                         | Property owner   | Singapore          | 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 |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 42 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

|   | Principal activity                      | Principal place of business/<br>Country of incorporation                              | Ownership interest |           |     |
|---|---|---|--------------------|-----------|-----|
|   |   |   | 2018<br>%          | 2017<br>% |     |
| <b>Direct/Indirect Subsidiaries of the Company (cont'd)</b> |   |   |                    |           |     |
| *   | 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 |
| *   | 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 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 42 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

|   | Principal activity                             | Principal place of business/<br>Country of incorporation | Ownership interest         |                 |                 |
|---|--|--|----------------------------|-----------------|-----------------|
|   |  |  | 2018<br>%                  | 2017<br>%       |                 |
| <b>Direct/Indirect Subsidiaries of the Company (cont'd)</b> |  |  |                            |                 |                 |
| *   | Land Equity Development Pte Ltd                | Property owner   | Singapore                  | 100             | 100             |
| **  | Lingo Enterprises Limited                      | Property holding and property investment                 | Singapore/<br>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              |
| ^   | 125 OBS Limited Partnership                    | Property holding   | United Kingdom             | 100             | –               |
| ^   | The Aldgate House Limited Partnership          | Property holding   | United Kingdom             | 100             | –               |
| *   | New Vista Realty Pte. Ltd.                     | Property owner and developer                             | Singapore                  | 100             | 100             |
| *   | Novel Developments Pte. Ltd.                   | Property owner and developer                             | Singapore                  | 100             | 100             |
| *   | Pavo Properties Pte. Ltd.                      | Property owner and developer                             | Singapore                  | 60              | –               |
| **  | Phuket Square Company Limited                  | Retail and hotel business                                | Thailand                   | 49 <sup>#</sup> | 49 <sup>#</sup> |
| ^   | Pinenorth Properties Limited                   | Property owner   | Jersey                     | 100             | 100             |
| ^   | 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             |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 42 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

|   | Principal activity  | Principal place of business/<br>Country of incorporation                   | Ownership interest         |           |     |
|---|---|--|----------------------------|-----------|-----|
|   |   |  | 2018<br>%                  | 2017<br>% |     |
| <b>Direct/Indirect Subsidiaries of the Company (cont'd)</b> |   |  |                            |           |     |
| **  | Shanghai Anting Waratah Real Estate Development Co., Ltd. | Property development   | People's Republic of China | 100       | 100 |
| ****  | Shanghai Meidao Investment Co., Ltd                       | Property developer   | People's Republic of China | 100       | 100 |
| **  | Shanghai Galaxy Enterprise Management Co., Ltd            | Property developer   | People's Republic of China | 100       | –   |
| **  | Shanghai Rainbow Enterprise Management Co., Ltd           | Property owner   | People's Republic of China | 100       | –   |
| **  | Shanghai Star Enterprise Management Co., Ltd              | Property owner   | People's Republic of China | 100       | –   |
| **  | Shanghai Fusion Enterprise Management Co., Ltd            | Property owner   | People's Republic of China | 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                  | 90        | 70  |
| *   | Systematic Laundry & Uniform Services Pte. Ltd.           | Laundry and dry cleaning services  | Singapore                  | 90        | 70  |
| **  | Tempus Platinum Investments Tokutei Mokuteki Kaisha       | Property owner and developer   | Japan                      | 100       | 100 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 42 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

|  | Principal activity                      | Principal place of business/<br>Country of incorporation | Ownership interest         |           |     |
|--|---|--|----------------------------|-----------|-----|
|  |   |  | 2018<br>%                  | 2017<br>% |     |
| <b>Direct/Indirect Subsidiaries of the Company (cont'd)</b>                  |   |  |                            |           |     |
| *  | Trentwell Management Pte. Ltd.          | Asset management and consultancy services                | Singapore                  | 100       | 100 |
| ^  | Wideachieve Holdings Limited            | Investment holding                                       | British Virgin Islands     | 100       | 100 |
| <b>Direct/Indirect Subsidiaries of Millennium &amp; Copthorne Hotels plc</b> |   |  |                            |           |     |
| **   | 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  |
| **   | 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  |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 42 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

|   | Principal activity                       | Principal place of business/<br>Country of incorporation | Ownership interest |           |    |
|---|--|--|--------------------|-----------|----|
|   |  |  | 2018<br>%          | 2017<br>% |    |
| <b>Direct/Indirect Subsidiaries of Millennium &amp; Copthorne Hotels plc (cont'd)</b> |  |  |                    |           |    |
| **  | CDL West 45th Street LLC                 | Hotel owner  | USA                | <b>65</b> | 65 |
| **  | Chicago Hotel Holdings, Inc.             | Hotel ownership  | USA                | <b>65</b> | 65 |
| **  | Cincinnati S.I. Co.                      | Hotel owner  | USA                | <b>65</b> | 65 |
| *   | City Hotels Pte. Ltd.                    | Hotel operator and investment holding company            | Singapore          | <b>65</b> | 65 |
| **  | Copthorne Aberdeen Limited               | Hotel management   | United Kingdom     | <b>54</b> | 54 |
| ^   | Copthorne Hotel (Birmingham) Limited     | Hotel owner and operator                                 | United Kingdom     | <b>65</b> | 65 |
| ^   | Copthorne Hotel (Cardiff) Limited        | Hotel owner and operator                                 | United Kingdom     | <b>65</b> | 65 |
| ^   | Copthorne Hotel (Effingham Park) Limited | Hotel owner and operator                                 | United Kingdom     | <b>65</b> | 65 |
| ^   | Copthorne Hotel (Gatwick) Limited        | Hotel owner and operator                                 | United Kingdom     | <b>65</b> | 65 |
| ^   | Copthorne Hotel (Manchester) Limited     | Hotel owner and operator                                 | United Kingdom     | <b>65</b> | 65 |
| ^   | Copthorne Hotel (Merry Hill) Limited     | Hotel owner and operator                                 | United Kingdom     | <b>65</b> | 65 |
| **  | Copthorne Hotel (Newcastle) Limited      | Hotel owner and operator                                 | United Kingdom     | <b>62</b> | 62 |
| ^   | Copthorne Hotel (Plymouth) Limited       | Hotel owner and operator                                 | United Kingdom     | <b>65</b> | 65 |
| ^   | Copthorne Hotel (Slough) Limited         | Hotel owner and operator                                 | United Kingdom     | <b>65</b> | 65 |
| **  | Copthorne Hotel Holdings Limited         | Investment holding company                               | United Kingdom     | <b>65</b> | 65 |
| **  | Copthorne Hotels Limited                 | Hotel investment holding company                         | United Kingdom     | <b>65</b> | 65 |
| **  | Copthorne Orchid Penang Sdn. Bhd.        | Hotel owner  | Malaysia           | <b>65</b> | 65 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 42 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

|   | Principal activity                     | Principal place of business/<br>Country of incorporation | Ownership interest |           |    |
|---|--|--|--------------------|-----------|----|
|   |  |  | 2018<br>%          | 2017<br>% |    |
| <b>Direct/Indirect Subsidiaries of Millennium &amp; Copthorne Hotels plc (cont'd)</b> |  |  |                    |           |    |
| **  | Durham Operating Partnership L.P.      | Hotel ownership  | USA                | <b>65</b> | 65 |
| **  | Gateway Regal Holdings LLC             | Hotel owner and operator                                 | USA                | <b>65</b> | 65 |
| **  | Grand Plaza Hotel Corporation          | Hotel owner and operator and investment holding company  | Philippines        | <b>43</b> | 43 |
| *   | Harbour View Hotel Pte Ltd             | Hotel operator   | Singapore          | <b>65</b> | 65 |
| **  | Hong Leong Ginza TMK                   | Property owner   | Japan              | <b>76</b> | 76 |
| **  | Hong Leong Hotel Development Limited   | Hotel owner and operator                                 | Taiwan             | <b>55</b> | 54 |
| *   | Hospitality Holdings Pte. Ltd.         | Investment holding company                               | Singapore          | <b>65</b> | 65 |
| ^   | Hotel Liverpool Limited                | Property letting   | United Kingdom     | <b>65</b> | 65 |
| ^   | Hotel Liverpool Management Limited     | Operating company  | United Kingdom     | <b>65</b> | 65 |
| *   | King's Tanglin Shopping Pte. Ltd.      | Property owner   | Singapore          | <b>65</b> | 65 |
| **  | Lakeside Operating Partnership L.P.    | Hotel ownership  | USA                | <b>65</b> | 65 |
| ^   | London Britannia Hotel Limited         | Hotel owner and operator                                 | United Kingdom     | <b>65</b> | 65 |
| ^   | London Tara Hotel Limited              | Hotel owner and operator                                 | United Kingdom     | <b>65</b> | 65 |
| **  | M&C Crescent Interests, LLC            | Property owner   | USA                | <b>65</b> | 65 |
| **  | M&C Hotel Interests, Inc.              | Hotel management services company                        | USA                | <b>65</b> | 65 |
| **  | M&C Hotels France SAS                  | Hotel owner  | France             | <b>65</b> | 65 |
| **  | M&C New York (Times Square) EAT II LLC | Hotel owner  | USA                | <b>65</b> | 65 |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 42 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

|   | Principal activity  | Principal place of business/<br>Country of incorporation | Ownership interest         |           |    |
|---|---|--|----------------------------|-----------|----|
|   |   |  | 2018<br>%                  | 2017<br>% |    |
| <b>Direct/Indirect Subsidiaries of Millennium &amp; Copthorne Hotels plc (cont'd)</b> |   |  |                            |           |    |
| **  | 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        | 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 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 42 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

|   | Principal activity  | Principal place of business/<br>Country of incorporation | Ownership interest |           |    |
|---|---|--|--------------------|-----------|----|
|   |   |  | 2018<br>%          | 2017<br>% |    |
| <b>Direct/Indirect Subsidiaries of Millennium &amp; Copthorne Hotels plc (cont'd)</b> |   |  |                    |           |    |
| **  | 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 |
| **  | 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 Xiao Tian Cheng Certified Public Accountant Co., Ltd  |  |                    |           |    |
| *****   | Audited by Shanghai Certified Public Accountants  |  |                    |           |    |
| ^   | Not subject to audit by law of country of incorporation   |  |                    |           |    |
| #   | On 11 December 2018, the Group through its direct wholly-owned subsidiary, Central Mall Pte Ltd, acquired Centro Investment Holding Pte. Ltd. and Centro Property Holding Pte. Ltd. which became wholly-owned subsidiaries of the Group.  |  |                    |           |    |
| ##  | Phuket Square Company Limited was considered a subsidiary of the Group as the Group was exposed to variable returns from the company and had the ability to affect those returns through the managements' control over the financial and operating policies of the company.   |  |                    |           |    |
| ###   | 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 ownership interest and voting power of the investee, management has determined that the Group has control over the investee. The activities of the investee are managed by the Group's subsidiary, M&C REIT Management Limited (REIT Manager). REIT Manager has decision-making authority over the investee, subject to oversight by the trustee of the investee. The Group's overall exposure to variable returns, both from the REIT Manager's remuneration and the interests in the investee, is significant and any decisions made by the REIT Manager affect the Group's overall exposure. |  |                    |           |    |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 43 ASSOCIATES AND JOINT VENTURES

The following are the Group's significant investments in associates and joint ventures:

| Principal activity   | Principal place of business/<br>Country of incorporation           | Ownership interest           |                   |                   |
|--|--|------------------------------|-------------------|-------------------|
|  |  | 2018<br>%                    | 2017<br>%         |                   |
| <b>Associates</b>  |  |                              |                   |                   |
| <b>Associates of the Company</b>                                 |  |                              |                   |                   |
| * Cityview Place Holdings Pte. Ltd.                              | Property owner and developer                                       | Singapore                    | 42 <sup>(a)</sup> | 42 <sup>(a)</sup> |
| * Centro Property Holding Pte. Ltd.                              | Property owner   | Singapore                    | <sup>(d)</sup>    | 80 <sup>(b)</sup> |
| * T-Grande Property Holding Pte. Ltd.                            | Property owner   | Singapore                    | 80 <sup>(b)</sup> | 80 <sup>(b)</sup> |
| * Victorian Property Holding Pte. Ltd.                           | Property owner   | Singapore                    | 80 <sup>(b)</sup> | 80 <sup>(b)</sup> |
| *** Suzhou Dragonrise Pan-Artificial Intelligence High-Tech Fund | Venture capital investment and management                          | People's Republic of China   | 73                | –                 |
| <b>Associate of Millennium &amp; Copthorne Hotels plc</b>        |  |                              |                   |                   |
| * First Sponsor Group Limited                                    | Investment holding company   | Singapore/<br>Cayman Islands | 23                | 23                |
| <b>Joint Ventures</b>  |  |                              |                   |                   |
| <b>Joint Ventures of the Company</b>                             |  |                              |                   |                   |
| * 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.      | Provision of integrated facilities management services in Thailand | Thailand                     | 49                | 49                |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 43 ASSOCIATES AND JOINT VENTURES (CONT'D)

| Principal activity  | Principal place of business/<br>Country of incorporation      | Ownership interest         |                     |                     |
|---|---|----------------------------|---------------------|---------------------|
|   |   | 2018<br>%                  | 2017<br>%           |                     |
| <b>Joint Ventures (cont'd)</b>                              |   |                            |                     |                     |
| <b>Joint Ventures of the Company (cont'd)</b>               |   |                            |                     |                     |
| **** Chongqing Eling Property Development Co., Ltd.         | Property owner and developer                                  | People's Republic of China | 50                  | 50                  |
| **** Chongqing Huang Huayuan Property Development Co., Ltd. | Property owner and developer                                  | People's Republic of China | 30                  | 30                  |
| ^^ Emerging Markets Affordable Housing Fund Pte. Ltd.       | Investment in affordable housing projects in emerging markets | Singapore                  | 69                  | –                   |
| ^ FSCT DE Property 1 GmbH & Co. KG                          | Property investment   | Germany                    | 36                  | 36                  |
| * Granmil Holdings Pte Ltd                                  | Property owner and developer                                  | Singapore                  | 40                  | 40                  |
| ** 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                  |
| ***** Shanghai Distrii Technology Development Co., Ltd.     | Operator of co-working spaces                                 | People's Republic of China | 22                  | 22                  |
| ***** Shanghai Mamahome Co., Ltd                            | Operator of online apartment rental platform                  | People's Republic of China | 19                  | 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 <sup>(c)</sup> | 50.1 <sup>(c)</sup> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 43 ASSOCIATES AND JOINT VENTURES (CONT'D)

|   | Principal activity   | Principal place of business/<br>Country of incorporation | Ownership interest     |           |    |
|---|--|--|------------------------|-----------|----|
|   |  |  | 2018<br>%              | 2017<br>% |    |
| <b>Joint Ventures (cont'd)</b>                                |  |  |                        |           |    |
| <b>Joint Ventures of the Company (cont'd)</b>                 |  |  |                        |           |    |
| *   | Siena Residential Development Pte. Ltd.  | Property developer                                       | Singapore              | 50        | –  |
| *   | Siena Commercial Development Pte. Ltd.   | Investment holding                                       | Singapore              | 50        | –  |
| *   | Tomlinson Hotel Pte. Ltd.  | Hotel owner  | Singapore              | 33        | 33 |
| *   | Tripartite Developers Pte. Limited   | Property developer                                       | Singapore              | 33        | 33 |
| <b>Joint Venture of Millennium &amp; Copthorne Hotels plc</b> |  |  |                        |           |    |
| ^   | New Unity Holdings Ltd.  | Investment holding company                               | British Virgin Islands | 33        | 33 |
| *   | Audited by KPMG LLP Singapore  |  |                        |           |    |
| **  | Audited by other member firms of KPMG International  |  |                        |           |    |
| ***   | Audited by Shanghai PricewaterhouseCoopers Zhong Tian LLP  |  |                        |           |    |
| ****  | 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  |  |                        |           |    |
| ^^  | Newly incorporated. Auditor has not been appointed as at 31 December 2018  |  |                        |           |    |
| (a)   | 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 sale and purchase agreement) in its wholly-owned subsidiary, Cityview, to Sunbright.  |  |                        |           |    |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 43 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.

In addition, shares of Baynes with a carrying value of \$1,502,000 (2017: \$1,502,000) was pledged to Sunbright.

### 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.

(b) 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.

(c) 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.

(d) On 11 December 2018, the Group through its direct wholly-owned subsidiary, Central Mall Pte Ltd, acquired Centro Investment Holding Pte. Ltd. and Centro Property Holding Pte. Ltd. which became wholly-owned subsidiaries 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 SFRS(I) 12 Disclosure of Interests in Other Entities.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 44 NON-CONTROLLING INTERESTS

The following subsidiary has material non-controlling interests.

| Name | Principal place of business/<br>Country<br>of incorporation | Ownership interests held by<br>non-controlling interests |      |           |
|------|---|--|------|-----------|
|      |   | 2018   | 2017 | 1 January |
|      |   | %  | %    | 2017      |
| M&C  | United Kingdom  | 35   | 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 SFRS(I), 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.

|   | 2018             | 2017             | 1 January        |
|---|------------------|------------------|------------------|
|   | \$'000           | \$'000           | 2017             |
|   |                  |                  | \$'000           |
| Revenue   | 1,794,104        | 1,797,527        |                  |
| Profit after tax  | 143,528          | 269,405          |                  |
| Other comprehensive income                                  | (45,219)         | (110,697)        |                  |
| <b>Total comprehensive income</b>                           | <b>98,309</b>    | <b>158,708</b>   |                  |
| Attributable to non-controlling interests:                  |                  |                  |                  |
| – Profit  | 97,351           | 121,592          |                  |
| – Total comprehensive income                                | 59,957           | 89,047           |                  |
| Non-current assets  | 5,761,032        | 5,705,865        | 5,730,993        |
| Current assets  | 1,044,694        | 1,028,900        | 947,262          |
| Non-current liabilities                                     | (1,508,141)      | (1,593,413)      | (1,926,698)      |
| Current liabilities   | (976,914)        | (802,339)        | (611,358)        |
| <b>Net assets</b>   | <b>4,320,671</b> | <b>4,339,013</b> | <b>4,140,199</b> |
| Net assets attributable to non-controlling interests        | 2,233,720        | 2,243,174        | 2,143,407        |
| Cash flows from operating activities                        | 228,422          | 320,760          |                  |
| Cash flows used in investing activities                     | (165,471)        | (320,760)        |                  |
| Cash flows (used in)/from financing activities <sup>1</sup> | (39,569)         | 44,550           |                  |
| <b>Net increase in cash and cash equivalents</b>            | <b>23,382</b>    | <b>44,550</b>    |                  |

<sup>1</sup> Included in cash flows (used in)/from financing activities was dividend paid to non-controlling interests of \$91,204,000 (2017: \$87,498,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 45 SUBSEQUENT EVENTS

There were the following significant events subsequent to the reporting date:

- On 4 January 2019, the Group's associate, Golden Crest Holdings Pte. Ltd. (Golden Crest), entered into a shares sales agreement with an unrelated party to divest all its interests in Victorian Investment Holding Pte. Ltd. (VIH). VIH holds a wholly-owned subsidiary, Victorian Property Holding Pte. Ltd. (VPH) which in turn owns Manulife Centre. Golden Crest is the special purpose vehicle set up for the joint office investment platform with a third party investor (refer to details in footnote (b) of note 43). The total consideration for the transaction was \$75.3 million, being the adjusted consolidated net asset value of VIH and VPH. Following the completion of the above transaction, the Group will recognise a pre-tax gain on disposal of \$144.3 million for the financial year ending 31 December 2019 which relates to the deferred gain on the sale of Manulife Centre to Golden Crest in 2015.
- On 14 February 2019, the Group's indirect wholly-owned subsidiary, M&C, provided an irrevocable undertaking to take up its full entitlement of the proposed rights issue of new perpetual convertible capital securities (PCCS) of its associate, First Sponsor Group Limited (FSGL), for a total consideration of \$53 million.

# STATISTICS OF ORDINARY SHAREHOLDINGS

AS AT 28 FEBRUARY 2019

|   |   |   |
|---|---|---|
| Class of Shares   | : | Ordinary Shares   |
| No. of Issued Ordinary Shares                             | : | 909,301,330   |
| No. of Issued Ordinary Shares (excluding Treasury Shares) | : | 906,901,330   |
| No. of Treasury Shares                                    | : | 2,400,000 (representing 0.264% of the total number of issued shares, excluding Treasury Shares)                                 |
| No. of Subsidiary Holdings <sup>#</sup>                   | : | Nil   |
| Voting Rights   | : | One vote for one Ordinary Share.<br>The Company cannot exercise any voting rights in respect of shares held as Treasury Shares. |

Subject to the Companies Act, Chapter 50 of Singapore, subsidiaries cannot exercise any voting rights in respect of shares held by them as subsidiary holdings<sup>#</sup>.

| Range of Ordinary Shareholdings | No. of Ordinary Shareholders | %             | No. of Ordinary Shares | %             |
|---------------------------------|------------------------------|---------------|------------------------|---------------|
| 1 – 99                          | 257                          | 1.97          | 8,344                  | 0.00          |
| 100 – 1,000                     | 5,544                        | 42.44         | 4,389,180              | 0.48          |
| 1,001 – 10,000                  | 6,379                        | 48.83         | 22,319,531             | 2.46          |
| 10,001 – 1,000,000              | 854                          | 6.53          | 31,529,642             | 3.48          |
| 1,000,001 and above             | 30                           | 0.23          | 848,654,633            | 93.58         |
|                                 | <b>13,064</b>                | <b>100.00</b> | <b>906,901,330</b>     | <b>100.00</b> |

Based on information available to the Company as at 28 February 2019, approximately 51.31% of the issued Ordinary Shares (excluding Treasury Shares) 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 2019

| No. | Name   | No. of Ordinary Shares Held | %*           |
|-----|--|-----------------------------|--------------|
| 1   | Hong Leong Holdings Limited                        | 148,787,477                 | 16.41        |
| 2   | Hong Leong Investment Holdings Pte. Ltd.           | 138,169,335                 | 15.24        |
| 3   | Citibank Nominees Singapore Pte Ltd                | 126,603,730                 | 13.96        |
| 4   | DBS Nominees Pte Ltd                               | 93,913,896                  | 10.36        |
| 5   | DBSN Services Pte Ltd                              | 68,502,221                  | 7.55         |
| 6   | HSBC (Singapore) Nominees Pte Ltd                  | 32,776,820                  | 3.61         |
| 7   | Hong Realty (Private) Limited                      | 29,088,799                  | 3.21         |
| 8   | BPSS Nominees Singapore (Pte.) Ltd                 | 24,464,136                  | 2.70         |
| 9   | Raffles Nominees (Pte) Ltd                         | 22,533,865                  | 2.49         |
| 10  | Euroform (S) Pte. Limited                          | 19,603,045                  | 2.16         |
| 11  | Hong Leong Corporation Holdings Pte Ltd            | 18,584,760                  | 2.05         |
| 12  | SGL Investment Holdings Pte Ltd                    | 15,752,414                  | 1.74         |
| 13  | NIN Investment Holdings Pte Ltd                    | 15,161,490                  | 1.67         |
| 14  | Garden Estates (Pte.) Limited                      | 14,152,365                  | 1.56         |
| 15  | Daiwa (Malaya) Private Limited                     | 9,469,000                   | 1.04         |
| 16  | Gordon Properties Pte. Limited                     | 9,304,616                   | 1.03         |
| 17  | Morgan Stanley Asia (Singapore) Securities Pte Ltd | 8,707,258                   | 0.96         |
| 18  | UOB Nominees (2006) Pte Ltd                        | 6,381,460                   | 0.70         |
| 19  | OCBC Securities Private Ltd                        | 6,194,460                   | 0.68         |
| 20  | United Overseas Bank Nominees Pte Ltd              | 5,758,677                   | 0.63         |
|     | <b>Total</b>                                       | <b>813,909,824</b>          | <b>89.75</b> |

<sup>#</sup> "Subsidiary Holdings" is defined in the Listing Manual of the Singapore Exchange Securities Trading Limited to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50 of Singapore.

\* The percentage of Ordinary Shares held is based on the total number of issued Ordinary Shares, excluding Treasury Shares as at 28 February 2019.

# STATISTICS OF ORDINARY SHAREHOLDINGS

AS AT 28 FEBRUARY 2019

## SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders as at 28 February 2019)

|   | No. of Ordinary Shares in which they have interest |                            |             | %*     |
|---|--|----------------------------|-------------|--------|
|   | Direct Interest                                    | Deemed Interest            | Total       |        |
| Hong Realty (Private) Limited             | 32,088,799   | 30,488,981 <sup>(1)</sup>  | 62,577,780  | 6.900  |
| Hong Leong Holdings Limited               | 148,787,477  | 19,546,445 <sup>(2)</sup>  | 168,333,922 | 18.561 |
| Hong Leong Investment Holdings Pte. Ltd.  | 140,169,335  | 300,146,809 <sup>(3)</sup> | 440,316,144 | 48.552 |
| Davos Investment Holdings Private Limited | –  | 440,316,144 <sup>(4)</sup> | 440,316,144 | 48.552 |
| Kwek Holdings Pte Ltd                     | –  | 440,316,144 <sup>(4)</sup> | 440,316,144 | 48.552 |

\* The percentage of Ordinary Shares held is based on the total number of issued Ordinary Shares, excluding Treasury Shares as at 28 February 2019.

## Notes

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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 <sup>(1)</sup> above.

<sup>(4)</sup> 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.

# STATISTICS OF PREFERENCE SHAREHOLDINGS

AS AT 28 FEBRUARY 2019

|                                 |   |  |
|---------------------------------|---|--|
| Class of Shares                 | : | Non-Redeemable Convertible Non-Cumulative Preference Shares ("Preference Shares")  |
| No. of Preference Shares issued | : | 330,874,257  |
| Voting Rights                   | : | Entitled to attend, speak and vote at any class meeting of the Holders of Preference Shares. One 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                       | 926                            | 37.57         | 738,985                  | 0.22          |
| 1,001 - 10,000                    | 1,122                          | 45.52         | 4,507,504                | 1.36          |
| 10,001 - 1,000,000                | 376                            | 15.25         | 29,889,975               | 9.04          |
| 1,000,001 and above               | 16                             | 0.65          | 295,736,581              | 89.38         |
|                                   | <b>2,465</b>                   | <b>100.00</b> | <b>330,874,257</b>       | <b>100.00</b> |

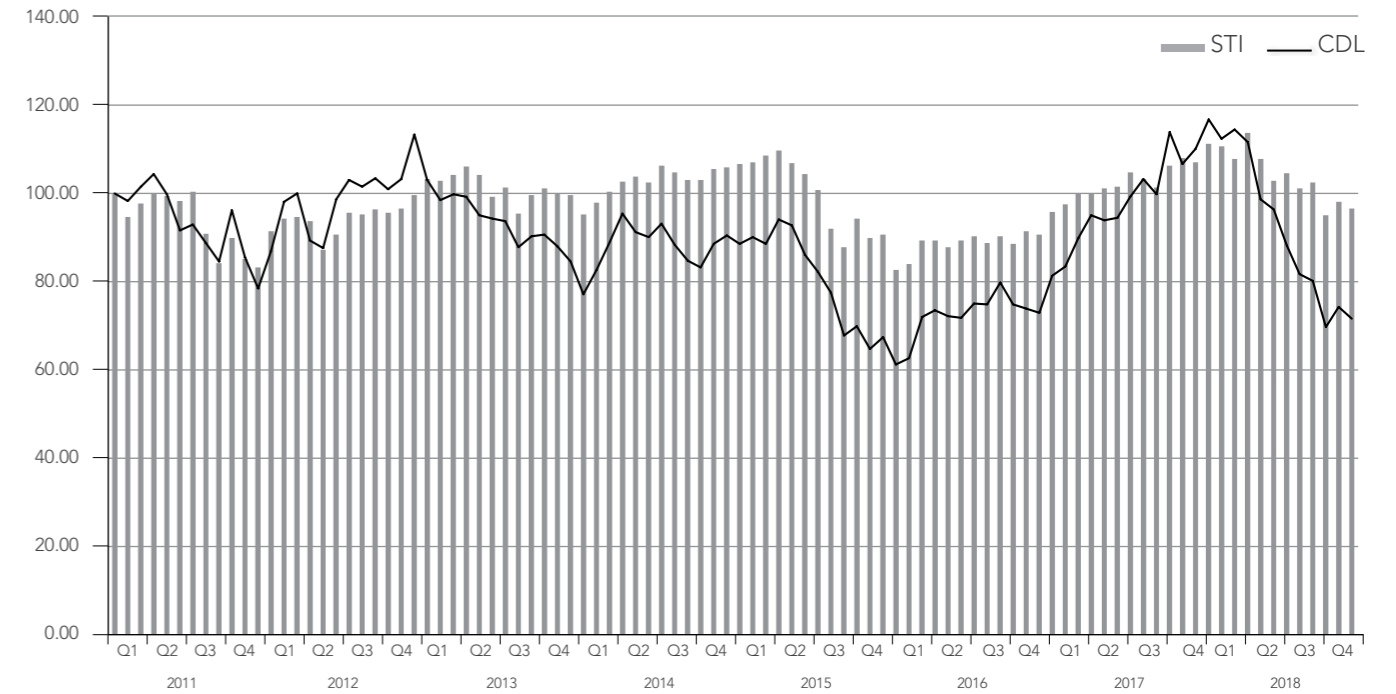
## MAJOR PREFERENCE SHAREHOLDERS LIST - TOP 20 AS AT 28 FEBRUARY 2019

| No.          | Name   | No. of Preference Shares Held | %*           |
|--------------|--|-------------------------------|--------------|
| 1            | Raffles Nominees (Pte) Ltd                         | 97,617,927                    | 29.50        |
| 2            | Mandai Properties Pte Ltd                          | 64,931,000                    | 19.62        |
| 3            | Citibank Nominees Singapore Pte Ltd                | 44,890,371                    | 13.57        |
| 4            | Aster Land Development Pte Ltd                     | 26,913,086                    | 8.13         |
| 5            | CGS-CIMB Securities (Singapore) Pte Ltd            | 25,002,601                    | 7.56         |
| 6            | Fairmount Development Pte Ltd                      | 7,000,000                     | 2.12         |
| 7            | HSBC (Singapore) Nominees Pte Ltd                  | 5,494,497                     | 1.66         |
| 8            | Guan Hong Plantation Private Limited               | 5,000,000                     | 1.51         |
| 9            | DBS Nominees Pte Ltd                               | 4,377,241                     | 1.32         |
| 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                | 1,832,000                     | 0.55         |
| 14           | Chiam Toon Chew                                    | 1,415,000                     | 0.43         |
| 15           | Freddie Tan Poh Chye                               | 1,370,000                     | 0.41         |
| 16           | United Overseas Bank Nominees Pte Ltd              | 1,274,718                     | 0.39         |
| 17           | Sun Yuan Overseas Pte Ltd                          | 972,000                       | 0.29         |
| 18           | Morgan Stanley Asia (Singapore) Securities Pte Ltd | 945,386                       | 0.28         |
| 19           | Song Cheng Miang                                   | 650,000                       | 0.20         |
| 20           | OCBC Nominees Singapore Pte Ltd                    | 649,040                       | 0.20         |
| <b>Total</b> |  | <b>298,953,007</b>            | <b>90.35</b> |

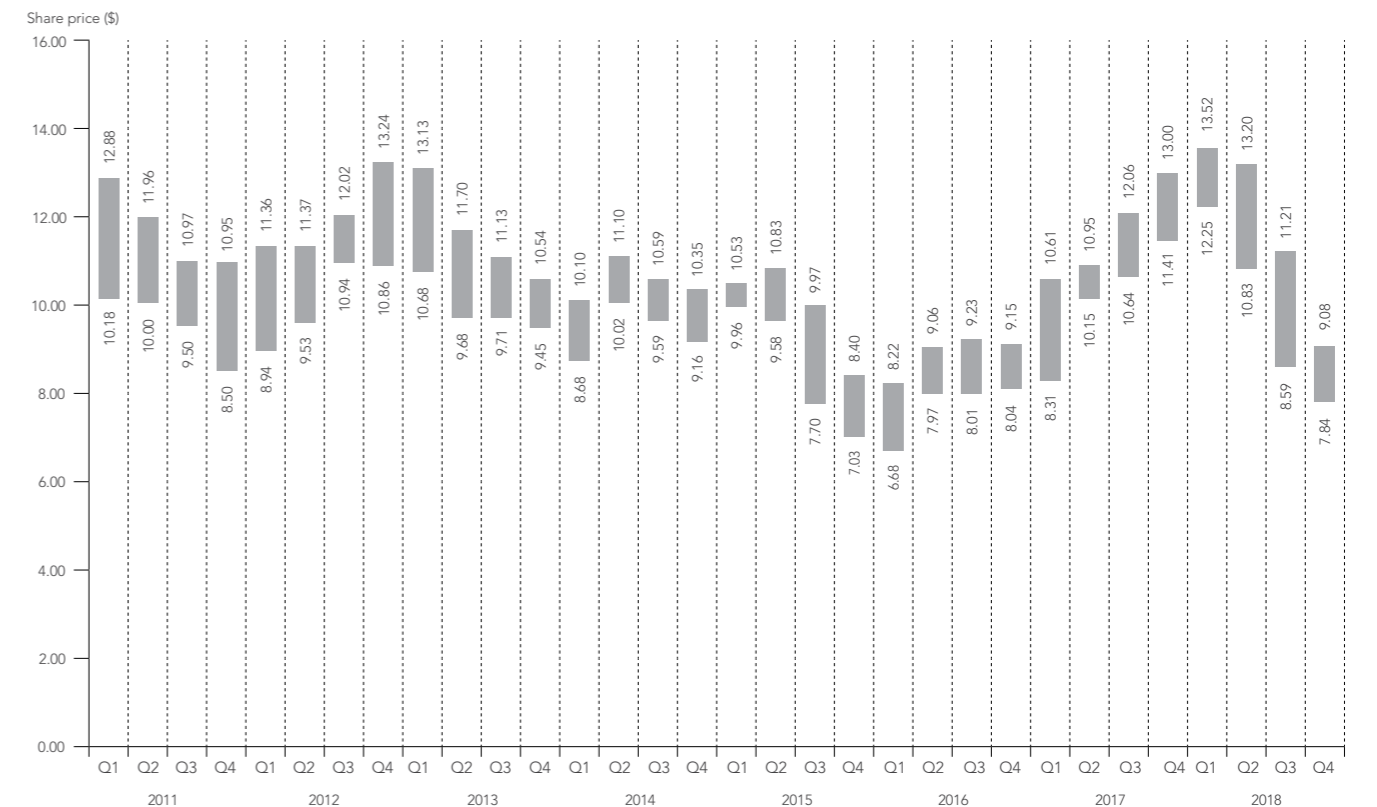
\* The percentage of Preference Shares held is based on the total number of issued Preference Shares as at 28 February 2019.

# 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-Sixth 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 Friday, 26 April 2019 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") 2018 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 2018.
3. To approve Directors' Fees of \$1,012,293.16 for FY 2018 (FY 2017: \$547,956.15).
4. To elect/re-elect the following Directors retiring in accordance with the Constitution of the Company and who, being eligible, offer themselves for election/re-election:
  - (a) Mr Philip Yeo Liat Kok
  - (b) Mr Tan Poay Seng
  - (c) Ms Lim Yin Nee Jenny

*Detailed information on the Directors who are proposed to be elected/re-elected can be found under the sections on "Board of Directors" and "Additional Information on Directors Seeking Election/Re-election" of the Annual Report.*

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,

# NOTICE OF ANNUAL GENERAL MEETING

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,

## NOTICE OF ANNUAL GENERAL MEETING

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 whether pursuant to a Market Purchase or an Off-Market Purchase, 105% of the Average Closing 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 or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, 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;

"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

## NOTICE OF ANNUAL GENERAL MEETING

(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 2019

# NOTICE OF ANNUAL GENERAL MEETING

## **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 2019. 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 2019 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 2019.

## **Explanatory Notes:**

1. With reference to item 3 of the Ordinary Business above, the Directors' Fees of \$1,012,293.16 for FY 2018 will be payable upon approval of the shareholders at the Meeting. The structure of fees payable to Directors for FY 2018 can be found on page 44 of the Annual Report.  
  
Key information on Mr Philip Yeo Liat Kok is found on pages 28 and 298 to 300 of the Annual Report.
2. With reference to item 4(a) of the Ordinary Business above, Mr Philip Yeo Liat Kok will, upon re-election as a Director of the Company, remain as chairman of the Nominating Committee ("NC") and a member of the Remuneration Committee ("RC") and Board Sustainability Committee ("BSC"). Mr Yeo is considered independent by the Board.  
  
Key information on Mr Philip Yeo Liat Kok is found on pages 28 and 298 to 300 of the Annual Report.
3. With reference to item 4(b) of the Ordinary Business above, Mr Tan Poay Seng will, upon re-election as a Director of the Company, remain as a member of the BSC. Mr Tan is considered independent by the Board.  
  
Key information on Mr Tan Poay Seng is found on pages 28 and 298 to 300 of the Annual Report.
4. With reference to item 4(c) of the Ordinary Business above, Ms Lim Yin Nee Jenny will, upon election as a Director of the Company, remain as Lead Independent Director, chairman of the Audit & Risk Committee and RC, and a member of the Board Committee and NC. Ms Lim is considered independent by the Board.  
  
Key information on Ms Lim Yin Nee Jenny is found on pages 29 and 298 to 300 of the Annual Report.
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.

# NOTICE OF ANNUAL GENERAL MEETING

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 dated 27 March 2019 ("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 2019 (the "Latest Practicable Date") (disregarding the Ordinary Shares held in treasury), the exercise in full of the Share Purchase Mandate would result in the purchase of 90,690,133 Ordinary Shares (representing 10% of the total number of issued Ordinary Shares of the Company, disregarding the Ordinary Shares held in treasury) 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 and Off-Market Purchases by the Company and assuming that the Company purchases or acquires 90,690,133 Ordinary Shares at the Maximum Price of \$9.76 for one Ordinary Share (being the price equivalent to 105% of the Average Closing Price as at the Latest Practicable Date) and 33,087,425 Preference Shares at the Maximum Price of \$1.14 for one Preference Share (being the price equivalent to 105% of the Average Closing Price as at the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 90,690,133 Ordinary Shares and 33,087,425 Preference Shares is approximately \$885 million and \$38 million respectively.

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 2018 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.*



# NOTICE OF ANNUAL GENERAL MEETING

## 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.

# NOTICE OF ANNUAL GENERAL MEETING

## 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.

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION AT THE 56<sup>TH</sup> ANNUAL GENERAL MEETING

| Name of Director  | MR PHILIP YEO LIAT KOK   | MR TAN POAY SENG  | MS LIM YIN NEE JENNY   |
|---|--|---|--|
| Age   | 72   | 52  | 65   |
| Date of appointment   | 11 May 2009  | 2 February 2012   | 22 June 2018   |
| Job Title   | Non-Executive and Independent Director<br><br>Chairman of the Nominating Committee ("NC") and a member of the Remuneration Committee ("RC") and Board Sustainability Committee ("BSC")   | Non-Executive and Independent Director<br><br>A member of the BSC   | Non-Executive and Lead Independent Director<br><br>Chairman of the Audit & Risk Committee and RC, and a member of the Board Committee and NC |
| Date of last re-election as Director (if applicable)  | 25 April 2017  | 25 April 2017   | N.A.   |
| Country of principal residence  | Republic of Singapore  | Malaysia  | Republic of Singapore  |
| The Board's comments on the re-appointment (including rationale, selection criteria, and the search and nomination process) | <p>The NC and the Board reviewed the nomination of the relevant Directors for election and re-election as well as the independence of the Directors. When considering the nomination of these Directors, the NC and the Board took into account their skills set and 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.</p> <p>With regards Mr Philip Yeo Liat Kok who has served slightly more than nine years since his appointment to the Board, the NC and the Board concurred that Mr Yeo had maintained his independence throughout his service on the Board, having observed many instances of Mr Yeo's contribution and objectivity in the review and evaluation of 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.</p> <p>The NC and Board recommend the election and re-election of Mr Philip Yeo Liat Kok, Mr Tan Poay Seng and Ms Lim Yin Nee Jenny as independent Directors.</p> |   |  |
| Whether appointment is executive, and if so, the area of responsibility   | No   | No  | No   |
| Professional qualification and working experience and occupation(s) during the past 10 years                                | Bachelor of Applied Science (Industrial Engineering), an honorary Doctorate in Engineering, an honorary Doctorate in Medicine, a Master of Science (Systems Engineering), a Master in Business Administration, Doctor of Science, an honorary Doctor of Letters and an honorary Doctor of Law  | Diploma in Hotel Management, Switzerland<br><br><u>May 1996 – Present</u><br>Managing Director of South Island Garment Sdn Bhd, an export orientated garment manufacturer | Fellow member of the Association of Chartered Certified Accountants, United Kingdom (ACCA)<br><br>Retired partner of KPMG LLP since 2001     |

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION AT THE 56<sup>TH</sup> ANNUAL GENERAL MEETING

| Name of Director  | MR PHILIP YEO LIAT KOK   | MR TAN POAY SENG   | MS LIM YIN NEE JENNY  |
|---|--|--|---|
| Professional qualification and working experience and occupation(s) during the past 10 years (cont'd)   | <p><u>April 2007 to August 2011</u><br/>Special Advisor for Economic Development, Prime Minister's Office</p> <p><u>April 2007 to 31 March 2018</u><br/>Chairman of SPRING (Standards, Productivity and Innovation for Growth) Singapore</p> | <p><u>February 2000 – Present</u><br/>Managing Director of Magni-Tech Industries Berhad, an investment holding company listed on the Main Market of Bursa Securities Malaysia Berhad. The Magni-Tech group is also involved in manufacturing and sale of garments, flexible plastic packaging and corrugated packaging products</p> <p><u>March 2004 – 12 May 2017</u><br/>Managing Director of Coronation Springs Sdn Bhd, a property development company</p> |   |
| Shareholding interest in the Company and its subsidiaries   | Nil  | Nil  | Nil   |
| Relationship (including immediate family relationship) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries | No   | No   | No  |
| Conflict of interest (including any competing business)   | No   | No   | No  |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to City Developments Limited   | Yes  | Yes  | Yes   |
| Other Principal Commitments including directorships   | <p>Chairman of Economic Development Innovations Singapore (EDIS) Private Limited</p> <p>Chairman of Accuron Technologies Limited</p>   | Managing Director of Magni-Tech Industries Berhad  | President of Viriya Community Services, a charitable organisation |

**ADDITIONAL INFORMATION**  
ON DIRECTORS SEEKING ELECTION/RE-ELECTION AT THE  
56<sup>TH</sup> ANNUAL GENERAL MEETING

| Name of Director   | MR PHILIP YEO LIAT KOK   | MR TAN POAY SENG   | MS LIM YIN NEE JENNY   |
|--|--|--|--|
| Directorships  |  |  |  |
| Past<br>(for the last 5 years):  | <ul style="list-style-type: none"> <li>Ascendas Property Fund Trustee Pte Ltd</li> <li>Veredus Laboratories Pte Ltd</li> <li>Hitachi Ltd<sup>#</sup></li> <li>Spring Equity Investments Pte. Ltd.</li> </ul>   | <ul style="list-style-type: none"> <li>Potential Gain Sdn Bhd</li> <li>Island Hospital Sdn Bhd</li> <li>Cable Car Engineering (PG) Sdn Bhd</li> <li>Esteem Café Sdn Bhd</li> <li>Coronation Springs Sdn Bhd</li> </ul>   | <ul style="list-style-type: none"> <li>M&amp;C REIT Management Limited, Manager of CDL Hospitality Real Estate Investment Trust</li> <li>M&amp;C Business Trust Management Limited, Trustee-Manager of CDL Hospitality Business Trust</li> </ul> |
| Present:   | <ul style="list-style-type: none"> <li>City Developments Limited<sup>#</sup></li> <li>Accuron Technologies Limited</li> <li>Advanced Materials Technologies Pte Ltd</li> <li>Galaxis Ventures (S) Pte Ltd</li> <li>Hexagon Development Advisors Pte Ltd</li> <li>IGlobe Partners (II) Pte. Ltd.</li> <li>IGlobe Platinum Fund Limited</li> <li>IGlobe Platinum Fund II Limited</li> <li>MTIC Holdings Pte. Ltd.</li> <li>P*Yeo Investments Pte Ltd</li> <li>Singapore Aerospace Manufacturing Private Limited</li> <li>St. Joseph's Institution Foundation for the Lasallian Mission Ltd.</li> <li>Symbiosis Ventures Management Sdn Bhd</li> <li>Baiterek National Managing Holding</li> <li>Kerry Logistics Network Ltd (Hong Kong)<sup>#</sup></li> <li>Dornier Medtech GmbH (Muchen)</li> <li>Economic Development Innovations Singapore (EDIS) Private Limited</li> <li>JobTech Pte Ltd</li> <li>Biopolis Ventures (Pte) Ltd</li> <li>OnSponge Pte Ltd</li> </ul> | <ul style="list-style-type: none"> <li>City Developments Limited<sup>#</sup></li> <li>Coronation Springs (M) Sdn Bhd</li> <li>Inter-Pacific Packaging Sdn Bhd</li> <li>KP Holdings Sdn Bhd</li> <li>Magni-Tech Industries Berhad<sup>#</sup></li> <li>South Island Garment Sdn Bhd</li> <li>South Island Packaging (Penang) Sdn Bhd</li> <li>South Island Plastics Sdn Bhd</li> <li>Penang Han Chiang Associated Chinese Schools Association</li> <li>Cong Tien Garment Joint Stock Company</li> <li>Vinh Tien Garment Joint Stock Company</li> <li>Sekolah Jenis Kebangsaan (Cina) Union</li> </ul> | <ul style="list-style-type: none"> <li>City Developments Limited<sup>#</sup></li> </ul>  |
| Responses to questions (a) to (k) under Appendix 7.4.1 of the SGX Listing Manual | Negative Confirmation  | Negative Confirmation  | Negative Confirmation  |

<sup>#</sup> Listed company

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**CITY DEVELOPMENTS LIMITED**

(Co. Reg. No. 196300316Z)

(Incorporated in the Republic of Singapore)

**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 2019.

**PROXY FORM**56<sup>TH</sup> ANNUAL GENERAL MEETING

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/<br>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-Sixth Annual General Meeting of the Company ("AGM") to be held at M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Friday, 26 April 2019 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 |
|---------------------------|---|----------------------------|---------|
| <b>ORDINARY BUSINESS:</b> |   |                            |         |
| 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.                        | Election/Re-election of Directors:  | (a) Mr Philip Yeo Liat Kok |         |
|                           |   | (b) Mr Tan Poay Seng       |         |
|                           |   | (c) Ms Lim Yin Nee Jenny   |         |
| 5.                        | Re-appointment of KPMG LLP as Auditors  |                            |         |
| <b>SPECIAL BUSINESS:</b>  |   |                            |         |
| 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 \_\_\_\_\_ 2019.

| No. of ordinary shares held |
|-----------------------------|
|                             |

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\_\_\_\_\_  
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/her 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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56<sup>TH</sup> 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.



PRODUCED BY  
INVESTOR RELATIONS & CORPORATE COMMUNICATIONS,  
CITY DEVELOPMENTS LIMITED  
AND GROUP CORPORATE AFFAIRS, HONG LEONG GROUP SINGAPORE





**CITY DEVELOPMENTS LIMITED**

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[www.cdl.com.sg](http://www.cdl.com.sg)

Co. Reg. No. 196300316Z



# **CITY DEVELOPMENTS LIMITED**

(Co. Reg. No. 196300316Z)  
(Incorporated in the Republic of Singapore)

## **LETTER TO SHAREHOLDERS DATED 27 MARCH 2019**

**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:

|                     |                                      |
|---------------------|--------------------------------------|
| Kwek Leng Beng      | (Executive Chairman)                 |
| Kwek Leng Peck      | (Non-executive Director)             |
| Philip Yeo Liat Kok | (Non-executive Independent Director) |
| Tan Poay Seng       | (Non-executive Independent Director) |
| Tan Yee Peng        | (Non-executive Independent Director) |
| Koh Thiam Hock      | (Non-executive Independent Director) |
| Lim Yin Nee Jenny   | (Lead Independent Director)          |

## Registered Office:

9 Raffles Place  
#12-01 Republic Plaza  
Singapore 048619

27 March 2019

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-Sixth Annual General Meeting of City Developments Limited (“**CDL**” or the “**Company**”) (“**56th AGM**”) issued by the Company on 27 March 2019 (the “**Notice**”).

Item 7 of the Notice is an Ordinary Resolution (“**Resolution 7**”) to be proposed at the 56th 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 56th 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.

## 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 2019 (the "**Latest Practicable Date**"), were as follows:

| Directors      | Class of Shares | Number of Shares held | % <sup>(1)</sup> |
|----------------|-----------------|-----------------------|------------------|
| Kwek Leng Beng | Ordinary        | 397,226               | 0.044            |
|                | Preference      | 144,445               | 0.044            |
| Kwek Leng Peck | Ordinary        | 43,758                | 0.005            |

| Substantial Shareholders                                     | Number of Ordinary Shares |                            |             | % <sup>(1)</sup> |
|--|---------------------------|----------------------------|-------------|------------------|
|  | Direct Interest           | Deemed Interest            | Total       |                  |
| Hong Realty (Private) Limited (" <b>HR</b> ")                | 32,088,799                | 30,488,981 <sup>(2)</sup>  | 62,577,780  | 6.900            |
| Hong Leong Holdings Limited (" <b>HLH</b> ")                 | 148,787,477               | 19,546,445 <sup>(3)</sup>  | 168,333,922 | 18.561           |
| Hong Leong Investment Holdings Pte. Ltd. (" <b>HLIH</b> ")   | 140,169,335               | 300,146,809 <sup>(4)</sup> | 440,316,144 | 48.552           |
| Davos Investment Holdings Private Limited (" <b>Davos</b> ") | –                         | 440,316,144 <sup>(5)</sup> | 440,316,144 | 48.552           |
| Kwek Holdings Pte Ltd (" <b>KH</b> ")                        | –                         | 440,316,144 <sup>(5)</sup> | 440,316,144 | 48.552           |

Notes:

<sup>(1)</sup> Based on 906,901,330 issued Ordinary Shares (excluding treasury shares) and 330,874,257 issued Preference Shares as at the Latest Practicable Date. As at that date, there were 2,400,000 treasury shares and no subsidiary holdings.

"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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

<sup>(5)</sup> 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.

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 56th 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 56th 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 2018 (the “**2018 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 Letter to Shareholders dated 27 March 2018 and Ordinary Resolution 8 set out in the Notice of 2018 AGM.

The Share Purchase Mandate was expressed to take effect from the passing of the Ordinary Resolution at the 2018 AGM and will expire on the date of the forthcoming Fifty-Sixth Annual General Meeting to be held on 26 April 2019 (the “**56th AGM**”). Accordingly, Ordinary Shareholders’ approval will be sought for the renewal of the Share Purchase Mandate at the 56th AGM.

### 2. DEFINITIONS

In this Annexure I, the following definitions shall apply throughout unless otherwise stated:

|                                    |   |  |
|------------------------------------|---|--|
| “ <b>CDP</b> ”                     | : | The Central Depository (Pte) Limited   |
| “ <b>Company</b> ”                 | : | City Developments Limited  |
| “ <b>Companies Act</b> ”           | : | The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time   |
| “ <b>Constitution</b> ”            | : | The Constitution of the Company, as amended or modified from time to time  |
| “ <b>EPS</b> ”                     | : | Earnings per Ordinary Share  |
| “ <b>Group</b> ”                   | : | The Company and its subsidiaries   |
| “ <b>HLIH</b> ”                    | : | Hong Leong Investment Holdings Pte. Ltd.   |
| “ <b>HLIH Group</b> ”              | : | HLIH and its subsidiaries  |
| “ <b>Income Tax Act</b> ”          | : | Income Tax Act, Chapter 134 of Singapore, as amended or modified from time to time   |
| “ <b>Latest Practicable Date</b> ” | : | 28 February 2019, being the latest practicable date prior to the printing of this Letter to Shareholders   |
| “ <b>Listing Manual</b> ”          | : | The Listing Manual of SGX-ST, as amended or modified from time to time   |
| “ <b>Market Day</b> ”              | : | A day on which SGX-ST is open for trading in securities  |
| “ <b>Market Purchase</b> ”         | : | 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 |
| “ <b>NAV</b> ”                     | : | Net Asset Value  |

|                                 |   |  |
|---------------------------------|---|--|
| <b>“Off-Market Purchase”</b>    | : | An off-market purchase of Shares by the Company effected in accordance with an equal access scheme   |
| <b>“Ordinary Shareholders”</b>  | : | Registered holders of Ordinary Shares, except where the registered holder is CDP, the term <b>“Ordinary Shareholders”</b> shall in relation to such Ordinary Shares, mean the Depositors whose securities accounts maintained with CDP are credited with the Ordinary Shares |
| <b>“Ordinary Shares”</b>        | : | Ordinary shares of the Company   |
| <b>“Preference Shares”</b>      | : | Non-redeemable convertible non-cumulative preference shares of the Company   |
| <b>“SFA”</b>                    | : | Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time   |
| <b>“SGX-ST”</b>                 | : | Singapore Exchange Securities Trading Limited  |
| <b>“Share Purchase Mandate”</b> | : | The mandate to enable the Company to purchase or otherwise acquire its issued Shares   |
| <b>“Shareholders”</b>           | : | Registered holders of Shares, except where the registered holder is CDP, the term <b>“Shareholders”</b> shall in relation to such Shares, mean the Depositors whose securities accounts maintained with CDP are credited with the Shares                                     |
| <b>“Shares”</b>                 | : | Ordinary Shares and Preference Shares  |
| <b>“SIC”</b>                    | : | Securities Industry Council of Singapore   |
| <b>“Take-over Code”</b>         | : | 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 56th AGM at which the renewal of the Share Purchase Mandate is approved.

Treasury shares or subsidiary holdings will be disregarded for purposes of computing the 10% limit. As at the Latest Practicable Date, the Company had 2,400,000 treasury shares and no subsidiary holdings.

For illustrative purposes only, based on 906,901,330 issued Ordinary Shares (excluding 2,400,000 treasury shares) and 330,874,257 issued Preference Shares as at the Latest Practicable Date, and assuming that no further Ordinary Shares and Preference Shares are issued on or prior to the 56th AGM, not more than 90,690,133 Ordinary Shares and 33,087,425 Preference Shares (representing 10% of the issued Ordinary Shares and 10% of the Preference Shares as at that date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate. There are no subsidiary holdings in the share capital of 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 56th AGM, at which the renewal of the Share Purchase Mandate is approved, 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 or Acquisition of Shares

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, commission, 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, in the case of both Market Purchases and Off-Market Purchases, 105% of the Average Closing 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 or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, 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; 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 2018 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 906,901,330 issued Ordinary Shares (excluding treasury shares and subsidiary holdings) 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 90,690,133 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 and Off-Market Purchases by the Company and assuming that the Company purchases or acquires 90,690,133 Ordinary Shares at the Maximum Price of \$9.76 for one Ordinary Share (being the price equivalent to 105% of the Average Closing Price as at the Latest Practicable Date) and 33,087,425 Preference Shares at the Maximum Price of \$1.14 for one Preference Share (being the price equivalent to 105% of the Average Closing Price as at the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 90,690,133 Ordinary Shares and 33,087,425 Preference Shares is approximately \$885 million and \$38 million respectively.



### 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 90,690,133 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 2018, the financial effects on the audited financial statements of the Group and the Company for the financial year ended 31 December 2018 would have been as follows:

|   | GROUP  |  | COMPANY  |  |
|---|--|--|--|--|
|   | Before Purchase of Ordinary Shares and Preference Shares | After Purchase of Ordinary Shares and Preference Shares <sup>(1),(8)</sup> | Before Purchase of Ordinary Shares and Preference Shares | After Purchase of Ordinary Shares and Preference Shares <sup>(1),(8)</sup> |
| As at 31 December 2018                      | \$'000   | \$'000   | \$'000   | \$'000   |
| Share Capital and Reserves <sup>(1)</sup>   | 10,040,697   | 10,004,267   | 6,697,507  | 6,661,077  |
| Treasury Shares                             | –  | (885,136)  | –  | (885,136)  |
| NAV   | 10,040,697   | 9,119,131  | 6,697,507  | 5,775,941  |
| Total Equity                                | 12,273,940   | 11,352,374   | 6,697,507  | 5,775,941  |
| Current Assets <sup>(2)</sup>               | 9,099,253  | 8,411,539  | 5,379,508  | 4,691,794  |
| Current Liabilities <sup>(2)</sup>          | 3,103,781  | 3,337,633  | 3,007,203  | 3,241,055  |
| Working Capital                             | 5,995,472  | 5,073,906  | 2,372,305  | 1,450,739  |
| Net Borrowings <sup>(2),(3)</sup>           | 3,830,420  | 4,751,986  | 1,906,550  | 2,828,116  |
| Number of Ordinary Shares <sup>(7)</sup>    | 906,901,330  | 816,211,197  | 906,901,330  | 816,211,197  |
| <b>Financial Ratios</b>                     |  |  |  |  |
| NAV per Ordinary Share (\$)                 | 11.07  | 11.17  | 7.39   | 7.08   |
| Basic EPS (Ordinary) (cents) <sup>(4)</sup> | 59.92  | 66.72  | 13.08  | 14.68  |
| Net Gearing (times) <sup>(5)</sup>          | 0.31   | 0.42   | 0.28   | 0.49   |
| Current Ratio (times) <sup>(6)</sup>        | 2.93   | 2.52   | 1.79   | 1.45   |

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 (excluding 2,400,000 treasury 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 2018, 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**”) or Singapore Financial Reporting Standard (International) 9 (Financial Instruments) (“**SFRS(I) 9**”) (as the case may be), 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 or SFRS(I) 9 (as the case may be).

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 105% of 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 105% of the Average Closing 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 51.31% 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 45.90%. 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 49.21% 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 90,690,133 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 49.21% to 54.68%. 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 90,690,133 Ordinary Shares pursuant to the Share Purchase Mandate.

### 3.10 Previous Share Purchases

As at the Latest Practicable Date, the Company had purchased or acquired an aggregate of 2,400,000 Ordinary Shares by way of Market Purchase pursuant to the Share Purchase Mandate approved by Shareholders at the 55th AGM. The highest and lowest price paid was \$9.69 and \$8.11 per Ordinary Share respectively, and the total consideration paid for all purchases was \$21,445,467.05, including brokerage, stamp duties, commission, applicable goods and services tax and other related expenses.

## 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 56th 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 55th 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 56th 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 55th 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 56th AGM, which is to be held on 26 April 2019. Accordingly, it is proposed that the IPT Mandate be renewed at the 56th AGM, to take effect until the conclusion of the next Annual General Meeting of the Company to be held in 2020.

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.



## 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**”)<sup>1</sup>), 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<sup>2</sup>; 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,

<sup>1</sup> Based on the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2018, the annual consolidated NTA of the Group was \$10,023,660,000.

<sup>2</sup> 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 2019 are published by the Company, 5 per cent. of the latest annual audited consolidated NTA of the Group would be \$501,183,000.

(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<sup>3</sup>; 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.

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<sup>3</sup> 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) Property-related Transactions comprising the award of contracts to main contractors, suppliers and consultants for property development projects
  - (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 sub-paragraph (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) Property-related Transactions comprising the leasing or rental of properties
  - (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.



