IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES OR TO U.S. PERSONS

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached information memorandum. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached information memorandum. In accessing the attached information memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: In order to be eligible to view the attached information memorandum or make an investment decision with respect to the securities, investors must not be (i) a U.S. person (as defined in Regulation S under the United States Securities Act of 1933, as amended (the "**Securities Act**")) or (ii) located within the United States ("**U.S.**"). The attached information memorandum is being sent at your request and by accepting this e-mail and accessing the attached information memorandum, you shall be deemed to have represented to us (1) that you are not resident in the U.S. nor a U.S. person, as defined in Regulation S under the Securities Act nor are you acting on behalf of a U.S. person, the e-mail address that you gave us and to which this e-mail has been delivered is not located in the U.S. and, to the extent you purchase the securities described in the attached information memorandum, you will be doing so pursuant to Regulation S under the Securities Act, and (2) that you consent to delivery of the attached information memorandum and any amendments or supplements thereto by electronic transmission. By accepting this e-mail and accessing the attached information memorandum, if you are an investor in Singapore, you (A) represent and warrant that you are either an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or a person to whom an offer is being made pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, and (B) agree to be bound by the limitations and restrictions described therein. Any reference to the "**SFA**" is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

The attached information memorandum has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of City Developments Limited, DBS Bank Ltd., Australia and New Zealand Banking Group Limited, Citigroup Global Markets Singapore Pte. Ltd., Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank (Singapore) Limited, The Hongkong and Shanghai Banking Corporation Limited or any person who controls any of them nor any of their respective directors, officers, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the information memorandum distributed to you in electronic format and the hard copy version. A hard copy version will be provided to you upon request.

Restrictions: The attached information memorandum is being furnished in connection with an offering of securities exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described therein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of City Developments Limited, DBS Bank Ltd., Australia and New Zealand Banking Group Limited, Citigroup Global Markets Singapore Pte. Ltd., Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank (Singapore) Limited or The Hongkong and Shanghai Banking Corporation Limited to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (as defined in Regulation S under the Securities Act).

The attached information memorandum or any materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the dealers or any affiliate of the dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the dealers or such affiliate on behalf of City Developments Limited in such jurisdiction. The attached information memorandum may only be communicated to persons in the United Kingdom in circumstances where Section 21(1) of the Financial Services and Markets Act 2000 does not apply.

You are reminded that you have accessed the attached information memorandum on the basis that you are a person into whose possession this information memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this information memorandum, electronically or otherwise, to any other person. **If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.**

Actions that You May Not Take: If you receive this information memorandum by e-mail, you should not reply by e-mail, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED INFORMATION MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH INFORMATION MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED INFORMATION MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive this information memorandum by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

CITY DEVELOPMENTS LIMITED

(Incorporated in the Republic of Singapore on 7 September 1963)
(Company Registration No. 196300316Z)

S$5,000,000,000
Medium Term Note Programme
(the "MTN Programme")

This Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of notes (the "**Notes**") to be issued from time to time by City Developments Limited (the "**Issuer**") pursuant to the MTN Programme may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the "**SFA**" is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and quotation for any Notes which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, its subsidiaries, its associated companies (if any), the MTN Programme or such Notes.

Arranger

DBS

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NOTICE

DBS Bank Ltd. (the "**Arranger**") has been appointed pursuant to the Supplemental Programme Agreement (as defined herein) by the Issuer as the arranger of the MTN Programme described herein following the retirement of Citicorp Investment Bank (Singapore) Limited as the arranger of the MTN Programme under the Programme Agreement on 12 December 2008. Under the MTN Programme, the Issuer may, subject to compliance with all relevant laws, regulations and directives, from time to time issue Notes denominated in Singapore dollars and/or any other currencies.

The Issuer, having made all reasonable enquiries, confirms that this Information Memorandum contains all information with regard to the Issuer and its subsidiaries which is material in the context of the MTN Programme and the issue and offering of the Notes, the information contained in this Information Memorandum is true and accurate in all material respects and there are no other facts the omission of which in the context of the issue and offer of the Notes would make any such information misleading in any material respect.

Notes may be issued in series having one or more issue dates and the same maturity date, bearing interest on the same basis and on identical terms, except in relation to interest commencement dates, issue prices and related matters. Each series may be issued in one or more tranches on the same or different issue dates. The Notes may be issued in bearer or registered form and may be listed on a stock exchange. Subject to compliance with all relevant laws, regulations and directives, the Notes may have maturities from three months to 10 years (or such other longer period as may be agreed between the Issuer and the relevant Dealers (as defined herein)) from their respective issue dates and may be subject to redemption or purchase in whole or in part. The Notes will bear interest at a fixed, floating or variable rate and may be repayable at par, at a specified amount above or below par or at an amount determined by reference to a formula, in each case with terms as specified in the Pricing Supplement (as defined herein) issued in relation to each series or tranche of Notes. Details applicable to each series or tranche of Notes will be specified in the applicable Pricing Supplement which is to be read in conjunction with this Information Memorandum.

The maximum aggregate principal amount of the Notes to be issued, when added to the aggregate principal amount of all Notes outstanding (as defined in the Trust Deed referred to below) shall be S$5,000,000,000 (or its equivalent in any other currencies) or such higher amount as may be agreed between the Issuer and the Arranger.

No person has been authorised to give any information or to make any representation other than those contained in this Information Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger, any of the Dealers, the Trustee (as defined herein) or any of the Agents (as defined herein). The delivery or dissemination of this Information Memorandum at any time after the date of this Information Memorandum does not imply that the information contained in this Information Memorandum or any part of this Information Memorandum is correct at any time after such date. Save as expressly stated in this Information Memorandum, nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of the Issuer or any of its subsidiaries or associated companies (if any). Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the MTN Programme may be used for the purpose of, and does not constitute an offer of, or solicitation or invitation by or on behalf of the Issuer, the Arranger, any of the Dealers, the Trustee or any of the Agents to subscribe for or purchase, the Notes in any jurisdiction or under any circumstances in which such offer, solicitation or invitation is unlawful, or not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. The distribution and publication of this Information Memorandum or any such other document or information and the offer of the Notes in certain jurisdictions may be restricted by law. Persons who distribute or publish this Information Memorandum or any such other document or information or into whose possession this Information Memorandum or any such other document or information comes are required to inform themselves about and to observe any such restrictions and all applicable laws, orders, rules and regulations.

The Notes have not been, and will not be, registered under the Securities Act (as defined herein) and includes Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the MTN Programme shall be deemed to constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger, any of the Dealers, the Trustee and the Agents to subscribe for or purchase, any of the Notes.

This Information Memorandum and any other documents or materials in relation to the issue, offering or sale of the Notes have been prepared solely for the purpose of the initial sale by the relevant Dealers of the Notes from time to time to be issued pursuant to the MTN Programme. This Information Memorandum and such other documents or materials are made available to the recipients thereof solely on the basis that they are persons falling within the ambit of Section 274 and/or Section 275 of the SFA and may not be relied upon by any person other than persons to whom the Notes are sold or with whom they are placed by the relevant Dealers as aforesaid or for any other purpose. Recipients of this Information Memorandum shall not reissue, circulate or distribute this Information Memorandum or any part thereof in any manner whatsoever.

Neither the delivery of this Information Memorandum (or any part thereof) or the issue, offering, purchase or sale of the Notes shall, under any circumstances, constitute a representation, or give rise to any implication, that there has been no change in the prospects, results of operations or general affairs of the Issuer or any of its subsidiaries or associated companies (if any) or in the information herein since the date hereof or the date on which this Information Memorandum has been most recently amended or supplemented.

The Arranger, the Dealers, the Trustee and the Agents have not separately verified the information contained in this Information Memorandum. None of the Issuer, the Arranger, any of the Dealers, the Trustee, any of the Agents or any of their respective officers or employees is making any representation or warranty expressed or implied as to the merits of the Notes or the subscription for, purchase or acquisition thereof, the creditworthiness or financial condition or otherwise of the Issuer or its subsidiaries or associated companies (if any). Further, none of the Arranger, the Dealers, the Trustee or any of the Agents makes any representation or warranty as to the Issuer, its subsidiaries or associated companies (if any) or as to the accuracy, reliability or completeness of the information set out herein (including the legal and regulatory requirements pertaining to Sections 274, 275 and 276 or any other provisions of the SFA) and the documents which are incorporated by reference in, and form part of, this Information Memorandum.

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the MTN Programme or the issue of the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arranger, any of the Dealers, the Trustee or any of the Agents that any recipient of this Information Memorandum or such other document or information (or such part thereof) should subscribe for or purchase any of the Notes. A prospective purchaser shall make its own assessment of the foregoing and other relevant matters including the financial condition and affairs and the creditworthiness of the Issuer and its subsidiaries and associated companies (if any), and obtain its own independent legal or other advice thereon, and its investment shall be deemed to be based on its own independent investigation of the financial condition and affairs and its appraisal of the creditworthiness of the Issuer, its subsidiaries and associated companies (if any). Accordingly, notwithstanding anything herein, none of the Issuer, the Arranger, any of the Dealers, the Trustee, any of the Agents or any of their respective officers, employees or agents shall be held responsible for any loss or damage suffered or incurred by the recipients of this Information Memorandum or such other document or information (or such part thereof) as a result of or arising from anything expressly or implicitly contained in or referred to in this Information Memorandum or such other document or information (or such part thereof) and the same shall not constitute a ground for rescission of any purchase or acquisition of any of the Notes by a recipient of this Information Memorandum or such other document or information (or such part thereof).

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated by reference in, and to form part of, this Information Memorandum: (1) any annual reports or audited consolidated accounts and any publicly available unaudited consolidated interim financial statements of the Issuer and its subsidiaries and associated companies (if any), (2) any supplement or amendment to this Information Memorandum issued by the Issuer, and (3) any public announcements by the Issuer on the SGX-ST. This Information Memorandum is to be read in conjunction with all such documents which are incorporated by reference herein and, with respect to any series or tranche of Notes, any Pricing Supplement in respect of such series or tranche. Any statement contained in this Information Memorandum or in a document deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in this Information Memorandum or in such subsequent document that is also deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

Any website referenced in this Information Memorandum is intended as a guide as to where other public information relating to the Issuer and the Group may be obtained free of charge. **Information appearing in such websites does not form part of this Information Memorandum or any applicable Pricing Supplement and none of the Issuer, the Trustee, the Arranger and the Dealers accepts any responsibility whatsoever that any information, if available, is accurate and/or up-to-date. Such information, if available, should not form the basis of any investment decision by an investor to purchase or deal in the Notes.**

Copies of the most recent published audited consolidated financial statements of the Issuer are available on the website of the SGX-ST at www.sgx.com.

Copies of all documents deemed incorporated by reference herein are available for inspection at the specified office of the Issuing and Paying Agent (as defined herein).

Any purchase or acquisition of the Notes is in all respects conditional on the satisfaction of certain conditions set out in the Programme Agreement and the issue of the Notes by the Issuer pursuant to the Programme Agreement. Any offer, invitation to offer or agreement made in connection with the purchase or acquisition of the Notes or pursuant to this Information Memorandum shall (without any liability or responsibility on the part of the Issuer, the Arranger, any of the Dealers, the Trustee and any of the Agents) lapse and cease to have any effect if (for any other reason whatsoever) the Notes are not issued by the Issuer pursuant to the Programme Agreement.

The attention of recipients of this Information Memorandum is drawn to the restrictions on resale of the Notes set out under "Subscription, Purchase and Distribution" on pages 127 to 132 of this Information Memorandum.

Any person(s) who is invited to purchase or subscribe for the Notes or to whom this Information Memorandum is sent shall not make any offer or sale, directly or indirectly, of any Notes or distribute or cause to be distributed any document or other material in connection therewith in any country or jurisdiction except in such manner and in such circumstances as will result in compliance with any applicable laws and regulations.

It is recommended that persons proposing to purchase or subscribe for any of the Notes consult their own legal, tax and other advisers before purchasing or acquiring the Notes.

Prospective subscribers or purchasers of the Notes should consult their own tax advisers concerning the tax consequences of the acquisition, ownership or disposal of the Notes.

Prospective investors should pay attention to the risk factors set out under the section on "*Risk Factors*" in this Information Memorandum.

Notification under Section 309B of the SFA

Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

MiFID II PRODUCT GOVERNANCE/TARGET MARKET – The applicable Pricing Supplement in respect of any Notes may include a legend titled "**MiFID II Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealer(s) nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR PRODUCT GOVERNANCE/TARGET MARKET – The applicable Pricing Supplement in respect of any Notes may include a legend titled "**UK MiFIR Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealer(s) nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – If the applicable Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – If the applicable Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

FORWARD LOOKING STATEMENTS

All statements contained in this Information Memorandum that are not statements of historical fact constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would" and "could" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the expected financial position, business strategy, plans and prospects of the Issuer and/or the Group (including statements as to the Issuer's and/or the Group's revenue and profitability, prospects, future plans and other matters discussed in this Information Memorandum regarding matters that are not historical fact and including the financial forecasts, profit projections, statements as to the expansion plans of the Issuer and/or the Group, expected growth in the Issuer and/or the Group and other related matters), if any, are forward-looking statements and accordingly, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer and/or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors are discussed in greater detail under the section "Risk Factors".

Given the risks and uncertainties that may cause the actual future results, performance or achievements of the Issuer or the Group to be materially different from the results, performance or achievements expected, expressed or implied by the financial forecasts, profit projections and forward-looking statements in this Information Memorandum, undue reliance must not be placed on those forecasts, projections and statements. The Issuer, the Arranger, the Dealers, the Trustee and the Agents do not represent or warrant that the actual future results, performance or achievements of the Issuer or the Group will be as discussed in those statements.

Neither the delivery of this Information Memorandum nor the issue of any Notes by the Issuer shall under any circumstances constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of the Issuer, the Group or any statement of fact or information contained in this Information Memorandum since the date of this Information Memorandum.

Further, the Issuer, the Group, the Arranger, the Dealers, the Trustee and the Agents disclaim any responsibility, and undertake no obligation, to update or revise any forward-looking statements contained herein to reflect any changes in the expectations with respect thereto after the date of this Information Memorandum or to reflect any change in events, conditions or circumstances on which any such statements are based.

DEFINITIONS

The following definitions have, where appropriate, been used in this Information Memorandum:

"**ACCA**"	:	Association of Chartered Certified Accountants, United Kingdom.
"**AEI**"	:	Asset enhancement initiatives.
"**Agency Agreement**"	:	In relation to a Series or Tranche, the agency agreement made between (1) the Issuer, as issuer, (2) the Issuing and Paying Agent, the Agent Bank and the Registrar, and (3) the Trustee, as trustee, as amended, varied or supplemented from time to time.
"**Agent Bank**"	:	In relation to a Series or Tranche, the person specified as such in the relevant Pricing Supplement and who has executed an agency agreement with the Issuer and the Trustee or any successor Agent Bank.
"**Arranger**"	:	DBS Bank Ltd.
"**AXA IM Real Assets**"	:	AXA Investment Manager – Real Assets.
"**BCA**"	:	Building and Construction Authority.
"**business day**"	:	A day (other than Saturday or Sunday) on which commercial banks in Singapore are open for business.
"**CDL**" or "**Issuer**"	:	City Developments Limited.
"**CDLHT**"	:	CDL Hospitality Trusts.
"**CDL Hotels**"	:	CDL Hotels International Limited.
"**CDP**" or the "**Depository**"	:	The Central Depository (Pte) Limited.
"**CEO**"	:	Chief Executive Officer.
"**CES**"	:	City e-Solutions Limited.
"**Certificate**"	:	A registered certificate representing one or more Notes (in registered form) of the same Series and, save as provided in the Conditions, comprising the entire holding by a Noteholder of his Registered Notes of that Series.
"**Citicorp**"	:	Citicorp Investment Bank (Singapore) Limited.
"**Companies Act**"	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time.
"**Couponholders**"	:	The holders of the Coupons.
"**Coupons**"	:	The interest coupons appertaining to an interest bearing definitive Note and includes any replacement Coupons issued pursuant to Condition 12.

"Dealers"	:	Australia and New Zealand Banking Group Limited, Citigroup Global Markets Singapore Pte. Ltd., DBS Bank Ltd., Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank (Singapore) Limited and The Hongkong and Shanghai Banking Corporation Limited and such other persons appointed as dealers under the MTN Programme.
"**Directors**"	:	The directors (including alternate directors, if any) of the Issuer as at the date of this Information Memorandum.
"**EC**"	:	Executive Condominiums.
"**EDIS**"	:	Economic Development Innovations Singapore Pte Ltd.
"**ESG**"	:	Environmental, Social and Governance.
"**EURIBOR**"	:	The Euro Interbank Offered Rate.
"FY"	:	Financial Year ending or ended 31 December.
"**GET**"	:	Growth, Enhancement and Transformation.
"**Global Certificate**"	:	A Certificate representing Notes (in registered form) of a Series or one or more Tranches of the same Series.
"**Global Note**"	:	A global Note representing Notes (in bearer form) of a Series or one or more Tranches of the same Series, being a Temporary Global Note and/or, as the context may require, a Permanent Global Note, in each case without Coupons.
"**GRI**"	:	Global Reporting Initiative.
"**Group**"	:	The Issuer and its subsidiaries.
"**HLCC**"	:	Hong Leong City Center.
"**Hong Leong Group**"	:	The Hong Leong group of companies in Singapore.
"**Initial Agency Agreement**"	:	The Agency Agreement dated 25 May 1999 made between (1) the Issuer, as issuer, (2) Citicorp, as issuing and paying agent, agent bank and registrar for certain Series or Tranches of Notes, and (3) the Trustee, as trustee, as amended, varied or supplemented from time to time.
"**IRAS**"	:	Inland Revenue Authority of Singapore.
"**Issuing and Paying Agent**"	:	In relation to a Series or Tranche, the person specified as such in the relevant Pricing Supplement and who has executed an agency agreement with the Issuer and the Trustee or any successor Issuing and Paying Agent.
"**ITA**"	:	Income Tax Act, Chapter 134 of Singapore, as amended or modified from time to time.
"JV"	:	Joint venture.
"**KPMG**"	:	KPMG LLP.
"**LIBOR**"	:	The London Interbank Offered Rate.

“**Listing Manual**”	:	The Listing Manual of the SGX-ST.
“**MAS**”	:	Monetary Authority of Singapore.
“**MTN Programme**”	:	The S$5,000,000,000 (or such higher amount as may be agreed between the Issuer and the Arranger) Medium Term Note Programme of the Issuer.
“**M&C**”	:	Millennium & Copthorne Hotels Limited.
“**Noteholders**”	:	The holders of the Notes.
“**Notes**”	:	The notes to be issued by the Issuer in either bearer form or in registered form under the MTN Programme.
“**NTU**”	:	Nanyang Technological University.
“**NUS**”	:	National University of Singapore.
“**PATMI**”	:	Profit after Tax and Minority Interests.
“**Permanent Global Note**”	:	A Global Note representing Notes (in bearer form) of a Series or one or more Tranches of the same Series, either on issue or upon exchange of interests in a Temporary Global Note.
“**Pounds Sterling**”	:	Pounds Sterling.
“**PRC**”	:	People’s Republic of China.
“**Pricing Supplement**”	:	In relation to a Tranche or Series, a pricing supplement, to be read in conjunction with this Information Memorandum, specifying the relevant issue details in relation to such Tranche or, as the case may be, Series.
“**Programme Agreement**”	:	The Programme Agreement dated 25 May 1999 made between (1) the Issuer, as issuer, (2) Citicorp, as arranger and dealer, relating to the MTN Programme, as amended and supplemented by the Supplemental Programme Agreement and as further amended, varied or supplemented from time to time.
“**REDAS**”	:	Real Estate Developers’ Association of Singapore.
“**Registrar**”	:	In relation to a Series or Tranche, the person specified as such in the relevant Pricing Supplement and who has executed an agency agreement with the Issuer and the Trustee or any successor Registrar.
“**Republic Hotels**”	:	Republic Hotels & Resorts Limited.
“**RMB Notes**”	:	Notes denominated in RMB.
“**RP**”	:	Republic Plaza.
“**SBTi**”	:	Science Based Targets initiative.
“**SCCCI**”	:	Singapore Chinese Chamber of Commerce and Industry.
“**SDG**”	:	Sustainable Development Goals.

"**Securities Act**"	:	Securities Act of 1933 of the United States, as amended or modified from time to time.
"**Series**"	:	A series of Notes comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the date of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number.
"**SFA**"	:	Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time.
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited.
"**Shares**"	:	Ordinary shares in the capital of the Issuer.
"**SIBOR**"	:	The Singapore Interbank Offered Rate.
"**Sincere**"	:	Sincere Property Group.
"**SOR**"	:	The Singapore Dollar Swap Offer Rate.
"**SORA**"	:	The Singapore Overnight Rate Average.
"**sq ft**"	:	Square feet.
"**subsidiary**"	:	Any company which is for the time being a subsidiary (within the meaning of Section 5 of the Companies Act, Chapter 50 of Singapore) of the Issuer.
"**Supplemental Programme Agreement**"	:	The Supplemental Programme Agreement dated 29 December 2008 made between (1) the Issuer, as issuer, (2) the Arranger, as arranger and dealer, and (3) the Dealers, as dealers.
"**Supplemental Trust Deed**"	:	The Supplemental Trust Deed dated 9 May 2000 made between (1) the Issuer, as issuer, and (2) the Trustee, being supplemental to the Trust Deed.
"**Temporary Global Note**"	:	A Global Note representing Notes (in bearer form) of a Series or one or more Tranches of the same Series on issue.
"**TOP**"	:	Temporary Occupation Permit.
"**Tranche**"	:	In relation to a Series, those Notes of such Series that are issued on the same date and in respect of which the first interest payment is identical and at the same issue price.
"**Trust Deed**"	:	The Trust Deed dated 25 May 1999 made between (1) the Issuer, as issuer, and (2) the Trustee, as trustee, as amended and supplemented by the Supplemental Trust Deed and as further amended, varied or supplemented from time to time.
"**Trustee**"	:	HSBC Institutional Trust Services (Singapore) Limited (formerly known as Bermuda Trust (Singapore) Limited).
"**United States**" or "**U.S.**"	:	United States of America.
"**A$**"	:	Australian dollars, the lawful currency of Australia.

"**S$**" or "**$**" and "**cents**"	:	Singapore dollars and cents respectively, the lawful currency of Singapore.
"**RMB**" or "**Renminbi**"	:	Chinese Yuan, the lawful currency of the PRC.
"**RM**"	:	Malaysian Ringgit, the lawful currency of Malaysia.
"**US$**" or "**US dollars**"	:	United States dollars, the lawful currency of the United States of America.
"**£**"	:	Pound Sterling, the lawful currency of the United Kingdom.
"**%**"	:	Per cent.

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations. Any reference to a time of day in this Information Memorandum shall be a reference to Singapore time unless otherwise stated. Any reference in this Information Memorandum 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 or the SFA or any statutory modification thereof and used in this Information Memorandum shall, where applicable, have the meaning ascribed to it under the Companies Act or, as the case may be, the SFA.

CORPORATE INFORMATION

Board of Directors	:	Kwek Leng Beng Sherman Kwek Eik Tse Lee Jee Cheng Philip Philip Yeo Liat Kok Ong Lian Jin Colin Daniel Marie Ghislain Desbaillets Chong Yoon Chou Chan Swee Liang Carolina (Carol Fong)
Company Secretary	:	Enid Ling Peek Fong
Registered Office	:	9 Raffles Place #12-01 Republic Plaza Singapore 048619
Auditors to the Issuer	:	KPMG LLP 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581
Arranger of the MTN Programme	:	DBS Bank Ltd. 12 Marina Boulevard, Level 42 Marina Bay Financial Centre Tower 3 Singapore 018982
Dealers	:	Australia and New Zealand Banking Group Limited 10 Collyer Quay #21-00 Ocean Financial Centre Singapore 049315 Citigroup Global Markets Singapore Pte. Ltd. 8 Marina View, #21-00 Asia Square Tower 1 Singapore 018960 DBS Bank Ltd. 12 Marina Boulevard, Level 42 Marina Bay Financial Centre Tower 3 Singapore 018982 Oversea-Chinese Banking Corporation Limited 63 Chulia Street #03-05 OCBC Centre East Singapore 049514 Standard Chartered Bank (Singapore) Limited Marina Bay Financial Centre, Tower 1 8 Marina Boulevard, Level 20 Singapore 018981 The Hongkong and Shanghai Banking Corporation Limited 10 Marina Boulevard, #45-01 Marina Bay Financial Centre, Tower 2 Singapore 018983

Legal Advisers to the Arranger and the Trustee (as at the date of the establishment of the MTN Programme)	:	Lee & Lee 50 Raffles Place, #06-00 Singapore 048623
Legal Advisers to the Issuer	:	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
Issuing and Paying Agent, Agent Bank and Registrar under the Initial Agency Agreement for the Notes	:	Citicorp Investment Bank (Singapore) Limited 8 Marina View, #21-00 Asia Square Tower 1 Singapore 018960
Trustee for the Noteholders	:	HSBC Institutional Trust Services (Singapore) Limited (formerly known as Bermuda Trust (Singapore) Limited) 10 Marina Boulevard, #48-01 Marina Bay Financial Centre, Tower 2 Singapore 018983

SUMMARY OF THE MTN PROGRAMME

The following summary is derived from, and should be read in conjunction with, the full text of this Information Memorandum (and any relevant supplement to this Information Memorandum), the Trust Deed, the Agency Agreement and the relevant Pricing Supplement.

Issuer	:	City Developments Limited.
Arranger	:	DBS Bank Ltd.
Dealers	:	Australia and New Zealand Banking Group Limited, Citigroup Global Markets Singapore Pte. Ltd., DBS Bank Ltd., Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank (Singapore) Limited and The Hongkong and Shanghai Banking Corporation Limited and/or such other Dealers as may be appointed by the Issuer in accordance with the Programme Agreement.
Issuing and Paying Agent, Agent Bank and Registrar	:	In relation to a Series or Tranche, the person specified as such in the relevant Pricing Supplement and who have executed an agency agreement with the Issuer and the Trustee.
Trustee	:	HSBC Institutional Trust Services (Singapore) Limited (formerly known as Bermuda Trust (Singapore) Limited).
Description	:	Medium Term Note Programme.
Programme Size	:	The maximum aggregate principal amount of the Notes outstanding at any time shall be S$5,000,000,000 (or its equivalent in other major convertible currencies) or such higher amount as may be agreed between the Issuer and the Arranger.
Currency	:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in Singapore dollars or any other major convertible currency agreed between the Issuer and the relevant Dealer(s).
Method of Issue	:	Notes may be issued from time to time under the MTN Programme on a syndicated or non-syndicated basis and may be distributed by way of private placement. Each Series may be issued in one or more Tranches, on the same or different issue dates. The specific terms of each Series or Tranche will be specified in the relevant Pricing Supplement.
Issue Price	:	Notes may be issued at par or at a discount, or premium, to par.
Maturities	:	Subject to compliance with all relevant laws, regulations and directives, Notes may have maturities from three months to 10 years (or such longer period as may be agreed between the Issuer and the relevant Dealer) from their respective issue dates.
Mandatory Redemption	:	Unless previously redeemed or purchased and cancelled, each Note will be redeemed at its redemption amount on the maturity date shown on its face.
Interest Basis	:	Notes may bear interest at fixed, floating or variable rates.
Fixed Rate Notes	:	Fixed Rate Notes will bear a fixed rate of interest which will be payable in arrear on specified dates and at maturity.

Floating Rate Notes	:	Floating Rate Notes which are denominated in Singapore dollars will bear interest to be determined separately for each Series by reference to S$ SIBOR or S$ SWAP RATE (or such other benchmark as may be agreed between the Issuer and the relevant Dealer(s)), as adjusted for any applicable margin. Interest periods in relation to the Floating Rate Notes will be agreed between the Issuer and the relevant Dealer(s) prior to their issue. Floating Rate Notes which are denominated in other currencies will bear interest to be determined separately for each Series by reference to such other benchmark as may be agreed between the Issuer and the relevant Dealer(s).
Variable Rate Notes	:	Variable Rate Notes will bear interest at a variable rate determined in accordance with the terms and conditions of the Notes. Interest periods in relation to the Variable Rate Notes will be agreed between the Issuer and the relevant Dealer(s) prior to their issue.
Form and Denomination of Notes	:	The Notes will be issued in bearer form or in registered form only and in such denominations as may be agreed between the Issuer and the relevant Dealer(s). Each Tranche or Series of Notes may initially be represented either (a) by a Temporary Global Note exchangeable for definitive Notes or for a Permanent Global Note which will be exchangeable as described therein for definitive Notes, (b) by a Permanent Global Note which will be exchangeable as described therein for definitive Notes or (c) by a Global Certificate exchangeable for further Certificates against transfers of the underlying Notes in registered form.
Custody of the Notes	:	Notes which are to be listed on the SGX-ST may be cleared through CDP. Notes which are to be cleared through CDP are required to be kept with CDP as authorised depository.
Status of the Notes	:	The Notes and Coupons of all Series will constitute direct, unconditional and unsecured obligations of the Issuer and will rank *pari passu* as a single class, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law or by the Trust Deed (if any)) of the Issuer from time to time outstanding.
Redemption and Purchase	:	If so provided on the face of the Note and the relevant Pricing Supplement, Notes may be redeemed (either in whole or in part) prior to their stated maturity at the option of the Issuer and/or the Noteholders. Further, if so provided on the face of the Note and the relevant Pricing Supplement, Notes may be purchased by the Issuer (either in whole or in part) prior to their stated maturity at the option of the Issuer and/or the Noteholders.
Negative Pledge	:	The Issuer has covenanted with the Trustee in the Trust Deed that so long as any of the Notes remains outstanding, it shall not, and shall procure that none of its subsidiaries (other than a subsidiary whose shares are listed on any stock exchange ("Listed Subsidiary") and any subsidiaries of such Listed Subsidiary) shall, create or permit to subsist or be created any mortgage, charge, pledge or other security interest (collectively "Charge") over the whole or any part of its or their respective undertakings, assets, properties or revenues, present or future,

		where such Charge is given, or is intended to be given, to secure the Issuer's indebtedness in respect of any freely transferable securities (which are or are to be listed on any stock exchange) of, or guaranteed by, the Issuer unless such Charge is forthwith extended equally and rateably to the indebtedness of the Issuer in respect of the Notes.
Events of Default	:	See Condition 8 of the Notes, subject to amendment and variation as provided in the relevant Pricing Supplement for each Tranche or Series of Notes.
Taxation	:	Payments of principal and interest on the Notes will be made after withholding or deduction for or on account of any taxes or duties of whatever nature imposed by Singapore and which are required by applicable law to be deducted or withheld. The Issuer will not pay any additional amount in respect of any such withholding or deduction. For further details, please see the section on "Singapore Taxation" herein.
Listing	:	Each Series of the Notes may, if so agreed between the Issuer and the relevant Dealer(s), be listed on the SGX-ST or any stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s), subject to all necessary approvals having been obtained. If the application to the SGX-ST to list a particular Series of Notes is approved, for so long as such Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of at least S$200,000 (or its equivalent in foreign currencies).
Selling Restrictions	:	For a description of certain restrictions on offers, sales and deliveries of Notes and the distribution of offering material relating to the Notes, see the section on "Subscription, Purchase and Distribution" below. Further restrictions may apply in connection with any particular Series or Tranche of Notes.
Governing Law	:	The MTN Programme and any Notes issued under the MTN Programme will be governed by, and construed in accordance with, the laws of Singapore.

VARIATION IN TERMS FOR FUTURE TRANCHES OR SERIES OF NOTES

It is intended that with effect from the date of this Information Memorandum, all Tranches or Series of Notes to be issued by the Issuer will contain terms and conditions which are amended (by way of the relevant Pricing Supplement for such Tranche or Series) to reflect the following:

(i) (in the case of a Tranche or Series of RMB Notes only) the settlement of payments in Singapore dollars at the Singapore dollar equivalent of Renminbi denominated amounts, where the Issuer is not able to satisfy such payments of principal and interest by reason of inconvertibility, non-transferability or illiquidity;

(ii) an increase in the cross default threshold appearing in Condition 8(c) and Condition 8(d) of the terms and conditions of the Notes to S$100,000,000;

(iii) the amendment of the definition of "Principal Subsidiary" to subsidiaries (excluding subsidiaries whose shares are listed on any stock exchange and any subsidiaries of such listed subsidiaries) which account for a certain percentage of the Group's assets; and

(iv) the deletion of the non-disposal and financial covenants appearing in Condition 10(a) and Condition 10(c) respectively of the terms and conditions of the Notes and the corresponding waiver of the same covenants appearing in Clause 14.01(k) and Clause 14.03 respectively of the Trust Deed.

Accordingly:

(a) a new Condition 5(f) shall be inserted into all Tranches or Series of RMB Notes to be issued by the Issuer with effect from the date of this Information Memorandum:

"(f) **Payment of Singapore Dollar Equivalent**

Notwithstanding the foregoing, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments of principal or interest (in whole or in part) in respect of the Notes when due in Renminbi, the Issuer may, on giving not less than five nor more than 30 days' irrevocable notice to the Noteholders prior to the due date for payment, settle any such payment (in whole or in part) in Singapore dollars on the due date at the Singapore Dollar Equivalent of any such Renminbi denominated amount. Any payment made under such circumstances in Singapore dollars will constitute valid payment and will not constitute a default in respect of the Notes.

All determinations made for the purposes of the provisions of this Condition 5(f) by the Agent Bank will (in the absence of manifest error) be final and binding on all parties.

For the purposes of this Condition 5(f):

"**Determination Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Singapore;

"**Determination Date**" means the day which is two Determination Business Days before the due date of the relevant amount under these Conditions;

"**Exchange Rate**" means the Renminbi/Singapore dollar exchange rate as determined by the Issuer in its sole discretion;

"**Governmental Authority**" means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the Monetary Authority of Singapore) of Singapore;

"**Illiquidity**" means the general Renminbi exchange market in Singapore becomes illiquid as a result of which the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest and principal (in whole or in part) in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two Renminbi Dealers;

"**Inconvertibility**" means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general Renminbi exchange market in Singapore, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the date of the agreement for the issue of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

"**Non-transferability**" means the occurrence of any event that makes it impossible for the Issuer to deliver Renminbi between accounts inside Singapore or from an account inside Singapore to an account outside Singapore, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the date of the agreement for the issue of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

"**Renminbi Dealer**" means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in Singapore; and

"**Singapore Dollar Equivalent**" means the relevant Renminbi amount converted into Singapore dollars using the Exchange Rate for the relevant Determination Date.";

(b) the amended Condition 8(c) and Condition 8(d) of all Tranches or Series of Notes to be issued by the Issuer with effect from the date of this Information Memorandum shall be as follows:

"(c) any liability or indebtedness of the Issuer exceeding in aggregate S$100,000,000 (or its equivalent in any other currency or currencies), being repayable prior to its stated maturity by reason of default and the due date for payment thereof not being extended or any such liability or indebtedness of the Issuer not being repaid at its stated maturity as extended by any grace period permitted under the agreement or other documents evidencing or constituting such indebtedness; or

(d) any default by the Issuer in making any payment due under any guarantee or any indemnity given by the Issuer in respect of any obligation, liability or indebtedness having an aggregate outstanding principal amount exceeding S$100,000,000 (or the respective equivalent in any other currency or currencies) provided always that it shall not be an event of default if such refusal or failure is by reason of the Issuer in good faith contesting or disputing any liability under such guarantee or indemnity.";

(c) the amended definition of "Principal Subsidiaries" in Condition 8 of all Tranches or Series of Notes to be issued by the Issuer with effect from the date of this Information Memorandum shall be as follows:

"For the purposes of these Conditions, "**subsidiary**" has the meaning ascribed to it in Section 5 of the Companies Act (Cap. 50) of Singapore. "**Principal Subsidiary**" means, at any time, any subsidiary of the Issuer (excluding subsidiaries whose shares are listed on any stock exchange ("**Listed Subsidiaries**") and any subsidiaries of such Listed Subsidiaries), whose total assets or (in the case of a subsidiary which itself has subsidiaries) total consolidated assets, as shown by the then latest audited accounts of such subsidiary, are at least 25 per cent. of the total assets of the Group as shown by the then latest audited consolidated accounts of the Issuer provided that:

(i) if a Principal Subsidiary transfers or otherwise disposes of any part of its assets to another subsidiary of the Issuer or any other person, the total assets of such subsidiaries shall be calculated by reference to the then latest audited balance sheet of each of the transferor and transferee subsidiary (as the case may be) adjusted as appropriate with effect from the date of transfer to reflect the transfer of such assets after the end of the financial period to which the balance sheet relates; and

(ii) if any subsidiary acquires any assets, the total assets of such subsidiary shall be calculated by reference to its then latest audited balance sheet adjusted as appropriate with effect from the date of acquisition to reflect the acquisition of such assets after the end of the financial period to which the balance sheet relates."; and

(d) Condition 10(a) and Condition 10(c) of the terms and conditions of the Notes are deleted from all Tranches or Series of Notes to be issued by the Issuer with effect from the date of this Information Memorandum and Clause 14.01(k) and Clause 14.03 of the Trust Deed are not applicable.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. Unless the context requires otherwise, references in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by a Trust Deed (the "**Trust Deed**") dated 25 May 1999 made between City Developments Limited (the "**Issuer**") and Bermuda Trust (Singapore) Limited (the "**Trustee**", which expression shall wherever the context so admits include such company and all other persons for the time being the trustee or trustees of the Trust Deed) as trustee for the Noteholders (as defined below) and (where applicable) with the benefit of a Deed of Covenant (the "**Deed of Covenant**") dated 25 May 1999 executed by the Issuer in relation to Notes which are represented by Global Notes or Global Certificates that are deposited with The Central Depository (Pte) Limited (the "**Depository**"). The Issuer has entered into an Agency Agreement (the "**Agency Agreement**") dated 25 May 1999 made between the Issuer, Citicorp Investment Bank (Singapore) Limited as issuing and paying agent (in such capacity, the "**Issuing and Paying Agent**"), as agent bank (in such capacity, the "**Agent Bank**") and as registrar (in such capacity, the "**Registrar**") and the Trustee. If a person other than Citicorp Investment Bank (Singapore) Limited is specified in the relevant Pricing Supplement as the Registrar, Issuing and Paying Agent and/ or Agent Bank, all references herein to "**Registrar**", "**Issuing and Paying Agent**" and "**Agent Bank**" shall refer to such other person and all references herein to "**Agency Agreement**" shall refer to the agency agreement entered into between such other person, the Issuer and the Trustee as specified in the relevant Pricing Supplement. The provisions in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. The Noteholders and the holders of the coupons (the "**Coupons**") appertaining to interest-bearing Notes in bearer form (the "**Couponholders**") are deemed to have notice of all of the provisions of the Trust Deed and those provisions applicable to them of the Deed of Covenant and the Agency Agreement.

Copies of the Trust Deed, the Deed of Covenant and the Agency Agreement are available for inspection at the specified office of the Issuing and Paying Agent.

1. FORM, DENOMINATION, TITLE AND TRANSFER

(a) Form and Denomination

(i) The Notes of the Series of which this Note forms part (in these Conditions, the "**Notes**") are issued in bearer form (the "**Bearer Notes**") or in registered form (the "**Registered Notes**") in each case in the Denomination Amount(s) shown hereon.

(ii) This Note is a Fixed Rate Note, a Floating Rate Note or a Variable Rate Note (depending upon the Interest Basis shown on its face).

(iii) Bearer Notes are serially numbered and are issued with Coupons attached, save in the case of Notes that do not bear interest in which case references to interest (other than in relation to default interest referred to in Conditions 3(I)(a) and 3(II)(a)) in these Conditions are not applicable.

(iv) Registered Notes are represented by registered certificates (the "Certificates") and, save as provided in Condition 1 (c)(ii) below, each Certificate shall represent the entire holding of Registered Notes by the same holder.

(b) Title

(i) Subject as set out below, title to the Bearer Notes and the Coupons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register (the "**Register**") to be kept by the Registrar on behalf of the Issuer.

(ii) Except as ordered by a court of competent jurisdiction or as required by law, the Issuer, the Trustee, the Issuing and Paying Agent and the Registrar may deem and treat the holder of any Note or Coupon as the absolute owner (whether or not such Note or Coupon shall be overdue and notwithstanding any notice of ownership thereof (or that of the related Certificate) or any writing on it (or on the Certificate representing it) or notice of any loss or theft or forgery of the relevant Note or Coupon (or of the related Certificate) or any express notice to the Issuer, the Trustee, the Issuing and Paying Agent or the Registrar) for the purpose of receiving payment thereof and for all other purposes and no person shall be liable for so treating the holder.

(iii) For so long as any of the Notes is represented by a Global Note or, as the case may be, a Global Certificate and such Global Note or, as the case may be, Global Certificate is held by the Depository, each person who is for the time being shown in the records of the Depository as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by the Depository as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Registrar, the Issuing and Paying Agent, the Agent Bank and all other agents of the Issuer as the holder of such principal amount of Notes for all purposes (including, but without limitation, for the purposes of giving notice to the Issuer pursuant to Condition 8) other than with respect to the payment of principal, interest and any other amounts in respect of the Notes, for which purpose the bearer of the Global Note or, as the case may be, the person(s) shown on the Register at the close of business on the Record Date (as defined below) shall be treated by the Issuer, the Trustee, the Registrar, the Issuing and Paying Agent, the Agent Bank and all other agents of the Issuer as the holder of such Notes in accordance with and subject to the terms of the Global Note or, as the case may be, the Global Certificate (and the expressions "**Noteholder**" and "**holder of the Notes**" and related expressions shall be construed accordingly). Notes which are represented by the Global Note or, as the case may be, the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the Depository.

(iv) In these Conditions, "**Global Note**" means the relevant Temporary Global Note representing each Series or the relevant Permanent Global Note representing each Series, "**Global Certificate**" means the relevant Global Certificate representing each Series, "**Series**" means a series of Notes comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number, "**Tranche**" means, in relation to any Series, those Notes of such Series which are issued on the same Issue Date and in respect of which the first interest payment is identical, "**Noteholder**" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be) and "**holder**" means the bearer of any Bearer Note or Coupon or the person in whose name a Registered Note is registered (as the case may be).

(v) Words and expressions defined in the Trust Deed or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

(c) Transfer of Registered Notes

(i) One or more Registered Notes may be transferred in whole or in part, by the transferee depositing the Certificate representing such Registered Notes for transfer and registration with the Registrar or its agent, together with the form of transfer endorsed on such Certificate duly completed and executed and any other evidence as the Issuer may reasonably require and subject to the regulations relating to, *inter alia*, the registration and transfer of Registered Notes set out in the Trust Deed or such other regulations as the Issuer may from time to time reasonably prescribe with the approval of the Trustee (such approval not to be unreasonably withheld). In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor.

(ii) In the case of an exercise of any option by the Issuer or any Noteholder in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Issuer. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(iii) Each new Certificate to be issued pursuant to paragraph (c)(i) or (c)(ii) above shall be available for delivery within 30 business days of receipt of the request for exchange, form of transfer or surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the registered office of the Registrar or at the specified office of its agent or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Issuer the costs of such other method of delivery and/or such insurance as it may specify.

(iv) Exchange and transfer of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected at a fee of S$30 for each registration, transfer, redemption or exercise and the Issuer may require the payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Issuer may require).

(v) No Noteholder may require the transfer of a Registered Note to be registered (1) during the period of seven business days ending on the due date for redemption of that Note, (2) during the period of seven business days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 4(d), (3) after any such Note has been called for redemption, or (4) during the period of seven days ending on (and including) any Record Date.

2. STATUS

The Notes and Coupons of all Series constitute direct, unconditional and unsecured obligations of the Issuer ranking *pari passu* as a single class without any preference or priority among themselves and ranking *pari passu* with all other present and future unsecured obligations (other than any subordinated obligations and priorities created by law or the Trust Deed (if any)) of the Issuer from time to time outstanding.

3. INTEREST AND OTHER CALCULATIONS

(I) Interest on Fixed Rate Notes

(a) Interest Rate and Accrual

Each Fixed Rate Note bears interest on its Calculation Amount (as defined in Condition 3(II)(h)) from the Interest Commencement Date in respect thereof and as shown on the face of such Note at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each

Reference Date or Reference Dates shown on the face of such Note in each year and on the Maturity Date shown on the face of such Note if that date does not fall on a Reference Date.

The first payment of interest will be made on the Reference Date next following the Interest Commencement Date (and, if the Interest Commencement Date is not a Reference Date, will amount to the Initial Broken Amount shown on the face of such Note), unless the Maturity Date falls before the date on which the first payment of interest would otherwise be due. If the Maturity Date is not a Reference Date, interest from the preceding Reference Date (or from the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the Final Broken Amount shown on the face of such Note.

Interest will cease to accrue on each Fixed Rate Note from the due date for redemption thereof unless, upon due presentation, payment of principal is improperly withheld or refused or the Notes have been declared due and payable pursuant to Condition 8, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 3(I) to (but excluding) the Relevant Date (as defined in Condition 7).

If the Issuer fails to pay any sum (including without limitation, any sum payable pursuant to this Condition 3) under or in respect of the Fixed Rate Notes on its due date for payment then the Issuer shall pay interest on such sum from the due date at the rate per annum equivalent to two per cent. above the Interest Rate applicable to such Note (both before and after any judgment) until whichever is the earlier of (i) the date on which all sums due in respect of such Notes up to that day are received by or on behalf of the relevant Noteholders and/or Couponholders and (ii) the day seven days after the Trustee or the Issuing and Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(b) Calculations

In the case of a Fixed Rate Note, interest in respect of a period of less than one year will be calculated on the actual number of days lapsed as from and including the Issue Date or the last Reference Date or the due date for payment (as applicable) on the Fixed Rates Day Basis shown on the face of such Note and rounded upward to the nearest smallest divisible unit of the Relevant Currency (if not already a multiple or such unit) for each Note.

(II) Interest on Floating Rate Notes or Variable Rate Notes and other Calculations

(a) Interest Payment Dates

Each Floating Rate Note or Variable Rate Note bears interest on its Calculation Amount from the Interest Commencement Date in respect thereof and as shown on the face of such Note, and such interest will be payable in arrear on each date ("**Interest Payment Date**") which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period (as defined below) on the face of such Note (the "**Specified Number of Months**") after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date (and which corresponds numerically with such preceding Interest Payment Date or the Interest Commencement Date, as the case may be), provided that the Agreed Yield (as defined in Condition 3(II)(c)) in respect of any Variable Rate Note for any Interest Period relating to that Variable Rate Note shall be payable on the first day of that Interest Period.

If any Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month. In any such case as aforesaid or if there is no date in the relevant month which corresponds numerically with the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date, (i) the Interest Payment Date shall be brought forward to the immediately preceding business day and (ii) each subsequent Interest Payment Date shall be the last business day of the month which is the last of the Specified Number of Months after the month in which the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall have fallen.

The period beginning on the Interest Commencement Date and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date is herein called an "**Interest Period**".

Interest will cease to accrue on each Floating Rate Note or Variable Rate Note from the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused or the Notes have been declared due and payable pursuant to Condition 8, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 3(II) to (but excluding) the Relevant Date.

If the Issuer fails to pay any sum (including without limitation, any sum payable pursuant to this Condition 3(II)(a)) under or in respect of the Floating Rate Notes or Variable Rate Notes on its due date for payment then the Issuer shall pay interest on such sum from the due date at the rate per annum equivalent to two per cent. above (in the case of a Floating Rate Note) the Rate of Interest applicable to such Note or (in the case of a Variable Rate Note) the variable rate by which the Agreed Yield applicable to such Note is determined or, as the case may be, the Rate of Interest applicable to such Note (both before and after any judgment) until whichever is the earlier of (i) the date on which all sums due in respect of such Notes up to that day are received by or on behalf of the relevant Noteholders and/or Couponholders and (ii) the day seven days after the Trustee or the Issuing and Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions). Interest at the rate(s) determined in accordance with this paragraph shall be calculated on the FRN Day Basis (in the case of a Floating Rate Note) or the VRN Day Basis (in the case of a Variable Rate Note) and the actual number of days elapsed and rounded upward to the nearest smallest divisible unit of the Relevant Currency (if not already a multiple of such unit) for each Note.

(b) Rate of Interest – Floating Rate Notes

(i) Each Floating Rate Note bears interest at a floating rate determined by reference to a benchmark as stated on the face of such Floating Rate Note, being (in the case of Notes which are denominated in Singapore dollars) SIBOR (in which case such Note will be a SIBOR Note) or Swap Rate (in which case such Note will be a Swap Rate Note) or (in any other case or in the case of Notes which are denominated in a currency other than Singapore dollars) such other benchmark as is set out on the face of such Note.

Such floating rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Note. The "**Spread**" is the percentage rate per annum specified on the face of such Note as being applicable to the rate of interest for such Note. The rate of interest so calculated shall be subject to paragraph (d) below.

The rate of interest payable in respect of a Floating Rate Note from time to time is referred to in these Conditions as the "**Rate of Interest**".

(ii) The Rate of Interest payable from time to time in respect of each Floating Rate Note will be determined by the Agent Bank on the basis of the following provisions:-

(1) in the case of Floating Rate Notes which are SIBOR Notes:-

(A) the Agent Bank will, at or about the Relevant Time (as defined below) on the relevant Interest Determination Date (as defined below) in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Reuters Screen MASX Page (or such other replacement page thereof) and as adjusted by the Spread (if any);

(B) if no such rate appears on the Reuters Screen MASX Page (or such other replacement page thereof), the Agent Bank will, at or about the Relevant Time on such Interest Determination Date, determine the Rate of Interest for such Interest Period which shall be the rate which appears on Telerate Page 7310 of the Dow Jones Telerate Service (or such other replacement page thereof), being the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period;

(C) if no such rate appears on Telerate Page 7310 (or such other replacement page thereof) or such other Screen Page (as defined below) as may be provided hereon or if Telerate Page 7310 (or such other replacement page thereof) or such other Screen Page as may be provided hereon is unavailable for any reason, the Agent Bank will request the principal Singapore offices of each of the Reference Banks (as defined below) to provide the Agent Bank with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Interest Determination Date to prime banks in the Singapore inter-bank market for a period equivalent to the duration of such Interest Period commencing on such Interest Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Notes. The Rate of Interest for such Interest Period shall be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of such offered quotations and as adjusted by the Spread (if any), as determined by the Agent Bank;

(D) if on any Interest Determination Date two but not all the Reference Banks provide the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (C) above on the basis of the quotations of those Reference Banks providing such quotations; and

(E) if on any Interest Determination Date one only or none of the Reference Banks provides the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Agent Bank at or about the Relevant Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes by whatever means they determine to be most appropriate and as adjusted by the Spread (if any) or if on such Interest Determination Date one only or none of the Reference Banks provides the Agent Bank with such quotation, the rate per annum which the

Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date and as adjusted by the Spread (if any);

(2) in the case of Floating Rate Notes which are Swap Rate Notes:-

(A) the Agent Bank will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the Average Swap Rate for such Interest Period (determined by the Agent Bank as being the rate which appears under the caption "ASIAN CURRENCY SWAP OFFER RATE FIXING AT 11 A.M. SINGAPORE TIME" and the row headed "SGD" on Telerate Page 44178 of the Dow Jones Telerate Service (or such other page as may replace Telerate Page 44178 for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Period) and as adjusted by the Spread (if any);

(B) if on any Interest Determination Date, no such rate is quoted on Telerate Page 44178 (or such other replacement page as aforesaid) or Telerate Page 44178 (or such other replacement page as aforesaid) is unavailable for any reason, the Agent Bank will determine the Average Swap Rate (which shall be rounded up, if necessary, to the nearest four decimal places) for such Interest Period in accordance with the following formula:-

In the case of Premium:-

$$\text{Average Swap Rate} = \frac{365}{360} \times \text{SIBOR} + \frac{(\text{Premium} \times 36500)}{(\text{T} \times \text{Spot Rate})} + \frac{(\text{SIBOR} \times \text{Premium})}{(\text{Spot Rate})} \times \frac{365}{360}$$

In the case of Discount:-

$$\text{Average Swap Rate} = \frac{365}{360} \times \text{SIBOR} - \frac{(\text{Discount} \times 36500)}{(\text{T} \times \text{Spot Rate})} - \frac{(\text{SIBOR} \times \text{Discount})}{(\text{Spot Rate})} \times \frac{365}{360}$$

where:-

SIBOR = the rate which appears under the caption "SINGAPORE INTERBANK OFFER RATES (US$)" and the column headed "Fixing" on Telerate Page 7311 of the Dow Jones Telerate Service (or such other page as may replace Telerate Page 7311 for the purpose of displaying Singapore inter-bank United States dollar offered rates of leading reference banks) at or about the Relevant Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Period concerned;

Spot Rate = the rate (determined by the Agent Bank) to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Reference Banks and which appear under the caption "SINGAPORE BANKS RATES AT 11 A.M. SGP TIME" and the column headed "Spot" on Telerate Page 44173 of the Dow Jones Telerate Service (or such other page as may replace Telerate Page 44173 for the purpose of displaying the spot rates and swap points of leading reference banks) at or about the Relevant Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Period concerned;

Premium or Discount = the rate (determined by the Agent Bank) to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Reference Banks for a period equal to the duration of the Interest Period concerned which appear under the caption "SINGAPORE BANKS RATES AT 11 A.M. SGP TIME" on Telerate Page 44173 of the Dow Jones Telerate Service (or such other page as may replace Telerate Page 44173 for the purpose of displaying the spot rates and swap points of leading reference banks) at or about the Relevant Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Period concerned; and

T = the number of days in the Interest Period concerned.

The Rate of Interest for such Interest Period shall be the Average Swap Rate (as determined by the Agent Bank) and as adjusted by the Spread (if any);

(C) if on any Interest Determination Date any one of the components for the purposes of calculating the Average Swap Rate under (B) above is not quoted on the relevant Telerate Page (or such other replacement page as aforesaid) or the relevant Telerate Page (or such other replacement page as aforesaid) is unavailable for any reason, the Agent Bank will request the principal Singapore offices of the Reference Banks to provide the Agent Bank with quotations of their Swap Rates for the Interest Period concerned at or about the Relevant Time on that Interest Determination Date and the Rate of Interest for such Interest Period shall be the Average Swap Rate for such Interest Period (which shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the Swap Rates quoted by the Reference Banks to the Agent Bank) and as adjusted by the Spread (if any). The Swap Rate of a Reference Bank means the rate at which that Reference Bank can generate Singapore dollars for the Interest Period concerned in the Singapore inter-bank market at or about the Relevant Time on the relevant Interest Determination Date and shall be determined as follows:-

In the case of Premium:-

$$\text{Average Swap Rate} = \frac{365}{360} \times \text{SIBOR} + \frac{(\text{Premium} \times 36500)}{(\text{T} \times \text{Spot Rate})} + \frac{(\text{SIBOR} \times \text{Premium})}{(\text{Spot Rate})} \times \frac{365}{360}$$

In the case of Discount:-

$$\text{Average Swap Rate} = \frac{365}{360} \times \text{SIBOR} - \frac{(\text{Discount} \times 36500)}{(\text{T} \times \text{Spot Rate})}$$

$$- \frac{(\text{SIBOR} \times \text{Discount})}{(\text{Spot Rate})} \times \frac{365}{360}$$

where:-

SIBOR	=	the rate per annum at which United States dollar deposits for a period equal to the duration of the Interest Period concerned are being offered by that Reference Bank to prime banks in the Singapore inter-bank market at or about the Relevant Time on the relevant Interest Determination Date;
Spot Rate	=	the rate at which that Reference Bank sells United States dollars spot in exchange for Singapore dollars in the Singapore inter-bank market at or about the Relevant Time on the relevant Interest Determination Date;
Premium	=	the premium that would have been paid by that Reference Bank in buying United States dollars forward in exchange for Singapore dollars on the last day of the Interest Period concerned in the Singapore inter-bank market;
Discount	=	the discount that would have been received by that Reference Bank in buying United States dollars forward in exchange for Singapore dollars on the last day of the Interest Period concerned in the Singapore inter-bank market; and
T	=	the number of days in the Interest Period concerned; and

(D) if on any Interest Determination Date one only or none of the Reference Banks provides the Agent Bank with quotations of their Swap Rate(s), the Average Swap Rate shall be determined by the Agent Bank to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Agent Bank at or about the Relevant Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes by whatever means they determine to be most appropriate and the Rate of Interest for the relevant Interest Period shall be the Average Swap Rate (as so determined by the Agent Bank) and as adjusted by the Spread (if any), or if on such Interest Determination Date one only or none of the Reference Banks provides the Agent Bank with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date and as adjusted by the Spread (if any); and

(3) in the case of Floating Rate Notes which are not SIBOR Notes or Swap Rate Notes or which are denominated in a currency other than Singapore dollars, the Agent Bank will determine the Rate of Interest in respect of any Interest Period at or about the Relevant Time on the Interest Determination Date in respect of such Interest Period as follows:-

(A) if the Primary Source for the Floating Rate as stated on the face of such Note is a Screen Page, subject as provided below, the Rate of Interest in respect of such Interest Period shall be:-

(aa) the Relevant Rate (as defined below) (where such Relevant Rate on such Screen Page is a composite quotation or is customarily supplied by one entity); or

(bb) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Screen Page,

in each case appearing on such Screen Page at the Relevant Time on the Interest Determination Date;

(B) if the Primary Source for the Floating Rate as stated on the face of such Note is Reference Banks or if paragraph (b)(ii)(3)(A)(aa) applies and no Relevant Rate appears on the Screen Page at the Relevant Time on the Interest Determination Date or if paragraph (b)(ii)(3)(A)(bb) applies and fewer than two Relevant Rates appear on the Screen Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre (as defined below) at the Relevant Time on the Interest Determination Date; and

(C) if paragraph (b)(ii)(3)(B) applies and the Agent Bank determines that fewer than two Reference Banks are so quoting Relevant Rates, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date.

(iii) On the last day of each Interest Period, the Issuer will pay interest on each Floating Rate Note to which such Interest Period relates at the Rate of Interest for such Interest Period.

(c) Rate of Interest – Variable Rate Notes

(i) Each Variable Rate Note bears interest at a variable rate determined in accordance with the provisions of this paragraph (c). The interest payable in respect of a Variable Rate Note on the first day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the "Agreed Yield" and the rate of interest payable in respect of a Variable Rate Note on the last day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the "Rate of Interest".

(ii) The Agreed Yield or, as the case may be, the Rate of Interest payable from time to time in respect of each Variable Rate Note for each Interest Period shall, subject as referred to in paragraph (c)(iv) below, be determined as follows:-

(1) not earlier than 9.00 a.m. (Singapore time) on the ninth business day nor later than 3.00 p.m. (Singapore time) on the third business day prior to the commencement of each Interest Period, the Issuer and the Relevant Dealer (as defined below) shall endeavour to agree on the following:-

(A) whether interest in respect of such Variable Rate Note is to be paid on the first day or the last day of such Interest Period;

(B) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the first day of such Interest Period, an Agreed Yield in respect of such Variable Rate Note for such Interest Period (and, in the event of the Issuer and the Relevant Dealer so agreeing on such Agreed Yield, the Interest Amounts (as defined below) for such Variable Rate Note for such Interest Period shall be zero); and

(C) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the last day of such Interest Period, a Rate of Interest in respect of such Variable Rate Note for such Interest Period (an "Agreed Rate") and, in the event of the Issuer and the Relevant Dealer so agreeing on an Agreed Rate, such agreed Rate shall be the Rate of Interest for such Variable Rate Note for such Interest Period; and

(2) if the Issuer and the Relevant Dealer shall not have agreed either an Agreed Yield or an Agreed Rate in respect of such Variable Rate Note for such Interest Period by 3.00 p.m. (Singapore time) on the third business day prior to the commencement of such Interest Period, or if there shall be no Relevant Dealer during the period for agreement referred to in (1) above, the Rate of Interest for such Variable Rate Note for such Interest Period shall automatically be the rate per annum equal to the Fall Back Rate (as defined below) for such Interest Period.

(iii) The Issuer has undertaken to the Issuing and Paying Agent, the Agent Bank and the Trustee that it will as soon as possible after the Agreed Yield or, as the case may be, the Agreed Rate in respect of any Variable Rate Note is determined but not later than 10.30 a.m. (Singapore time) on the next following business day:-

(1) notify the Issuing and Paying Agent and the Agent Bank of the Agreed Yield or, as the case may be, the Agreed Rate for such Variable Rate Note for such Interest Period; and

(2) cause such Agreed Yield or, as the case may be, Agreed Rate for such Variable Rate Note to be notified by the Agent Bank to the relevant Noteholder and the Trustee upon request.

(iv) For the purposes of sub-paragraph (ii) above, the Rate of Interest for each Interest Period for which there is neither an Agreed Yield nor Agreed Rate in respect of any Variable Rate Note(s) or no Relevant Dealer in respect of the Variable Rate Note(s) shall be the rate (the "Fall Back Rate") determined by reference to a benchmark as stated on the face of such Variable Rate Note(s), being (in the case of Variable Rate Notes which are denominated in Singapore dollars) SIBOR (in which case such Variable Rate Note(s) will be SIBOR Note(s)) or Swap Rate (in which case such Variable Rate Note(s) will be Swap Rate Note(s)) or (in any other case or in the case of Variable Rate Notes which are denominated in a currency other than Singapore dollars) such other benchmark as is set out on the face of such Variable Rate Note(s).

Such rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Variable Rate Note(s). The "Spread" is the percentage rate per annum specified on the face of such Variable Rate Note(s) as being applicable to the rate of interest for such Variable Rate Note(s). The rate of interest so calculated shall be subject to paragraph (d) below.

The Fall Back Rate payable from time to time in respect of each Variable Rate Note will be determined by the Agent Bank in accordance with the provisions of Condition 3(II)(b)(ii) above (*mutatis mutandis*) and references therein to "Rate of Interest" shall mean "Fall Back Rate".

(v) If interest is payable in respect of a Variable Rate Note on the first day of an Interest Period relating to such Variable Rate Note, the Issuer will pay the Agreed Yield applicable to such Variable Rate Note for such Interest Period on the first day of such Interest Period. If interest is payable in respect of a Variable Rate Note on the last day of an Interest Period relating to such Variable Rate Note, the Issuer will pay the Interest Amounts for such Variable Rate Note for such Interest Period on the last day of such Interest Period.

(d) Determination of Rate of Interest and Calculation of Interest Amounts and Redemption Amounts

The Agent Bank will, as soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Agent Bank may be required to calculate any Redemption Amount in respect of any Notes, determine the Rate of Interest and calculate the amount of interest payable (the "Interest Amounts") in respect of each Calculation Amount of the relevant Floating Rate Notes or Variable Rate Notes for the relevant Interest Period or calculate the Redemption Amount in respect of such Notes. The Interest Amounts shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying such product by the actual number of days in the Interest Period concerned (including the first, but excluding the last, day of such Interest Period), divided by the FRN Day Basis or, as the case may be, VRN Day Basis shown on the face of such Note and rounding the resultant figure upward to the nearest smallest divisible unit of the Relevant Currency (if not already a multiple of such unit). The determination of the Rate of Interest, the Interest Amounts and the Redemption Amount by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(e) Notification of Rate of Interest and Interest Amounts

The Agent Bank will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Redemption Amount to be notified to the Issuing and Paying Agent, the Issuer and the Trustee and (in the case of Floating Rate Notes) to be notified to Noteholders in accordance with Condition 15 as soon as possible after their determination but in no event later than the second business day thereafter.

The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period in accordance with the provisions hereof, with similar arrangements, *mutatis mutandis*, for notification. If the Floating Rate Notes or, as the case may be, Variable Rate Notes become due and payable under Condition 8, the Rate of Interest and Interest Amounts payable in respect of the Floating Rate Notes or, as the case may be, Variable Rate Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest and Interest Amounts need to be made (other than to the Noteholders at their request).

(f) Determination or Calculation by the Trustee

The Trustee shall (if the Agent Bank does not at any material time determine the Rate of Interest or calculate any Interest Amounts or Redemption Amount), without liability on its part, determine or procure the determination or calculation of such Rate of Interest, Interest Amounts or Redemption amount in accordance with the provisions of this Condition 3. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(g) Agent Bank and Reference Banks

The Issuer will procure that, so long as any Floating Rate Note or Variable Rate Note remains outstanding, there shall for the purpose of determining the Rate of Interest applicable to such Notes and calculating the Interest Amounts at all times be three Reference Banks and an Agent Bank. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank or the Agent Bank is unable or unwilling to act as such or if the Agent Bank fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest

Amounts or the Redemption Amount, the Issuer will, with the prior approval of the Trustee (such approval not to be unreasonably withheld), appoint the Singapore office of some other reputable bank, merchant bank or financial institution to act as such in its place. The Agent Bank may not resign its duties without a successor having been appointed as aforesaid.

(h) Definitions

As used in these Conditions:-

"**Benchmark**" means the rate specified as such in the relevant pricing Supplement;

"**business day**" means:-

(i) (in the case of Notes denominated in Singapore dollars) a day (other than a Saturday or Sunday) on which commercial banks are open for business in Singapore; and

(ii) (in the case Notes denominated in a currency other than Singapore dollars), a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in the principal financial centre for that currency;

"**Calculation Amount**" means the amount specified as such on the face of any Note or, if no such amount is so specified, the Denomination Amount of such Note as shown on the face thereof;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified as the Interest Commencement Date on the face of such Note;

"**Interest Determination Date**" means, in respect of any Interest Period, the day falling such number of business days prior to the first day of such Interest Period as is set out in the applicable Pricing Supplement or on the face of the relevant Note;

"**Reference Banks**" means the institutions specified as such hereon or, if none, three major banks selected by the Agent Bank in consultation with the Issuer in the inter- bank market that is most closely connected with the Benchmark;

"**Relevant Currency**" means the currency in which the Notes are denominated;

"**Relevant Dealer**" means, in respect of any Variable Rate Note, the Dealer party to the Programme Agreement referred to in the Trust Deed with whom the Issuer has concluded an agreement for the issue of such Variable Rate Note pursuant to the Programme Agreement;

"**Relevant Financial Centre**" means, in the case of interest to be determined on an Interest Determination Date with respect to any Floating Rate Note or Variable Rate Note, the financial centre with which the relevant Benchmark is most closely connected or, if none is so connected, Singapore;

"**Relevant Rate**" means the Benchmark for a Calculation Amount of the Relevant Currency for a period (if applicable or appropriate to the Benchmark) equal to the relevant Interest Period;

"**Relevant Time**" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the Inter-bank market in the Relevant Financial Centre; and

"**Screen Page**" means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Reuters Monitor Money Rates Service ("**Reuters**") and the Dow Jones Telerate Service ("**Telerate**")) as may be specified hereon for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate.

4. REDEMPTION AND PURCHASE

(a) Final Redemption

Unless previously redeemed or purchased and cancelled as provided below, this Note will be redeemed at its Redemption Amount on the Maturity Date shown on its face (if this Note is shown on its face to be a Fixed Rate Note) or on the Interest Payment Date falling in the Redemption Month shown on its face (if this Note is shown on its face to be a Floating Rate Note or Variable Rate Note).

(b) Purchase at the Option of Issuer

If so provided hereon, the Issuer shall have the option to purchase all or any of the Fixed Rate Notes, Floating Rate Notes or Variable Rate Notes at their Redemption Amount on any date on which interest is due to be paid on such Notes and the Noteholders shall be bound to sell such Notes to the Issuer accordingly. To exercise such option, the Issuer shall give irrevocable notice to the Noteholders within the Issuer's Purchase Option Period shown on the face hereof. Such Notes may be held, resold or surrendered to the Issuing and Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the Issuer or any of its related corporations, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 8 and 11.

(c) Purchase at the Option of Noteholders

(i) Each Noteholder shall have the option to have all or any of his Variable Rate Notes purchased by the Issuer at their Redemption Amount on any Interest Payment Date and the Issuer will purchase such Variable Rate Notes accordingly. To exercise such option, a Noteholder shall deposit any Variable Rate Notes to be purchased with the Issuing and Paying Agent at its specified office (in the case of Bearer Notes) or the Certificate representing such Variable Rate Notes with the Issuer at its registered office or at the specified office of its agent (in the case of Registered Notes) together with all Coupons relating to such Variable Rate Notes which mature after the date fixed for purchase (in the case of Bearer Notes), together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent or the Issuer (as applicable) within the Noteholders' VRN Purchase Option Period shown on the face hereof. Any Variable Rate Notes or Certificates so deposited may not be withdrawn (except as provided in the Trust Deed) without the prior consent of the Issuer. Such Variable Rate Notes may be held, resold or surrendered to the Issuing and Paying Agent for cancellation. The Variable Rate Notes so purchased, while held by or on behalf of the Issuer or any of its related corporations, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 8 and 11.

(ii) If so provided hereon, each Noteholder shall have the option to have all or any of his Fixed Rate Notes or Floating Rate Notes purchased by the Issuer at their Redemption Amount on any date on which interest is due to be paid on such Notes and the Issuer will purchase such Notes accordingly. To exercise such option, a Noteholder shall deposit any Notes to be purchased with the Issuing and Paying Agent at its specified office (in the case of Bearer Notes) or the Certificate representing such Fixed Rate Notes or Floating Rate Notes with the Issuer at its registered office or at the specified office of its agent (in the case of Registered Notes) together with all Coupons relating to such Notes which mature after the date fixed for purchase (in the case of Bearer Notes), together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent or the Issuer (as applicable) within the Noteholders' Purchase Option Period shown on the face hereof. Any Notes or Certificates so deposited may not be withdrawn (except as provided in the Trust Deed) without the prior consent of the Issuer. Such Notes may be held, resold or surrendered to the Issuing and Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the Issuer or any of its related corporations, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 8 and 11.

(d) Redemption at the Option of the Issuer

If so provided hereon, the Issuer may, on giving irrevocable notice to the Noteholders falling within the Issuer's Redemption Option Period shown on the face hereof, redeem all or, if so provided, some of the Notes at their Redemption Amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Notes shall be at their Redemption Amount, together with interest accrued to (but excluding) the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws. So long as the Notes are listed on the Stock Exchange of Singapore Limited and the rules of such Stock Exchange so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published in a leading newspaper of general circulation in Singapore a notice specifying the aggregate principal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered.

(e) Redemption at the Option of Noteholders

If so provided hereon, the Issuer shall, at the option of the holder of any Note, redeem such Note on the date or dates so provided at its Redemption Amount, together with interest accrued to (but excluding) the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons) with the Issuing and Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing such Note with the Issuer at its registered office or at the specified office of its agent, together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent or the Issuer (as applicable) within the Noteholders' Redemption Option Period shown on the face hereof. No Note or Certificate so deposited may be withdrawn (except as provided in the Trust Deed) without the prior consent of the Issuer.

(f) Purchases

The Issuer and any of its related corporations may at any time and from time to time purchase or otherwise acquire Notes at any price in the open market (provided that they are purchased together with all unmatured Coupons relating to them).The Issuer or any of its related corporations may, at their option, retain such Notes for their own account and/or resell or otherwise deal with them at their discretion.

The Issuer may cancel any Notes so acquired and any Notes so purchased and cancelled shall forthwith be surrendered to the Trustee or to its order.

(g) Cancellation

All Notes purchased by or on behalf of the Issuer or any of its related corporations may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons to the Issuing and Paying Agent at its specified office and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Issuer at its registered office or at the specified office of its agent and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold.

5. PAYMENTS

(a) Principal and Interest

(i) Payments of principal and interest in respect of Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Notes or Coupons, as the case may be, at the specified office of the Issuing and Paying Agent by a cheque drawn in the currency in which payment is due on, or, at the option of the holders, by transfer to an account maintained by the payee in that currency with, a bank in the principal financial centre for that currency.

(ii) (1) Payment of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates representing such Notes at the registered office of the Registrar or its agent and in the manner provided in sub-paragraph (2) below.

(2) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the seventh business day before the due date for payment thereof (the "Record Date"). Payments of interest on each Registered Note shall be made in the currency in which such payments are due by cheque drawn on a bank in the principal financial centre for the currency concerned and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the registered office of the Registrar or its agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in the principal financial centre for that currency.

(b) Payments subject to law etc.

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 6.

(c) Appointment of Agents

The Issuing and Paying Agent, the Agent Bank and the Registrar initially appointed by the Issuer and their respective specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of the Issuing and Paying Agent, the Agent Bank or the Registrar and to appoint additional or other Issuing and Paying Agents, Agent Banks and Registrars, provided that it will at all times maintain (i) an Issuing and Paying Agent, (ii) an Agent Bank and (iii) a Registrar where the Conditions so require.

Notice of any such change or any change of any specified office will promptly be given to the Noteholders in accordance with Condition 15.

The Agency Agreement may be amended by the Issuer, the Issuing and Paying Agent, the Agent Bank, the Registrar and the Trustee, without the consent of the Noteholders provided that such amendment is not, in the opinion of the Trustee, materially prejudicial to the interest of the Noteholders.

(d) Unmatured Coupons

(i) Bearer Notes which are Fixed Rate Notes should be surrendered for payment together with all unmatured Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of five years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 7).

(ii) Subject to the provisions of the relevant Pricing Supplement, upon the due date for redemption of any Bearer Note which is a Floating Rate Note or Variable Rate Note, unmatured Coupons relating to such Bearer Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Where any Bearer Note which is a Floating Rate Note or Variable Rate Note is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(iv) If the due date for redemption or repayment of any Note is not a due date for payment of interest, or if payment of principal is improperly withheld or refused in respect of such Note, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation and enfacement or surrender (as the case may be) of the relevant Note or Certificate representing it, as the case may be.

(e) Non-Business Days

Subject as provided in the relevant Pricing Supplement, if any date for the payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day and shall not be entitled to any further interest or payment in respect of any such delay.

6. TAXATION

Subject as provided below, all payments of principal and interest in respect of the Notes will be made by the Issuer to Noteholders or Couponholders (as the case may be) after deducting or withholding any amounts for or on account of any present or future taxes or duties of whatsoever nature imposed or levied by or on behalf of Singapore or any authority thereof or therein having power to tax, and which are required by applicable law to be deducted or withheld.

The Issuer will not pay any additional amount in respect of any such deduction or withholding from payments of principal or interest for or on account of any such taxes or duties. Where the Issuer is not permitted under applicable laws, regulations, directives, guidelines or policies to make payment in respect of the Notes or the Coupons without any such deduction or withholding for or on account of any such taxes, duties, assessments or charges, no payment of principal or interest shall be made by the Issuer to any Noteholder or Couponholder without any such deduction or withholding unless such Noteholder or, as the case may be, Couponholder shall have provided a statutory declaration or other evidence satisfactory to the Issuing and Paying Agent that the beneficial owner of such principal or interest is a resident in Singapore for tax purposes. If requested by the Noteholder or Couponholder, the Issuer shall procure that such person shall be furnished with a certificate specifying the gross amount of principal or interest, the amount of tax withheld or deducted and the net amount of principal or interest.

7. PRESCRIPTION

The Notes and Coupons shall become void unless presented for payment within five years from the appropriate Relevant Date (as defined below) in respect of them.

As used in these Conditions, “Relevant Date” means whichever is later of (i) the date on which payment on the Note or Coupon first becomes due and payable; and (ii) if full payment of such monies has not been received by the Trustee or the Issuing and Paying Agent on or prior to such due date, the date on which full payment of such monies shall have been unconditionally made available to the Trustee or the Issuing and Paying Agent for payment to the Noteholders and notice to that effect shall have been given to the Noteholders in accordance with Condition 15, and references to “principal” shall be deemed to include any premium payable in respect of the Notes, all Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 4 and “interest” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 3.

Any monies paid by the Issuer to the Issuing and Paying Agent or the Trustee for payment in respect of any Note or any Coupon and remaining unclaimed when such Note or Coupon becomes void shall then be repaid to the Issuer and upon such repayment, all liability of the Issuing and Paying Agent and the Trustee with respect to such monies shall cease.

8. EVENTS OF DEFAULT

The Trustee at its discretion may, and if so requested in writing by the Noteholders holding not less than 30 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders shall, subject in the case of the happening of any of the events referred to in paragraphs (b), (c), (d), (f), (g) or (i) of this Condition 8, to the same having also been certified to the Issuer by the Trustee in writing to be in its opinion materially prejudicial to the interests of the Noteholders, by written notice to the Issuer declare the Notes to be, and upon such declaration the Notes shall become, immediately due and repayable at their Redemption Amounts together with accrued interest upon the happening of any of the following events:-

(a) default being made by the Issuer for 15 days in the payment of the principal or interest due in respect of any of the Notes as and when the same ought to be paid in accordance with the terms and conditions of the Trust Deed; or

(b) the Issuer failing to perform or observe any of its other obligations under the Trust Deed and (except where the Trustee considers that such default is not capable of remedy in which case no notice will be required) such failure continuing for a period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of a notice in writing requiring the same to be remedied; or

(c) any liability or indebtedness of the Issuer or any of its subsidiaries exceeding in aggregate S$30,000,000 (or its equivalent in any other currency or currencies), being repayable prior to its stated maturity by reason of default and the due date for payment thereof not being extended or any such liability or indebtedness of the Issuer or any of its subsidiaries not being repaid at its stated maturity as extended by any grace period permitted under the agreement or other documents evidencing or constituting such indebtedness; or

(d) any default by the Issuer or any of its subsidiaries in making any payment due under any guarantee or any indemnity given by the Issuer or any of its subsidiaries in respect of any obligation, liability or indebtedness having an aggregate outstanding principal amount exceeding S$30,000,000 (or the respective equivalent in any other currency or currencies) provided always that it shall not be an event of default if such refusal or failure is by reason of the Issuer or the subsidiary, as the case may be, in good faith contesting or disputing any liability under such guarantee or indemnity; or

(e) a resolution being passed or an order of court being made that the Issuer or any of its Principal Subsidiaries (as defined below) be wound up or similar resolutions or orders which are determined by the Trustee to be analogous in effect being made (otherwise than (i) for the purposes of an amalgamation, reorganisation, merger or reconstruction not involving insolvency where either (1) such event does not, in the reasonable opinion of the Trustee, materially and adversely affect the ability of the Issuer to perform or observe its obligations under the Notes and the Trust Deed or (2) the terms whereof have previously been approved by the Trustee (such approval not to be unreasonably withheld) or by an Extraordinary Resolution passed at a meeting of the Noteholders or (ii) in the case only of any Principal Subsidiary, by way of a voluntary winding-up where the surplus assets attributable to the Issuer and/or any other subsidiary are distributed to the Issuer and/or any other subsidiary) and, in the case only of the winding-up of a Principal Subsidiary, such winding-up being certified in writing to the Issuer by the Trustee to be, in its opinion, materially prejudicial to the interests of the Noteholders; or

(f) an encumbrancer taking possession or a receiver, trustee, administrator or judicial manager or other similar official being appointed in relation to the whole or any substantial part of the assets or undertaking of the Issuer or any Principal Subsidiary; or

(g) a distress or execution or other process being levied or enforced upon or sued out against the whole or any substantial part of the business, undertaking or assets of the Issuer or any Principal Subsidiary and not being discharged within twenty-one (21) days thereof; or

(h) the Issuer or any of its Principal Subsidiaries stopping payment or threatening to stop payment of its debts generally or being unable to pay its debts generally or being unable to pay its debts within the meaning of Section 254 of the Companies Act (Cap. 50) of Singapore or admitting its inability to pay its debts or becoming bankrupt or insolvent or ceasing or threatening to cease to carry on its business or a substantial part of its business (other than for the purposes of an amalgamation, consolidation, merger, reorganisation or reconstruction not involving insolvency where either (1) such event does not, in the reasonable opinion of the Trustee, materially and adversely affect the ability of the Issuer to perform or observe its obligations under the Notes and the Trust Deed or (2) the terms of which have been approved by the Trustee, such approval not to be unreasonably withheld); or

(i) the whole or a substantial part of the undertaking or assets of the Issuer or any of its Principal Subsidiaries, being requisitioned, nationalised, sequestrated or compulsorily acquired by any competent authority where any such event has a material adverse effect on the financial position of the Group taken as a whole; or

(j) any resolution being passed or any application being made to apply for judicial composition proceedings with its creditors or judicial management order; or an order being made by any competent court for such proceedings in relation to the Issuer or any of its Principal Subsidiaries; or

(k) it is or will become unlawful at any time for the Issuer to perform all or any of its obligations under the Trust Deed, the Notes and the Coupons.

For the purposes of these Conditions, "subsidiary" has the meaning ascribed to it in Section 5 of the Companies Act (Cap. 50) of Singapore. "Principal Subsidiary" means, at any particular time, any subsidiary of the Issuer whose total assets, as shown by the then latest audited accounts of such subsidiary, exceed S$300,000,000 Provided That:-

(i) if a Principal Subsidiary transfers or otherwise disposes of any part of its assets to another subsidiary of the Issuer or any other person, the total assets of such subsidiaries shall be calculated by reference to the then latest audited balance sheet of each of the transferor and transferee subsidiary (as the case may be) adjusted as appropriate with effect from the date of transfer to reflect the transfer of such assets after the end of the financial period to which the balance sheet relates; and

(ii) if any subsidiary acquires any assets, the total assets of such subsidiary shall be calculated by reference to its then latest audited balance sheet adjusted as appropriate with effect from the date of acquisition to reflect the acquisition of such assets after the end of the financial period to which the balance sheet relates.

9. ENFORCEMENT

At any time after the Notes shall have become due and repayable in accordance with Condition 8, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce the payment obligations of the Issuer under the Notes, the Coupons or the Trust Deed, but it shall not be bound to take any such proceedings unless:-

(a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least 30 per cent. in principal amount of the Notes then outstanding; and

(b) it shall have been indemnified by the Noteholders to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within 45 days and such failure shall be continuing.

10. LIMITATION ON BORROWINGS AND NEGATIVE PLEDGE

(a) The Issuer has covenanted with the Trustee that it shall not, and shall procure that none of its subsidiaries shall:-

(i) sell, transfer or otherwise dispose of any of the properties described in the Fifth Schedule of the Trust Deed (the "Properties") or any part thereof or any of the Group's interest in any subsidiary which has an interest in any of the Properties; or

(ii) create or permit to subsist or be created any mortgage, charge, pledge or other security interest over any of the Properties or any part thereof or any of the Group's interest in any subsidiary which has an interest in any of the Properties;

PROVIDED THAT the foregoing restrictions shall not apply to the following sale(s), transfer(s) or disposal(s) of any of the Properties or any part thereof (the "Sale Property") where compliance is made with the following terms and conditions:-

(1) where the value of the Properties in aggregate (the "Properties' Value") at the time of the sale, transfer or disposal is less than S$500,000,000 and the Issuer forthwith nominates a property owned by it or any of its subsidiaries in substitution for the Sale Property (the "Replacement Property") and the value of the Replacement Property shall be equal to or greater than the value of the Sale Property; or

(2) where the Properties' Value at the time of the sale, transfer or disposal shall exceed S$500,000,000 and:-

(A) the sale, transfer or disposal of the Sale Property shall not result in the Properties' Value after such sale, transfer or disposal being reduced to less than S$500,000,000; or

(B) if the sale, transfer or disposal of the Sale Property shall result in the Properties' Value after such sale, transfer or disposal being reduced to less than S$500,000,000, the Issuer forthwith nominates a Replacement Property such that the aggregate of the value of the Replacement Property and the Properties' Value after such sale, transfer or disposal shall be no less than S$500,000,000;

and upon nomination of any Replacement Property in accordance herewith, the provisions of this covenant shall apply to such Replacement Property as if the same were named in the Fifth Schedule of the Trust Deed and comprised part of the Properties and upon any such sale, transfer or disposal, the Sale Property shall cease to form part of the Properties.

For the purpose of determining the Properties' Value or the value of the Sale Property or the Replacement Property, as the case may be, set out in the provisos (1) and (2) above:-

(I) the Issuer shall, subject as hereinafter provided, be entitled to rely on the valuation thereof by the Issuer, signed on its behalf by a Director of the Issuer and certifying the estimated open market value of such property based on current market conditions. Such valuation by the Issuer shall include a copy of the professional valuation, if any, of such property upon which the valuation of the Issuer is based; and

(II) the Trustee shall have the right to require a Professional Valuation to determine such values if the aggregate of the consideration for the sale, transfer or disposal, as the case may be, (the "Consideration") of the Sale Property and the Consideration of every other Sale Property previously sold pursuant to the provisions herein (the "Aggregate Consideration") shall be equal to or exceed S$100,000,000 Provided That no Consideration of any Sale Property shall be included in the computation of the Aggregate Consideration more than once. For the aforesaid purpose, "Professional Valuation" in relation to any property, shall mean a desktop valuation of the open market value of such property by a reputable independent professional valuer appointed by (and at the expense of) the Issuer and approved by Trustee.

PROVIDED ALWAYS THAT the Issuer shall, within 14 Singapore Business Days of entering into an agreement for the sale, transfer or disposal of any Sale Property hereunder, notify the Trustee of such sale, transfer or disposal and provide the Trustee with the particulars of the Sale Property, the Consideration of the Sale Property and the dates of the agreement and completion of the sale, transfer or disposal, and the Issuer shall certify in the notification to the Trustee whether such sale, transfer or disposal is made pursuant to provisos (1), (2)(A), or (2)(B) above and shall furnish therewith the valuation(s) by the Issuer or the Professional Valuation(s), as the case may be, of the relevant property or properties; further the Issuer shall (upon request of the Trustee) furnish to the Trustee a copy of the announcement (if any) made by the Issuer in respect of the sale, transfer or disposal of the Sale Property.

AND PROVIDED FURTHER THAT this covenant shall not prevent the sale, transfer or disposal of any of the Properties or any of the Group's interest in any subsidiary which has an interest in any of the Properties to another subsidiary of the Issuer but, for the avoidance of doubt, such Properties and interest in subsidiaries shall remain subject to the provisions of this covenant notwithstanding the sale, transfer or disposal;

(b) The Issuer also covenanted with the Trustee that it shall not, and shall procure that none of its subsidiaries (other than a subsidiary whose shares are listed on any stock exchange ("Listed Subsidiary") and any subsidiaries of such Listed Subsidiary) shall, create or permit to subsist or be created any mortgage, charge, pledge or other security interest (collectively "Charge") over the whole or any part of its or their respective undertakings, assets, properties or revenues, present or future, where such Charge is given, or is intended to be given, to secure the Issuer's indebtedness in respect of any freely transferable securities (which are or are to be listed on any stock exchange) of, or guaranteed by, the Issuer unless such Charge is forthwith extended equally and rateably to the indebtedness of the Issuer in respect of the Notes; and

(c) The Issuer has also covenanted with the Trustee, *inter alia*, that so long as any of the Notes remains outstanding, the Issuer will procure that the aggregate amount from time to time outstanding in respect of all Borrowings of the Group (as defined in the Trust Deed) shall not exceed an amount equal to five times the Adjusted Total of Capital and Reserves (as defined in the Trust Deed) as calculated in accordance with the provisions of the Trust Deed.

11. MEETING OF NOTEHOLDERS AND MODIFICATIONS

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including modification by Extraordinary Resolution of these Conditions and the Trust Deed. Any resolution (including an Extraordinary Resolution) duly passed at any such meeting shall be binding on all the Noteholders, whether present or not, and on all the Couponholders.

In addition, such modifications as may be agreed between the Issuer and the Trustee may be made without the consent of the Noteholders and the Couponholders provided that the Trustee is satisfied that any such modification will not be prejudicial to the interests of the Noteholders or is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with mandatory provisions of Singapore law.

The Trustee may, without sanction of the Noteholders so as to be binding on all Noteholders and without prejudice to its rights in respect of any subsequent breach, agree to any waiver of such breach or to authorise any proposed breach by the Issuer of any of the provisions of the Trust Deed, the Notes or the Coupons which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders.

Any such modification, waiver or authorisation shall be binding on the Noteholders and the Couponholders, and, unless the Trustee agrees otherwise, shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, waiver or authorisation) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for any particular individual Noteholder or Couponholder.

These Conditions may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

12. REPLACEMENT OF NOTES, CERTIFICATES AND COUPONS

If a Note, Certificate or Coupons is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes or Coupons) or at the registered office of the Registrar or its agent (in the case of Certificates), or at the specified office of such other Issuing and Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders in accordance with Condition 15 in each case, on payment by the claimant of the costs and expenses (including the fees of the Issuer's agent and the Issuing and Paying Agent) incurred in connection therewith and on such terms as to evidence, security (including, without limitation, an insurance policy) and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate or Coupon is subsequently presented for payment, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Note, Certificate or Coupon) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates or Coupons must be surrendered before replacements will be issued.

13. INDEMNIFICATION OF THE TRUSTEE, ISSUING AND PAYING AGENT, AGENT BANK AND REGISTRAR

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any of its subsidiaries without accounting to the Noteholders or the Couponholders for any profit resulting therefrom.

The Agency Agreement contains provisions for the indemnification of the Issuing and Paying Agent, the Agent Bank and the Registrar under certain circumstances. In acting under the Agency Agreement, the Issuing and Paying Agent, the Agent Bank and the Registrar shall act solely as agents of the Issuer and will not assume any obligation or duty to or relationship of agency or trust for or with any Noteholder or Couponholder.

14. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes of any Series and so that the same shall be consolidated and form a single Series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

15. NOTICES

Notices to the holders of Bearer Notes will be valid if published in a daily newspaper in the English language of general circulation in Singapore. Notices will, if published more than once or on different dates, be deemed to have been given on the date of the first publication in such newspaper as provided above. If at any time, publication in such newspaper is not practicable for any reason whatsoever, notices will be valid if published in such other manner as the Issuer, with the approval of the Trustee, shall determine. Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders in accordance with this Condition. Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register (in the case of joint holders to the address of the holder whose name stands first in the Register) and deemed to have been given on the second day after the date of dispatch.

Until such time as any definitive Notes are issued, there may, so long as the Global Note(s) is or are held in its or their entirety on behalf of the Depository, be substituted for such publication in such newspapers the delivery of the relevant notice to the Depository for communication by it to the Noteholders, except that if the Notes are listed on the Stock Exchange of Singapore Limited and the rules of such exchange so require, notice will in any event be published in accordance with the previous paragraph. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to the Depository.

Notices to be given by any Noteholder pursuant hereto (including to the Issuer) shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Issuing and Paying Agent. Whilst the Notes are represented by a Global Note, such notice may be given by any Noteholder to the Issuing and Paying Agent through the Depository in such manner as the Issuing and Paying Agent and the Depository may approve for this purpose.

Notwithstanding the other provisions of this Condition, in any case where the Identity and addresses of all the Noteholders are known to the Issuer, notices to such holders may be given individually by recorded delivery mail to such addresses and will be deemed to have been given when received at such addresses.

16. AUTHENTICATION

Neither this Note nor the Coupons attached to this Note on issue shall become valid or obligatory for any purpose unless and until this Note has been authenticated by the Issuing and Paying Agent.

17. GOVERNING LAW

These Conditions, the Trust Deed, the Notes and the Coupons shall be governed by, and construed in accordance with, the laws of Singapore. Each of the Issuer and the Trustee (and each Noteholder and each Couponholder are deemed to) have irrevocably and unconditionally submitted to the nonexclusive jurisdiction of the Courts of Singapore for all purposes in relation to these Conditions, the Trust Deed, the Notes and the Coupons and waives any objection on the ground of venue or forum non conveniens or on similar grounds.

THE ISSUER

Overview

City Developments Limited ("**CDL**") is a leading global real estate company with a network spanning 112 locations in 29 countries and regions. The Group's income-stable and geographically-diverse portfolio comprises residences, offices, hotels, serviced apartments, serviced offices, shopping malls and integrated developments. On the property development front, as part of its diversification strategy, in addition to its home market in Singapore, the Group has expanded into four key overseas markets – China, United Kingdom (UK), Australia and Japan.

With a proven track record of over 55 years in real estate development, investment and management, the Group has developed over 47,000 homes and owns over 23 million sq ft of gross floor area in residential, commercial and hospitality assets globally, as at 31 December 2020. Its diversified global land bank offers 3.5 million sq ft of land area, as at 31 December 2020.

Along with its wholly-owned hotel subsidiary, Millennium & Copthorne Hotels Limited ("**M&C**") (formerly known as Millennium & Copthorne Hotels plc), the Group has 152 hotels and 44,000 rooms 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. This includes the development of a fund management business.

As at 31 December 2020, CDL is listed on the Mainboard of the SGX-ST with a market capitalisation of $7.2 billion. Its listed REIT and associates, CDL Hospitality Trusts ("**CDLHT**") and First Sponsor Group, are also listed on the SGX-ST. Its subsidiaries, Grand Plaza Hotel Corporation is listed on the Philippines Stock Exchange, while Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited are listed on the New Zealand Stock Exchange.

History and Background

CDL was incorporated in Singapore as a public company on 7 September 1963. In November 1963, it went public on the then Malayan Stock Exchange.

Following establishment, CDL emerged to become a major property developer in Singapore that has set new benchmarks, including introducing a new trend in property marketing.

In 1969, the Hong Leong Group first bought into CDL and in 1972, acquired a controlling stake in CDL.

<u>Age of expansion and regionalisation</u>

Beyond developing residential properties, CDL diversified into investment properties to provide a stable and sustained source of income. This led to the development of City Plaza, a mixed-use complex. A series of acquisitions followed subsequently, which included a commercial building known as Central Building in 1978, a majority interest in Republic Hotels & Resorts Limited ("**Republic Hotels**") in 1980 and the entire share capital of a property company, Singapura Developments (Private) Limited in 1981.

In the 1980s, CDL launched 21 residential projects and completed 12 investment properties, including City House (completed in 1983) in Singapore's Central Business District, which became CDL's headquarters until 2018. CDL continued to make strategic diversifications into commercial, industrial and retail developments.

The 1980s was also significant as it marked CDL's first foray into the hospitality industry with the development of King's Hotel in 1980 (now Copthorne King's Hotel Singapore), followed by acquisitions of five other hotels in the region. In 1989, CDL Hotels International Limited ("**CDL Hotels**") was formed and the company was listed on The Stock Exchange of Hong Kong Limited.

The late 1980s and 1990s also saw the launches of luxurious residential developments by CDL in Singapore such as Tanglin Park, Peirce Villas, Nassim Park and Spring Grove. CDL also successfully launched its first Executive Condominium ("**EC**"), The Florida, designed for the mass market.

Establishing a Global Footprint

A phase of rapid expansion and globalisation marked CDL's business activities in the 1990s. Strategic hotel acquisitions were made, including Millennium Gloucester Hotel London Kensington – CDL's first hotel in Europe, which were followed by a series of acquisitions in New Zealand, UK and US.

CDL started acquiring several hotels in New Zealand and thereafter established one of the largest hotel chains in the country. In 1992, CDL Hotels acquired a controlling interest in CDL Hotels New Zealand Limited (now known as Millennium & Copthorne Hotels New Zealand Limited) and a controlling interest in Kingsgate International Corporation Limited in 1994.

In 1995, CDL acquired the Copthorne group of hotels in the UK, France and Germany, expanding its hotel footprint in the UK and Europe.

CDL also placed Singapore on the global business map when in 1996, M&C, a subsidiary of CDL Hotels, was listed on the London Stock Exchange – the first Singapore-controlled company listed on the London bourse.

In 1999, CDL acquired the Seoul Hilton in Korea and the Regal hotel chain in the US, transforming it into a global hotel owner/operator. Subsequently, CDL unveiled a restructuring exercise in 2000, where CDL acquired CDL Hotels' 52.4% controlling stake in M&C. CDL Hotels was renamed City e-Solutions Limited ("**CES**") and transformed into a management services and technology solutions provider for the global hospitality industry. In 2016, CDL divested its interest in CES.

M&C also streamlined its operations through the privatisation of Republic Hotels in 2002 and Kingsgate International Corporation Limited in 2004, resulting in their delisting from the Singapore Exchange Limited and the New Zealand Stock Exchange respectively. By 2000, M&C's portfolio had grown to 88 hotels across Europe, the US, Asia and Australasia.

A New Millennium

CDL was admitted to the prestigious FTSE4Good Index Series in 2002, and in 2005 to the FTSE/ASEAN Index and the FTSE/ASEAN 40 Index. It was also designated as one of the component stocks of the revamped Straits Times Index, which was officially launched in January 2008.

CDL continued to create many first-of-its-kind living concepts that redefined lifestyles. Some iconic examples include The Equatorial – Singapore's first i-Home, Savannah CondoPark – Singapore's first Eco-Condo, The Pier at Robertson – providing riverside living with a "Home Office" concept, The Sail @ Marina Bay – one of Singapore's tallest residences, St. Regis Residences, Singapore – Singapore's first branded residences, 11 Tampines Concourse – the first CarbonNeutral® development in Singapore and Asia Pacific, City Square Mall – Singapore's first Eco-mall and The Residences at W Singapore – Sentosa Cove – the only branded residences on Sentosa Cove.

In 2006, M&C announced the initial public offering of CDLHT, a stapled group comprising CDL Hospitality Real Estate Investment Trust and CDL Hospitality Business Trust, which became the first hotel real estate investment trust in Singapore. In the same year, M&C also entered the China market with the opening of Millennium Hongqiao Hotel Shanghai. In the subsequent years, it continued its China expansion with the opening of Grand Millennium Beijing, as well as hotels in Chengdu, Qingdao, Xiamen and Wuxi.

On the property development front, as part of its diversification strategy, in 2010, CDL established its wholly-owned subsidiary, CDL China Limited, to implement its real estate strategy in various cities throughout China. Since then, the Group has grown its real estate development platforms overseas, expanding into UK, Japan and Australia, and continues to seek opportunities in these markets.

Growth, Enhancement and Transformation (GET)

In 2018, CDL embarked on a strategy focusing on Growth, Enhancement and Transformation (known as GET in its current iteration), to renew and reposition its business, sharpen its value proposition and expand its asset portfolio to drive performance outcomes. Under this strategy, CDL will seek to actively build a development pipeline and recurring income streams, enhance asset portfolio and drive operational efficiency, and transform its business via new platforms by investing strategically in sizeable game-changing platforms and new economy or technology ventures.

In line with this core focus to boost its recurring income, CDL acquired two freehold commercial buildings in Central London – Aldgate House and 125 Old Broad Street in 2018. In addition, CDL expanded into new market segments such as the UK's Private Rented Sector and Japan's residential rental market in 2019.

In Australia, CDL partnered Abacus Property Group and KPG Capital to develop a prime residential site in South Brisbane named Ivy and Eve in 2015, which has since been fully sold. Following the completion of Ivy and Eve, CDL acquired the residential development division of ASX-listed Abacus Property Group for A$25.9 million, which included a portfolio of three prime freehold sites – two in Melbourne and one in Brisbane, as well as a local management team. In May 2019, CDL launched one of the three developments, The Marker, a 198-unit project located on Spencer Street in West Melbourne. This project is a JV with Lechte Corporation and Crema Group — two Melbourne developers. CDL with the two JV partners also acquired an additional freehold site in North Melbourne. The four freehold projects are expected to yield approximately over 700 residential units and approximately 51,600 sq ft of commercial/retail space.

In line with its focus to enhance recurring income, CDL achieved another milestone with the privatisation of M&C in 2019, valued at approximately £2.23 billion (S$3.86 billion), thereby enlarging its hospitality portfolio. M&C was delisted from the London Stock Exchange on 11 October 2019 and became a wholly-owned subsidiary of CDL on 19 November 2019.

In April 2020, CDL entered into a definitive agreement to acquire an effective 51.01% joint controlling interest in Sincere Property Group ("**Sincere**") with an initial investment of RMB 4.39 billion (approximately S$0.88 billion). The strategic partnership marked a significant milestone in CDL's history and deepened its China presence. For further details, see the section "Review of Past Performance - Financial Year ended 31 December 2020" on pages 53 to 54 of this Information Memorandum and the Audited Financial Statements for the Financial Year ended 31 December 2020 attached as Appendix III to this Information Memorandum.

As part of CDL's strategy to grow its fund management business, CDL made a strategic investment in Singapore-listed IREIT Global, a Europe-focused real estate investment trust in 2019. As at 31 December 2020, CDL holds a 20.9% stake in IREIT Global and owns 50% of IREIT Global Group Pte. Ltd., IREIT Global's REIT Manager. It has also been actively building its pipeline and is in collaboration with capital partners to acquire new assets. As at 31 December 2020, the Group's total assets grew by 2.2% to $23.7 billion (FY 2019: $23.2 billion).

Global Sustainability Leader

Sustainability is integral to CDL's business and operations, aligned with its ethos of "Conserving as We Construct" since 1995. As a testament to the management's firm commitment to green buildings, CDL has amassed a portfolio of 110 Green Mark developments and office interiors certified by the BCA. It is also the most awarded BCA Green Mark Platinum developer and residential developer in the private sector. In 2019, CDL was the only developer to clinch the BCA Quality Excellence Award – Quality Champion (Platinum) for seven consecutive years. Proving that the strategic integration of Environmental, Social and Governance ("**ESG**") presents a strong business case, CDL has established a unique value proposition for itself and strengthened its reputation and trust amongst stakeholders and the community. Its early adoption of green buildings and innovation has placed it in a strong position to address present and future climate challenges.

CDL's strategic ESG integration across its business strategy and value chain has earned it global recognition on 12 leading sustainability benchmarks. It was ranked the world's top real estate company and top Singapore company on Corporate Knights' 2020 Global 100 Most Sustainable Corporations in the World and is the longest-listed Singapore company on the Global 100 index since 2010. In addition, CDL is one of the few companies globally that has been recognised on both the 2020 CDP A List for corporate climate action and for water security. This prestigious recognition marks the third consecutive year that CDL has received an A score for climate change strategy, and the second year that CDL has received an A score for water security. CDL is also the only Singapore company to score an A this year, and the only company in Southeast Asia and Hong Kong to remain listed on the CDP A List for corporate climate action for three consecutive years. In 2020, CDL was selected as one of the world's 50 Sustainability & Climate Leaders hosted by Bloomberg, driving transformative change and taking effective action against climate change.

CDL continues to contribute positively towards a low-carbon economy. In September 2019, it was amongst the pioneer batch of 87 companies worldwide pledging support to the United Nations Global Compact (UNGC)'s Business Ambition for 1.5°C campaign, to set climate targets across its operations aligned with limiting global temperature rise to 1.5°C. It expanded the use of sustainable finance in 2019 by leveraging its ESG credentials to accelerate climate action within capital markets. CDL's ESG-centric vision has built a sound foundation to mitigate climate-related business risks and is set to unlock new capital and business opportunities. Research has shown that more corporations are using ESG considerations as a lever to lower risk and thus factoring it into their acquisitions.

CDL's strong ESG track record and Sustainable Finance Framework provide significant opportunities for it to tap alternative financing streams that can help lower the long-term borrowing cost in the built sector, which can be capital intensive. In 2019, CDL secured its first green loans amounting to S$500 million for new developments and pioneered a first-of-its-kind S$250 million Sustainable Development Goals ("**SDG**') Innovation Loan in 2019. This was an expansion from its pioneer issuance of a S$100 million green bond, a first by a Singapore company in 2017. In 2020, it secured a S$470 million green revolving credit facility for the refinancing of Republic Plaza ("**RP**") and other eligible green projects.

CDL Today

CDL has over 20,000 employees globally and is one of Singapore's biggest landlords. The 66-storey RP, CDL's flagship property in Raffles Place, is one of Singapore's tallest skyscrapers. In 2019, as part of CDL's focus on asset renewal and portfolio rejuvenation, RP underwent a S$70 million AEI and is now CDL's headquarters. With the privatisation of M&C, CDL has an enlarged hospitality portfolio of 152 hotels globally as at 31 December 2020. Its diversification strategy of developing new overseas markets and investment platforms with the expansion into China, UK, Japan and Australia should better position CDL for the future and to remain relevant in the highly competitive business landscape.

The Group's corporate structure as at 28 February 2021 is set out in Annex I to this Information Memorandum.

Competitive Strengths

(a) Established track record of over 55 years

CDL has an established track record of over 55 years in real estate development, investment and management, and has earned its reputation as a market leader. It has developed over 47,000 homes and owns over 23 million sq ft of gross floor area in residential, commercial and hospitality assets globally as at 31 December 2020. Its diversified global land bank offers 3.5 million sq ft of land area as at 31 December 2020. The Group's deep expertise in developing and managing a diversified asset base will enable it to deliver long-term sustainable value to shareholders.

(b) Well diversified global portfolio in key established markets

The Group maintains a well-diversified and balanced global portfolio, which provides a cushion from the impact of macroeconomic challenges and disruptions. The diversification strategy has enabled the Group to recalibrate its portfolio composition and tap on various sustainable income streams to capitalise on opportunities and withstand cyclical headwinds and market shifts. As at 31 December 2020, investment properties comprise 29% of the total assets of the Group, with recurring income segments comprising approximately 60% of the total assets of the Group.

In Singapore, CDL's residential developments comprise a range of mass-market, mid-tier and luxury segments, and its commercial properties comprise both office and retail space, with a diverse and well-spread tenant mix.

(c) Unique value proposition of integrating ESG into its entire value chain

ESG integration is a cornerstone of CDL's business strategy. In line with its corporate ethos of "Conserving as we Construct" since 1995, CDL has been proactive in its strategies to address the more rigorous global call for climate action, lower carbon footprint and sustainable development. For over two decades, ESG has been integrated into the company's business and operations effectively for both mitigation and adaptation to enhance resilience and future value in the ever-evolving business environment. From 2012 to 2019, CDL has achieved over S$28 million in energy savings for eight of its commercial properties due to energy-efficient retrofitting and initiatives. In 2019, CDL achieved a 38% reduction in carbon emissions intensity from its 2007 levels and is on track to meet its Science Based Targets initiative ("**SBTi**")-validated carbon emissions intensity reduction target of 59% reduction by 2030, barring unforeseen circumstances. As an early adopter of the Recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**"), CDL has embraced the four key TCFD pillars in its sustainability reporting and conducted two climate change scenario studies to better prepare for long term climate risks in the decade ahead.

Leveraging its sphere of influence amongst stakeholders, CDL taps on its core competencies, invests in innovations and engages its network to promote and contribute to the relevant SDGs. Underlying this value chain process is proactive and continuous engagement with internal and external stakeholders through the lifecycle of asset development and management. CDL proactively influences and engages key stakeholders in its value chain to embrace safe and environmentally-friendly designs, as well as operational best practices throughout the lifecycle of its developments.

The rapid growth of responsible investing and sustainable finance will further enhance CDL's organisational and financial capital. This will allow CDL to continue to explore potential growth and financial avenues through green financing and business opportunities that are aligned with sustainable development.

(d) Strong financial balance sheet and liquidity with prudent capital management and well-spread debt maturity profile

CDL sustains a strong balance sheet and favourable cash flow position through prudent and disciplined capital management. As at 31 December 2020, the Group has strong cash reserves of $3.2 billion and maintains a strong liquidity position comprising cash and available undrawn committed credit lines totalling $5.2 billion. The Group also has a healthy and balanced debt expiry profile and currency mix. The total gross borrowings have a weighted average debt expiry of 2.3 years. CDL's healthy financial position will allow it to absorb the pressures of near-term economic downturns and to maintain a competitive advantage for future expansion when opportunities for strategic investments arise.

(e) Experienced management team

CDL benefits from the extensive experience and expertise of its Board of Directors and Management team. Key members of the Board and Management team have been with the Group for years. They possess a wealth of experience in real estate property development and investment, the global hospitality sector and fund management business. The Board and Management team are aligned with the GET strategy to expand its presence, enhance its existing portfolio, strengthen recurring income streams, and enable significant transformation through strategic investments and innovation.

Principal Business Segments

The principal business segments of the Group can be broadly classified into four categories, namely, property development, investment properties, hotel operations, and others, including fund management. The principal business segments of CDL are those of property development and ownership and investment holding. The principal segments of CDL's subsidiaries are those of property development and ownership, hotel ownership and operation, club operation and ownership, investment in properties and in shares, property management, project management and provision of consultancy services, procurement services and laundry services.

The Group's financials by business segment for FY 2020 are set out in Annex II to this Information Memorandum.

(a) Property Development

In its home market, CDL continues to replenish its land bank strategically and ensure a stable launch pipeline. To manage development risk, CDL collaborates with JV partners and focuses on building a diversified land bank that caters to all market segments.

The Group's property development operations are fully vertically-integrated, with in-house capabilities in architectural design, construction, project management, engineering, sales and marketing and property management. In-house skills and services are used to the extent possible for the Group's activities and they are supported by external specialised professional services. The Group believes that vertical integration increases its ability to effectively complete projects with the desired design and quality, while staying within budget and according to development schedules.

By creating strong value propositions and timing its launches strategically, CDL has achieved healthy sales for its residential projects in Singapore. A summary of the major projects launched by the Group in Singapore from 1 January 2018 up to 31 December 2020 is set out in Annex III to this Information Memorandum and a summary of the properties currently under development is set out in Annex IV to this Information Memorandum.

The total number of units sold (including units in JV projects) from 2018 to 2020 is 3,985. The total value of units sold (including units in JV projects) from 2018 to 2020 is approximately $7 billion.

(b) Hotel Operations

As at 31 December 2020, M&C and its associate companies own, manage and operate over 145 hotels across some 80 locations worldwide. Its properties are in key gateway cities such as London, New York, Los Angeles, Paris, Dubai, Beijing, Shanghai, Seoul, Tokyo, Singapore and Hong Kong.

M&C's global brand – Millennium Hotels and Resorts has four distinct hotel collections – Leng's Collection, M Collection, Millennium Collection and Copthorne Collection. The Group also owns several prestigious and luxury hotels managed by third parties across the region, such as W Singapore – Sentosa Cove, The St. Regis Singapore, JW Marriott Hotel Hong Kong, New World Millennium Hong Kong Hotel, Millennium Hilton Bangkok, Millennium Hilton Seoul, Millennium Hilton New York Downtown and Grand Hyatt Taipei.

As at 31 December 2020, CDL's hospitality portfolio comprises 152 hotels, of which 68 hotels (45%) are owned by the Group, 19 hotels (13%) are operated under JV arrangements or under CDLHT, and the balance (42%) are managed or franchised hotels. The CDLHT hotels are under a master lease arrangement and classified as investment properties.

Annex V to this Information Memorandum sets out the list of hotels owned by the Group as at 31 December 2020.

As at 31 December 2020, CDLHT owns 18 properties with a total of 4,631 hotel rooms, comprising six hotels and a retail mall in Singapore, two hotels in Australia, one hotel in New Zealand, two hotels in Japan, two hotels in UK, one hotel in Germany, one hotel in Italy and two resorts in Maldives. As at 31 December 2020, M&C has interests of approximately 38.0% in the stapled securities of CDLHT.

Annex VI to this Information Memorandum sets out the list of hotels owned by the CDLHT as at 31 December 2020.

The total revenue from hotel operations accounted for approximately 50% and 30% of the Group's revenue for FY 2019 and FY 2020 respectively.

(c) Investment Properties

CDL has one of the largest investment property portfolios in Singapore. As at 31 December 2020, it has 6.7 million sq ft of total lettable office, retail, industrial and residential space, and 16.4 million sq ft of total gross area of hotel space around the world. 73.1% of the Group's investment property portfolio comprises freehold and 999-year leasehold properties with the remainder held under leases of 99 years or less. As at 31 December 2020, office properties account for 54.7% of the total investment property portfolio, industrial properties for 8.4%, retail properties for 28.9% and residential properties for 8.0%. The investment properties and fixed assets held by the Group are generally leased for periods ranging from one to five years.

Annex VII to this Information Memorandum sets out the list of commercial properties owned by the Group as at 31 December 2020.

Rental income from investment properties and property subleases recognised by the Group was approximately $438 million for FY 2019 and $361 million for FY 2020. The total revenue from investment operations accounted for approximately 13% and 17% of the Group's revenue for FY 2019 and FY 2020 respectively.

(d) Others

Apart from the property development, investment properties and hospitality segments, the Group also has investments in shares and provides management and consultancy services and laundry services.

Revenue, comprising mainly income from building maintenance contracts, project management, club operations, laundry services and dividend income amounted to S$149 million and S$141 million for FY 2019 and FY 2020 respectively, and accounted for 4% and 7% of the total revenue of the Group for FY 2019 and for FY 2020 respectively.

Ownership and Capital Structure

As at 31 December 2020, CDL has an issued and fully paid up total share capital of $1,991.4 million consisting of 909,301,330 ordinary shares (including treasury shares) and 330,874,257 non-redeemable convertible non-cumulative preference shares.

As at 31 December 2020, the substantial shareholders of CDL are Hong Realty (Private) Limited, Hong Leong Holdings Limited, Hong Leong Investment Holdings Pte. Ltd., Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd.

Environmental, Social and Governance

The business case for ESG integration is strengthening, as seen in the rise of ESG investing. According to Morningstar, Inc., the first half of 2020 saw a record US$20.9 billion net flow into sustainable funds, almost as much as all of 2019. Companies that manage sustainability risks and opportunities tend to have stronger cash flows, lower borrowing costs and higher valuations over time. Financiers are also increasingly pegging lending rates to the ESG performance of corporate borrowers. The need for a sustainability mindset has never been greater and more critical for businesses to unlock opportunities in a low-carbon economy. As a pioneering force in sustainability, CDL's strong track record in ESG performance, guided by its four key pillars of strategy – Integration, Innovation, Investment, and Impact – will enable CDL to forge ahead in the new climate economy, future-proofing its business and sustaining growth in the right manner.

In recognition of CDL's sustained efforts and achievements in environmental stewardship in the built industry, CDL was accorded the Green Mark Champion Award in 2008 and the Built Environment Leadership Platinum Award in 2009 and was the recipient of the Green Mark Platinum Champion Award in 2011 from the BCA. In 2020, CDL was recognised as a Global Sector Leader (Diversified-Office/Retail-Listed) and Overall Regional Sector Leader (Diversified) in the Real Estate Assessment in the Global Real Estate Sustainability Benchmark. CDL was also awarded the Green Bond Pioneer Award in 2018, in recognition of its issuance of the first green bond by a Singapore company in 2017.

CDL has been an early mover to lower its carbon footprint through best practices and innovation. Being the first private sector property developer in Singapore to achieve the ISO 14001 Environmental Management and ISO 50001 Energy Management System certifications in 2003 and 2014 respectively, CDL continually builds on its efforts to expand natural capital as it grows its business for a low-carbon future. In 2020, CDL achieved a 44% reduction in carbon emissions intensity from base-year 2007 against its 2030 SBTi-validated target of 59%, meeting its interim 2020 target and is on track to achieving its 2030 goal, barring unforeseen circumstances.

Globally, CDL has placed Singapore on the world map for sustainable development by earning recognition on 12 leading sustainability benchmarks. These include the FTSE4Good Index Series (since 2002), MSCI ESG Leaders Indexes (since 2009 and AAA rating since 2010) and the Dow Jones Sustainability Indices (since 2011). CDL was also ranked the world's top real estate company on Corporate Knight's 2020 and 2021 Global 100 Most Sustainable Corporations in the World, on top of being the longest-listed Singapore company on the Global 100 list since 2010. CDL is also a founding member of Singapore Compact for CSR (now known as Global Compact Network Singapore) and one of the pioneer Singapore signatories of the United Nations Global Compact to lend support to the advancement of responsible corporate citizenship in Singapore.

As a pioneer of sustainability reporting, CDL was the first corporation in Singapore to publish a dedicated sustainability report using the Global Reporting Initiative ("**GRI**") framework since 2008. Since then, it has continued to refine metrics and raise targets that are used to assess and manage climate-related risks and opportunities which are material to CDL's business. CDL adopted the International Integrated Reporting Council's Integrated Reporting approach in 2015, which helped CDL to connect ESG practices with financial and business performance.

CDL aligns its reporting with global leading sustainability benchmarks to help the company make stronger business sense of ESG integration and impact. It has created a unique hybrid sustainability reporting framework that is aligned with relevant global frameworks and guidelines such as GRI Standards, TCFD, International Integrated Reporting Council, SDGs and Sustainability Accounting Standards Board's real estate sector standards.

For upholding the highest standards of corporate governance, CDL climbed to third position in 2020 on the Singapore Governance and Transparency Index, up from fifth position in 2019. For its sustainability reporting efforts, CDL was the only Singapore company to win multiple accolades at the 5th Asia Sustainability Reporting Awards in April 2020.

To future-proof its business, in 2017, CDL strategically established the CDL Future Value 2030 Sustainability Blueprint, a detailed roadmap to help it achieve sustainable growth while delivering on its purpose. The sustainability blueprint sets clear ESG goals and targets towards 2030 – a milestone year for the United Nations SDGs, the Paris Agreement and green building movement. The interim targets are reviewed regularly to keep up to date with the latest developments. In the same year, CDL set up a dedicated sustainability website and started voluntarily publishing an online quarterly sustainability report that tracks and updates stakeholders of its progress towards key goals and targets set under the sustainability blueprint.

Building a sustainable future requires the collaboration of a larger ecosystem. The Singapore Sustainability Academy (SSA), designed and built by CDL, is the first ground-up initiative involving six government agencies and 15 founding industry and Non-Government Organisations (NGOs). The zero-energy facility located in Singapore is dedicated to advocacy and thought leadership for climate action and SDGs. Since its establishment in June 2017, the SSA has engaged over 18,000 attendees through over 450 outreach events.

More information on CDL's sustainability efforts can be found in the CDL Integrated Sustainability Report 2021 and CDL Sustainability microsite (http://cdlsustainability.com/).

A summary of CDL's awards and accolades in FY 2020 is set out in Annex VIII of this Information Memorandum.

Performance Summary

A summary of the audited consolidated results of the Group for the financial years ended 31 December 2018 to 2020 is set out below. The financial information as at and for the financial years ended 31 December 2018 and 31 December 2020 has been derived from the Group's audited financial statements for the financial years ended 31 December 2018 and 31 December 2020 included in this Information Memorandum and should be read together with such financial statements and the accompanying notes thereto.

Income Statement

	2018 (S$'000)	**2019 (S$'000)**	**2020 (S$'000)**
Revenue	4,222,563	3,428,725	2,108,426
Profit from operations	904,575	653,934	-851,644
Finance income	62,825	108,527	168,618
Finance costs	-156,765	-204,691	-262,009
Net finance costs	-93,940	-96,164	-93,391
Share of after-tax profit of associates	38,831	98,539	37,976
Share of after-tax profit of joint ventures	26,072	97,768	-883,752
Profit before tax	875,538	754,077	-1,790,811
Tax expense	-214,760	-140,716	-87,702
Profit for the period/year	660,778	613,361	-1,878,513

Statement of Financial Position

	2018 (S$'000)	**2019 (S$'000)**	**2020 (S$'000)**
Non-current assets	11,786,439	13,365,984	12,864,673
Current assets	9,099,253	9,834,273	10,812,119
Total assets	20,885,692	23,200,257	23,676,792
Equity attributable to owners of the Issuer			
Share capital	1,991,397	1,991,397	1,991,397
Reserves	8,049,300	8,528,853	6,510,811
Non-controlling interests	2,233,243	746,306	740,249
Total equity	12,273,940	11,266,556	9,242,457
Non-current liabilities	5,507,971	8,156,488	9,389,917
Current liabilities	3,103,781	3,777,213	5,044,418
Total liabilities	8,611,752	11,933,701	14,434,335
Total equity and liabilities	20,885,692	23,200,257	23,676,792

Review of Past Performance

Financial Year ended 31 December 2018

The Group's revenue for FY 2018 rose 10.3% to a record S$4.2 billion and PATMI increased 6.7% to S$557.3 million, compared to FY 2017. Property development was the leading contributor, making up 71% of the year's pre-tax profits; its strong performance was underpinned by several local and overseas projects. Locally, projects such as New Futura, Gramercy Park, The Tapestry and The Criterion EC anchored the contribution. The Group also benefitted from its overseas diversification strategy with profit recognition from the 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, CDLHT, in Q1 2018, and a $12 million gain on the sale of a vacant shophouse plot at Jalan Besar in Q3 2018.

In Singapore, the Group, along with its JV associates, sold 1,113 residential units, including ECs, with a total sales value of S$2.2 billion. This result marked a slight improvement from the year before, where total sales value recorded was S$1.93 billion. Among other healthy property developments, the 190-unit South Beach Residences sold 53 units of the 70 released at an average selling price of S$3,450 per sq ft, including a 6,728 sq ft super penthouse that was sold for S$26 million.

The Group also witnessed positive development on the international front in 2018. In China, the Group's wholly-owned subsidiary CDL China Limited, together with its JV associates, sold 259 residential units and 18 villas, achieving a total sales value of RMB 1.3 billion (approximately S$269 million). In Japan, 148 units of the completed 160-unit Park Court Aoyama The Tower, in central Tokyo were handed over to the buyers.

Hotel revenue decreased marginally by $14.8 million to $1,679.4 million (FY 2017: $1,694.2 million). Despite ongoing hotel refurbishment works, the Group's hotel revenue contribution was relatively stable 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 Millennium Hotel London Mayfair hotel which was fully closed for refurbishment in July 2018 and lower contribution from Millennium Hilton Bangkok (another hotel undergoing phased refurbishment).

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 Millennium Hotel London 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.

Financial Year ended 31 December 2019

The Group delivered a resilient performance in 2019 despite a challenging macroeconomic environment, marking revenue for FY 2019 at S$3.4 billion. The decline in revenue from last year can be attributed to the timing of revenue recognition for the property development segment.

The Tapestry and Whistler Grand were the main contributing projects, where revenue and profits were recognised progressively based on their stage of construction. The sale of balance units in completed projects also contributed to the Group's FY 2019 revenue; these projects included Gramercy Park, New Futura, HLCC in Suzhou and Hongqiao Royal Lake in Shanghai.

Despite lower revenue in FY 2019, earnings before interest, taxes, depreciation and amortisation remained strong at S$1.13 billion. PATMI also increased by 1.3% from the previous year to S$564.6 million. This was supported by a portfolio of diversified income streams, including gains from the divestment of Manulife Centre and 7 & 9 Tampines Grande under the Group's second Profit Participation Securities (PPS 2) structure, positive contributions from Aldgate House, 125 Old Broad Street, Le Grove Serviced Residences and Central Mall Office Tower. While revenue for JV development projects were not included in the revenue, the profit contribution from these JV associates including South Beach Residences, Boulevard 88 and Brisbane's Ivy and Eve project, also contributed to the Group's pre-tax profit and PATMI.

In Singapore, the Group and its JV associates sold 1,554 units, including ECs, with a total sales value of S$3.3 billion, a notable 40% increase in units sold and a 49% increase in sales value achieved from the previous year. The Group also launched a record number of six residential projects in Singapore, emerging as one of the top-selling private sector developers in Singapore.

In China, CDL China Limited along with its JV associates sold 526 residential units and four villas in China, achieving sales value of RMB 1.81 billion (approximately S$350 million), a notable two-fold increase in units sold with a 37% increase in sales value from the previous year. The Group's property development projects in other key markets – UK, Australia and Japan – were also progressing steadily.

For the hotel operations segment, revenue increased by $25.6 million to $1,705 million (FY2018: $1,679.4 million). However, a pre-tax loss of S$6.6 million was reported for FY 2019 due to several factors, including impairment losses of S$58.2 million (FY 2018: S$94.1 million) made on hotels in the U.S., Europe and Asia; transaction costs for the M&C privatisation; disruptions to operations following the closure of Millennium Hotel London Mayfair and Dhevanafushi Maldives Luxury Resort in 2018 for repositioning; and refurbishment works at Orchard Hotel Singapore. The Biltmore Mayfair contributed an operating loss of S$21 million, which adversely impacted the performance of this segment. Despite the loss reported for the hotel operations segment, the Group's hotel portfolio reported some operational improvements.

Global RevPAR for FY 2019 increased by 0.8% to S$145.0 (FY 2018: S$143.9) and global occupancy increased by 0.6% to 73.7% (FY 2018: 73.1%).

Financial Year ended 31 December 2020

With the protracted coronavirus disease 2019 ("**Covid-19**") global pandemic adversely impacting its business and operations and a challenging operating real estate environment in China, the Group reported a loss after tax and non-controlling interest of S$1.9 billion for the year ended 31 December 2020 (FY 2019: PATMI of S$564.6 million). For FY 2020, the Group made impairment losses on hotels and investment properties totalling S$99.5 million (FY 2019: S$58.0 million) and allowance for foreseeable losses for development projects of S$35.0 million (FY 2019: write back of allowance for foreseeable losses of S$6.5 million). Excluding one-off, non-cash impairments of S$1.78 billion for losses attributable to Sincere, impairment losses for CDL's hotels and investment properties and allowance for foreseeable losses for development projects, CDL would have registered a profit before tax of S$120.8 million for FY 2020 (FY 2019: S$805.5 million).

Revenue for FY 2020 declined by 38.5% from S$3.4 billion in FY 2019 to S$2.1 billion in FY 2020. While all business segments were impacted, the Group's hotel operations segment accounted for 81% of the decline, as the pandemic continued to spread with resurgence in some cities even amid border restrictions, lockdowns and other measures to contain the spread of the virus.

The Group registered a pre-tax loss of S$1.8 billion for FY 2020 (FY 2019: Pre-tax profit of S$754.1 million), largely attributable to its S$1.8 billion investment in and loans to Sincere, which distorted the Group's FY 2020 results. Based on the impairment exercise carried out by CDL and the challenges faced by the JV platform, the Group effectively impaired 93% of its total investment in Sincere, amounting to S$1.78 billion. Taking into consideration Sincere's debts in the next 12 months and China's "three red lines" policy to cap borrowings for real estate developers, the Group is cautious that Sincere may face significant liquidity challenges. The Group has formed a special working group who will work with Sincere, assisted by Deloitte & Touche Financial Advisory Services Pte. Ltd. China, to improve liquidity and restructure its existing loans and liabilities. In an operating environment that remains volatile and fluid, the working group is exploring all options in formulating its recovery plan while limiting any additional financial exposure by the Group.

The Group's property development segment remained resilient amidst the aforementioned conditions, selling 1,318 residential units in Singapore with sales value of S$1.8 billion in FY 2020 (FY 2019: 1,554 units with a total sales value of S$3.3 billion). The lower sales value was due to the undertaking of mid-segment projects like Whistler Grand, Piermont Grand and Penrose, compared to sales from higher-end projects like New Futura, Boulevard 88 and Amber Park in FY 2019.

In China, CDL China Limited, and its JV associates sold 441 units, achieving a sales value of RMB 1.48 billion (approximately S$284 million). To date, the Group has sold 1,668 (92%) out of 1,813 units in the residential component of HLCC. Occupancy as at 21 February 2021 at HLCC's Grade A office tower stands at 85%, and the 295-room five-star M Social Hotel is expected to open in Q1 2022.

The prolonged Covid-19 pandemic continues to have a profound impact on the Group's hotel operations. This segment reported a pre-tax loss of S$573.4 million for FY 2020 (FY 2019: S$6.6 million) and revenue decreased by S$1,064.6 million to S$640 million for FY 2020 (FY 2019: S$1,705.0 million).

Despite the unprecedented set of results, the Group remains confident to weather the combined challenges with its strong fundamentals and financial strength. Its financial position remains robust with sufficient liquidity to meet its operational needs and financial commitments. As at 31 December 2020, the Group has cash reserves of S$3.2 billion. It maintains a strong liquidity position comprising cash and available undrawn committed bank facilities totalling S$5.2 billion. Net gearing ratio after factoring in fair value on investment properties stands at 62%.

Recent Developments

On 19 May 2021, CDL issued its operational update for Q1 2021 and as of 31 March 2021, the Group's net gearing ratio (factoring in revaluation surplus from investment properties) stood at 65% with interest cover (*excluding non-cash impairment losses on investment properties and property, plant and equipment*) at 1.7 times. The Group has strong cash reserves of $3.4 billion. It maintains a stable liquidity position comprising cash and available undrawn committed bank facilities totalling $5.5 billion. Its debt expiry profile also remains healthy and its total gross borrowings have a weighted average debt expiry of 2.2 years.

In February 2021, the Group acquired a 55% effective interest in Shenzhen Longgang Tusincere Tech Park in China's high-growth "Silicon Valley" from its China JV, Sincere, and two entities of China Ping An for RMB 850 million (approximately $174 million). The Group now holds an 84.6% equity interest in the holding company, Shenzhen Tusincere Technology Park Development Co. Ltd., which holds a 65% interest in the project. The remaining 35% interest in the project is held by the Shenzhen Longgang District state-owned enterprise.

BOARD AND EXECUTIVE OFFICERS OF CDL

Board of Directors of CDL

The following table sets forth certain information regarding the directors of CDL:

Name	Age	Position
Kwek Leng Beng	80	Executive Chairman and Executive Director
Sherman Kwek Eik Tse	45	Executive Director and Group Chief Executive Officer
Lee Jee Cheng Philip	61	Lead Independent Director
Philip Yeo Liat Kok	74	Independent Non-Executive Director
Ong Lian Jin Colin	53	Independent Non-Executive Director
Daniel Marie Ghislain Desbaillets	71	Independent Non-Executive Director
Chong Yoon Chou	53	Independent Non-Executive Director
Chan Swee Liang Carolina (Carol Fong)	59	Independent Non-Executive Director

Experience and expertise of the Board of Directors of CDL

Information on the business and working experience of the directors of CDL is set out below:

Mr Kwek Leng Beng is the Chairman and Executive Director of CDL.

First appointment as Director
1 October 1969

Appointment as Executive Chairman
1 January 1995

Last re-election as Director
24 June 2020

Board committees
- Nominating Committee (Member)

Present directorships in other listed companies and principal commitments
- Hong Leong Finance Limited (Chairman/Managing Director)
- Hong Leong Investment Holdings Pte. Ltd. (Executive Chairman)
- Millennium & Copthorne Hotels Limited (Executive Chairman)

Other appointments
- Singapore Hotel Association (Member)
- Singapore Institute of Directors (Fellow)

Past directorships in other listed companies and principal commitments held in the preceding five years
- City e-Solutions Limited (now known as China Tian Yuan Healthcare Group Limited) (Chairman/Managing Director)
- Hong Leong Asia Ltd. (Non-Executive Chairman)
- Millennium & Copthorne Hotels plc (Non-Executive Chairman) (delisted and privatised in 2019 and now known as Millennium & Copthorne Hotels Limited)

Mr Kwek has extensive experience in the real estate business, having joined CDL in the late 1960s and since then has contributed significantly to building CDL's track record of more than five decades. He grew the Group's hospitality arm and has been actively involved in its development into Singapore's largest international hotel group and one of the largest hotel owners and operators in the world. He also 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 Hong Leong Finance Limited). He is also experienced in the trading and manufacturing sectors.

Mr Kwek has received numerous accolades. In 1997, he was named "Businessman of the Year 1996" by the Singapore Business Awards, organised by The Business Times and Dalsey Hillblom Lynn (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 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 as rated by shareholders. In 2014, he received the inaugural 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. 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. Mr Kwek was awarded the Singapore Tatler Diamond Award (Lifetime Achievement) 2018, in recognition of his exceptional leadership that led Hong Leong Group to grow into a globally diversified enterprise.

In 2020, Mr Kwek received on behalf of Hong Leong Group, the EY Family Business Award of Excellence. It celebrated the Group's successful, sustainable and long-term oriented strategy, effective and transparent corporate governance approach, and significant socio-economic contributions.

Mr Kwek holds a law degree, LL.B. (London) and is also a fellow of The Institute of Chartered Secretaries and Administrators. 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 Sherman Kwek Eik Tse is an Executive Director and Group Chief Executive Officer ("**Group CEO**").

First appointment as Director
15 May 2019

Last re-election as Director
24 June 2020

Board committees
- Board Sustainability Committee (Chairman)

Present directorships in other listed companies and principal commitments
- CDL China Limited (Executive Chairman) (non-listed)

Other appointments
- Singapore Chinese Chamber of Commerce and Industry (SCCCI) (Council Member)
- SCCCI – Youth Business Affairs Committee (Chairman)
- Business China (Board Member)
- Chinese Development Assistance Council (Member of Board of Trustees)

Past directorships in other listed companies and principal commitments held in the preceding five years
Nil

Mr Kwek assumed his current role as Group CEO in January 2018. He is responsible for setting and implementing the business direction and strategies for the Group as endorsed by the Board, providing leadership to drive the pursuit of the Group's strategic objectives, and having overall management oversight of the Group's performance. He has held the position of Executive Chairman of CDL China Limited since 2016.

Prior to joining CDL, Mr Kwek was the CEO of CES (now known as China Tian Yuan Healthcare Group Limited), a Hong Kong-listed company that was formerly a subsidiary of the Group and engaged in the provision of hotel management and electronic distribution services to the global hospitality industry. It was divested by CDL in 2016.

Mr Kwek has been a Council member of the SCCCI since 2013. He was appointed by the SCCCI as the Chairman of the Youth Business Affairs Committee, which is tasked with promoting the Chinese entrepreneurial spirit, managing succession planning and nurturing future business leaders. He is a board member of Business China, which aims to nurture an inclusive bilingual and bicultural group of Singaporeans, so as to sustain Singapore's multi-cultural heritage and develop a cultural and economic bridge linking the world and China.

In June 2020, he was appointed as a member of the Board of Trustees of the Chinese Development Assistance Council, a non-profit self-help group for the Chinese community.

He was formerly a member of the Council for Board Diversity which advocates greater gender diversity on the boards of listed companies and was also a board member of the BCA, a statutory board that plays a key role in shaping the built environment in Singapore. He relinquished both appointments on 31 December 2020 and 31 March 2021 respectively.

He graduated from Boston University, U.S. with a Bachelor of Science in Business Administration, majoring in Finance and Marketing with a minor in Psychology.

Mr Lee Jee Cheng Philip is the Lead Independent Director.

First appointment as Director
4 January 2021

Last re-election as Director
30 April 2021

Board committees
- Audit & Risk Committee (Chairman)
- Nominating Committee (Member)
- Remuneration Committee (Member)

Present directorships in other listed companies and principal appointments
Nil

Other appointments
- Singapore Agro-Food Enterprises Federation Limited (Governing Council Member)

Past directorships in other listed companies and principal commitments held in the preceding five years
- KPMG LLP (Partner)

Mr Lee has 35 years of experience in accounting and finance. He was admitted into the partnership of KPMG Singapore in 1995 where he served until his retirement in September 2018. During his time at KPMG, Mr Lee had served on the leadership team in KPMG Singapore and on the executive team at KPMG Asia Pacific. In addition, he was the Head of Real Estate and the Head of an Audit Business Unit. He was also the Head of People and led KPMG to various HR Awards.

His experience include accounting and auditing, evaluation of controls and compliance, transaction services and assisting companies in preparing for and raising funds from the capital markets. Currently, he serves as a Member of the Governing Council of Singapore Agro-Food Enterprises Federation Limited.

Mr Lee is a Fellow Member of ACCA (UK) and a Fellow Chartered Accountant of Singapore.

Mr Philip Yeo Liat Kok is an Independent Non-Executive Director

First appointment as Director 11 May 2009
Last re-election as Director 30 April 2021
Board committees ● Nominating Committee (Chairman) ● Board Sustainability Committee (Member)
Present directorships in other listed companies and principal commitments ● Kerry Logistics Network Limited (Independent Director) ● Sunway Berhad (Independent Director) ● Economic Development Innovations Singapore Private Limited ("**EDIS**") (Chairman) ● Accuron Technologies Limited (Chairman) ● Advanced MedTech Holdings Pte. Ltd. (Chairman)
Other appointments Nil
Past directorships in other listed companies and principal commitments held in the preceding five years ● Hitachi Ltd (Independent Director)

Mr Yeo is the Chairman of EDIS which provides strategic advice and undertakes the development and management of integrated industrial and urban areas with an emphasis on job creation and industrial cluster development.

Mr Yeo 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).

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, U.S., a Doctor of Science from Imperial College, London, an honorary Doctor of Letters from National University of Singapore ("**NUS**") and an honorary Doctor of Law from Monash University of Australia.

Mr Ong Lian Jin Colin is an Independent Non-Executive Director.

First appointment as Director 7 October 2020
Last re-election as Director 30 April 2021
Board committees ● Nominating Committee (Member) ● Remuneration Committee (Member)
Other appointments Nil
Present directorships in other listed companies and principal commitments ● Great Eastern Financial Advisers (Executive Senior Director)
Past directorships in other listed companies and principal commitments held in the preceding five years Nil

Mr Ong is the Founder of Advisors' Clique and Executive Senior Director of Great Eastern Financial Advisers, a position he has held since 2011. A veteran in the financial services industry with more than 28 years of experience, he has achieved the Million Dollar Round Table (MDRT) 25 times since 1993, achieved the Top of the Table in 2020 and is a member of its prestigious MDRT Quarter Century Club.

Mr Ong was a recipient of the Centennial Award by Great Eastern Life in 2008, an accolade awarded during its 100th anniversary in recognition of his contributions to the company. He was conferred the IBF Fellow award from the Institute of Banking and Finance and was named Asia's Inspirational Leader of the Year by the Asia Insurance Review in 2015.

Mr Ong holds a Bachelor of Arts & Social Sciences from NUS. He is also a Chartered Life Underwriter and Chartered Financial Consultant.

Mr Daniel Marie Ghislain Desbaillets is an Independent Non-Executive Director.

First appointment as Director
20 November 2020

Last re-election as Director
30 April 2021

Board committees
- Board Sustainability Committee (Member)
- Remuneration Committee (Member)

Present directorships in other listed companies and principal commitments
- FreshCreation Holdings Pte. Ltd. (Executive Chairman)
- Salad Stop Pte. Ltd. (Executive Chairman)

Other appointments
Nil

Past directorships in other listed companies and principal commitments held in the preceding five years
- Millennium & Copthorne Hotels plc (Independent Non-Executive Director) (delisted and privatised in 2019 and now known as Millennium & Copthorne Hotels Limited)
- M&C REIT Management Limited, the manager of CDL Hospitality Real Estate Investment Trust (Independent Non-Executive Director)
- M&C Business Trust Management Limited, the trustee-manager of CDL Hospitality Business Trust (Independent Non-Executive Director)

Mr Desbaillets has an extensive portfolio in the hospitality industry with 42 years of experience. Mr Desbaillets was appointed to the board of Millennium & Copthorne Hotels plc (prior to its privatisation) in 2016 as an Independent Non-Executive Director and had served in the Audit & Risk, Remuneration and Risk Committees. In 2010, he was the Independent Non-Executive Director of M&C REIT Management Limited, the manager for CDL Hospitality Real Estate Investment Trust ("**H-REIT**") and also of M&C Business Trust Management Limited, the trustee-manager for CDL Hospitality Business Trust ("**HBT**") and had served in their Nominating and Remuneration Committees. Both H-REIT and HBT are comprised as a stapled group in CDLHT, which is listed on the Singapore Exchange Securities Trading Limited.

Since 1973, he has been holding senior positions with international hotel chains including InterContinental Hotel Group, Hilton, Shangri-La, Millennium & Copthorne Hotels Group, Fullerton Hotels and Resorts and TCC Hotels Thailand. His responsibilities in the Corporate offices included regional hotel operations, finance, marketing, human resource food & beverage (F&B) and asset management. Currently, Mr Desbaillets is the Executive Chairman of family-owned businesses in the F&B industry, FreshCreation Holdings Pte. Ltd. and Salad Stop Pte. Ltd., which have 65 outlets in Singapore, Malaysia, Indonesia, Philippines, Hong Kong, Japan, South Korea, Vietnam and Spain that are owned, franchised and under JVs.

He holds a diploma in Commercial Studies from Ecole Benedict Geneva, Switzerland and a Certificate with Distinction in Service, Food Production and Administration from Lausanne Hotel School, Switzerland.

Mr Chong Yoon Chou is an Independent Non-Executive Director.

First appointment as Director
20 November 2020

Last re-election as Director
30 April 2021

Board committees
- Audit & Risk Committee (Member)
- Nominating Committee (Member)

Present directorships in other listed companies and principal commitments
- Leanne Capital Pte. Ltd. (Founder/Director)

Other appointments
Nil

Past directorships in other listed companies and principal commitments held in the preceding five years
- Ostrum Asset Management Asia Ltd. (Chief Investment Officer, Equities)
- Aberdeen Standard Investments (Asia) Limited (Investment Director)

Mr Chong started his career at Aberdeen Standard Investments (Asia) Limited in 1994 as an analyst and fund manager on Asian equities. He was later transferred to Sydney as Head of Australian Equities in 2001. Subsequently, he held roles in London, Edinburgh and Philadelphia as Head of Pan-European Equities and Head of Developed Markets ex-Asia, before returning to Singapore in 2008 as Investment Director where he co-managed a team of 40 investment managers in seven investment offices. He was also the Managing Director of Aberdeen Asset Management Malaysia.

Throughout his stint with the company, Mr Chong was involved in many restructuring initiatives in Australia and Europe whilst spearheading investment teams in various merger and acquisition projects such as the acquisition of Edinburgh Fund Managers in 2005, Deutsche Asset Management UK in 2006, Philadelphia Nationwide Financial Service US in 2007 and Credit Suisse Asset Management in 2009. He was also responsible for setting up the group's research systems and led in transition projects during Europe's implementation of Markets in Financial Instruments Directive II (MiFID II). Mr Chong's 27 years of extensive experience in managing assets and funds also includes his management of Asian and Emerging market equities at Ostrum Asset Management Asia Ltd, which is part of the Natixis Investment Management group with USD1 trillion of funds under management.

Mr Chong graduated from the London School of Economics with a Bachelor of Science (Economics) in Accounting & Finance, a Master of Science in Finance and a Master of Science in Information Systems. He is also a Chartered Financial Analyst and has Leadership Development certifications at Harvard Business School and INSEAD.

Ms Chan Swee Liang Carolina (Ms Carol Fong) is an Independent Non-Executive Director.

First appointment as Director
29 December 2020

Last re-election as Director
30 April 2021

Board committees
- Remuneration Committee (Chairman)
- Audit & Risk Committee (Member)

Present directorships in other listed companies and principal commitments
- CGS-CIMB Securities (Singapore) Pte Ltd (Group Chief Executive Officer)
- Genting Singapore Limited (Independent Non-Executive Director)

Other appointments
- Leukemia and Lymphoma Foundation (Board Member and Honorary Treasurer)
- Singapore Exchange Securities Advisory Committee (Chairman)

Past directorships in other listed companies and principal commitments held in the preceding five years
Nil

Ms Chan has more than 30 years of experience in investment banking and financial markets. Currently the Group Chief Executive Officer of CGS-CIMB Securities, she is responsible for the overall management and financial performance of the CGS-CIMB Securities group's equities business, a regional franchise covering Asia Pacific (ex-Japan), as well as offices in London and New York. Ms Chan is also a non-executive director of Leukemia & Lymphoma Foundation.

Before this, she was the Singapore country Investment Banking CEO of CIMB Group, where she was responsible for building up their investment banking business and management of key client and regulator relationships in Singapore.

Ms Chan's career began at Oversea-Chinese Banking Corporation and she has since held several senior managerial positions in various stockbroking firms. She is also currently the Chairman of the Singapore Exchange Securities Advisory Committee and is also appointed as an Independent Director of mainboard-listed Genting Singapore.

Ms Chan was conferred the IBF Distinguished Fellow award in 2016. The IBF Distinguished Fellow is a significant role model who serves as a beacon of excellence for the financial industry.

She holds a Bachelor of Arts degree from NUS and a Diploma in Personnel Management. She also obtained the Executive Diploma in Directorship from Singapore Management University - Singapore Institute of Directors in 2018.

Experience and expertise of key management personnel of CDL

Information on the business and working experience of the key management personnel of CDL is set out below:

Mr Sherman Kwek is the Group CEO.

Mr Sherman Kwek assumed his role as CDL's Group CEO in January 2018 after serving as the CEO-designate from August 2017. He was appointed an Executive Director in May 2019 and concurrently holds the position of Executive Chairman of CDL China Limited since April 2016. 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 over a decade and in recent years has also broadened the Group's presence in Singapore and the UK.

Under his leadership, the Group embarked on a GET strategy to expand its presence, enhance its existing portfolio, strengthen recurring income streams, develop a fund management business and enable significant transformation through strategic investments and innovation, all of which with the ultimate goal of driving strong performance and creating lasting value for all shareholders.

Throughout his career, Mr Kwek has held various senior management roles including serving as the CEO of Hong Kong-listed CES (now known as China Tian Yuan Healthcare Group 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.

Mr Kwek started his career in New York in venture capital and investment banking before eventually joining the U.S. division of M&C. He has experience in the areas of investments, mergers and acquisitions, real estate, hospitality and technology, and has worked in New York, Hong Kong, Shanghai and Singapore.

He graduated from Boston University with a Bachelor of Science in Business Administration, majoring in Finance and Marketing with a minor in Psychology.

Mr Chia Ngiang Hong is the Group General Manager.

Mr Chia Ngiang Hong joined CDL in 1981 and has more than 40 years of experience in the real estate industry in Singapore and the region. A much-respected industry veteran, Mr Chia is the President of REDAS, Board Member of the Institute of Real Estate and Urban Studies, and Honorary Advisor of the Singapore Green Building Council. He is also a Fellow of the Institute of Surveyors and Valuers.

He presently chairs the Advisory Committee to the NUS School of Design and Environment and is a member of the Department Consultative Committee.

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.

He 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.

Mr Kwek Eik Sheng is the 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.

Mr Kwek 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.

Mr Kwek was appointed an Executive Director of CDL's principal subsidiary, M&C in November 2019, having previously been appointed a Non-Executive Director of M&C from April 2008 to October 2019. He is a Non-Executive Director of Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited, both of which are listed on New Zealand's Exchange. He is also Chairman of Grand Plaza Hotel Corporation listed on the Philippine Stock Exchange.

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.

Mr Frank Khoo is the Group Chief Investment Officer.

Mr Frank Khoo joined CDL as Group Chief Investment Officer in February 2018 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 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 and 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.

Mr Khoo holds a Master of Business Administration from Nanyang Technological University ("**NTU**"), as well as Bachelor of Engineering (Honours) and Bachelor of Science degrees from the University of Queensland, Australia. He is also a Chartered Accountant in Singapore.

Ms Yiong Yim Ming is the 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.

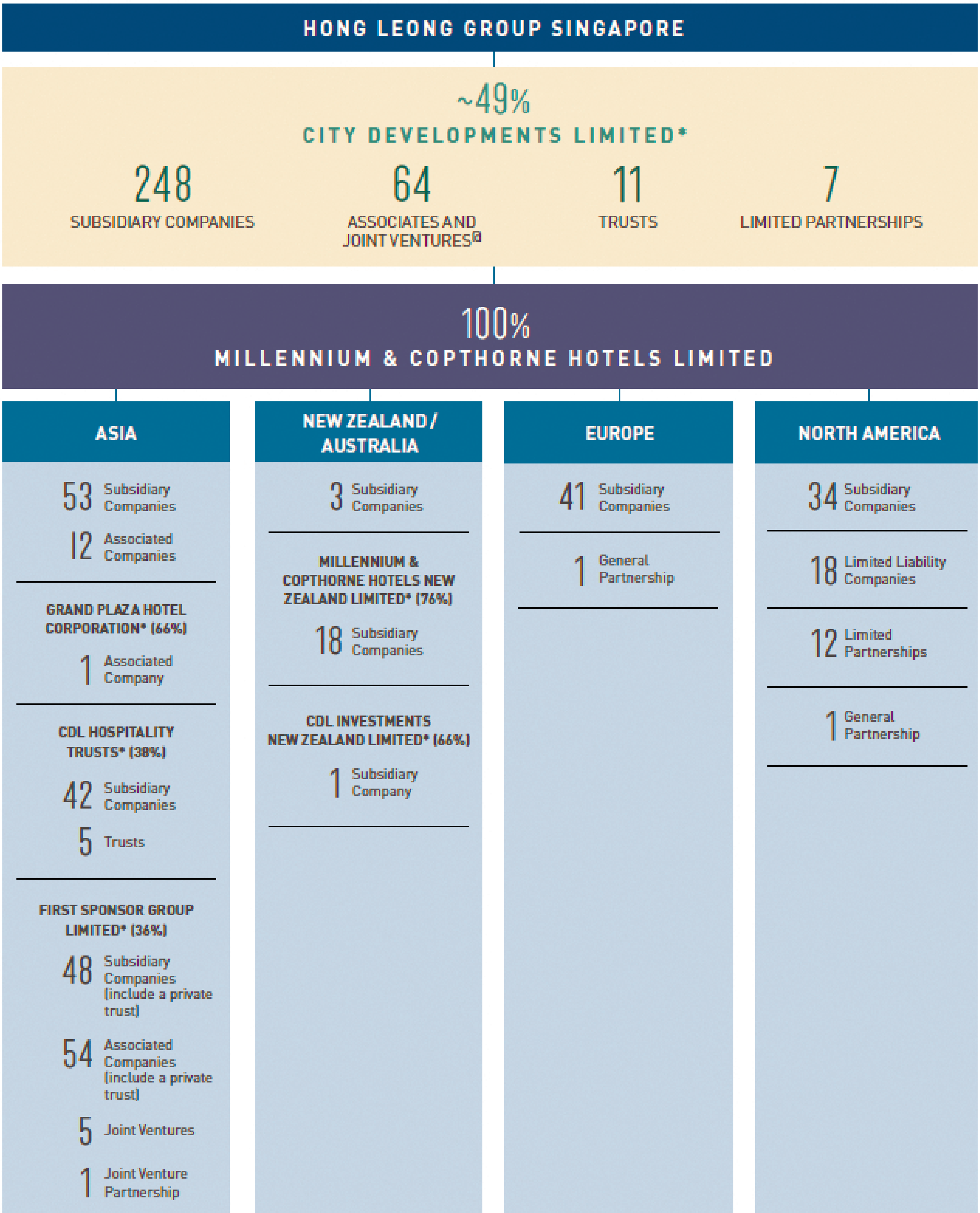
An executive of the Company since 2007, Ms Yiong has extensive knowledge on the Group's financial and operation matters, both domestically and overseas, covering property development, investment properties and hotels.

She 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 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.

She holds a Bachelor of Accountancy degree from NTU.

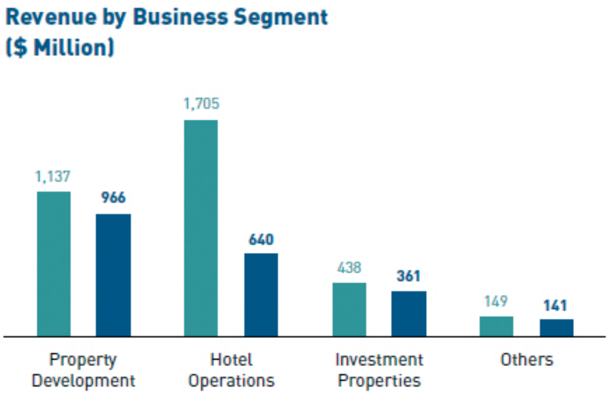
Annex I – The Group's corporate structure as at 28 February 2021

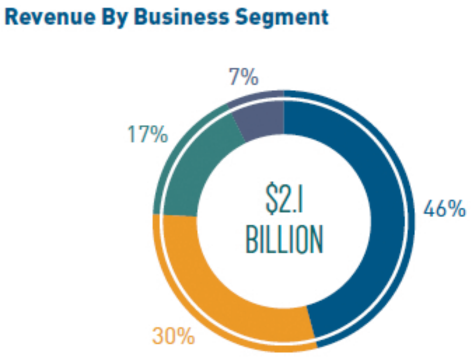


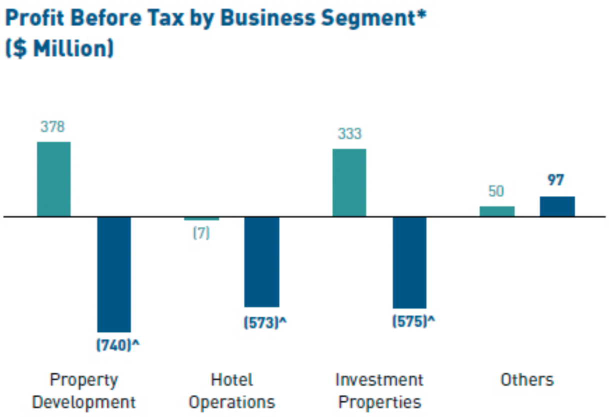
* Listed Companies/Trust.

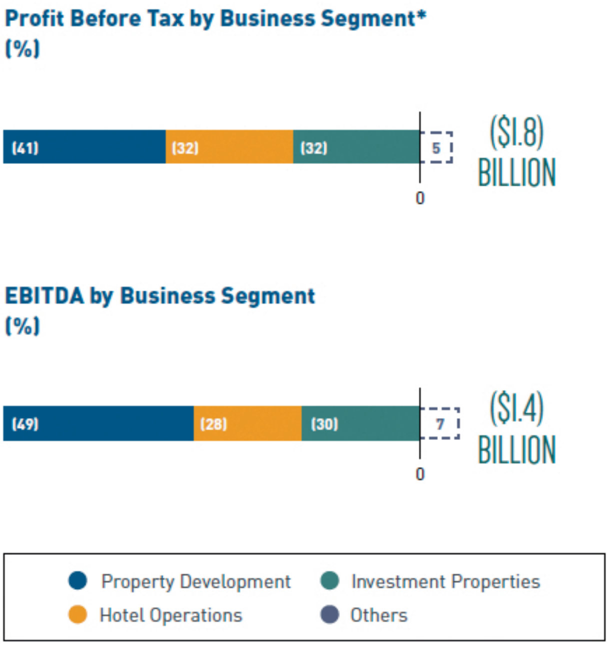
@ Include HCP Chongqing Property Development Co Ltd, a jointly controlled entity of the Group, which in turn holds an indirect interest of 80.01% in Sincer Property Group (Sincere). The Sincere group of companies have not been included in the Corporate Structure.

Annex II – The Group's financials by business segment for FY 2020









* Includes share of after-tax profit/(loss) of associates and joint ventures.
^ Include net loss from Sincere of $1.78 billion
– Property Development $0.96 billion
– Hotel Operations $0.11 billion
– Investment Properties $0.71 billion

Annex III – A Summary of the major projects launched by the Group in Singapore from 1 January 2018 up to 31 December 2020

Project Name	Launch Date	No of Units	Effective Group Interest (%)	Country
Penrose*	Sep 2020	566	40%	Singapore
Sengkang Grand Residences*	Nov 2019	680	50	Singapore
Haus on Handy	July 2019	188	100	Singapore
Piermont Grand	July 2019	820	60	Singapore
Nouvel 18#	July 2019	156	N.A.	Singapore
Amber Park*	May 2019	592	80	Singapore
The Marker*	May 2019	195	50	Australia, Melbourne
Boulevard 88*	Mar 2019	154	40	Singapore
Emerald*	Dec 2018	820	30	China, Chongqing
Whistler Grand	Nov 2018	716 + 2 shops	100	Singapore
Teddington Riverside	Oct 2018	239 (including affordable housing)	100	UK, London
South Beach Residences*	Sep 2018	190	50.1	Singapore
The Jovell*	Sep 2018	428	33	Singapore
The Tapestry	Mar 2018	861	100	Singapore
New Futura	Jan 2018	124	100	Singapore

Notes:

* JV projects.

Divested project marketed by CDL

Annex IV – Summary of the properties currently under development as at 31 December 2020

Description	Location	Site Area (Sq. Metres)	Gross Floor Area (Sq. Metres)	Tenure	Effective Group Interest (%)	Approximate Percentage Completion (%)	Expected Completion
RESIDENTIAL							
The Tapestry	Tampines Ave 10	21,718	60,810	99 years	100	98	2021
Whistler Grand	West Coast Vale	19,591	56,021	99 years	100	75	2022
Haus on Handy	Handy Road	4,796	11,446	99 years	100	15	2022
Piermont Grand	Sumang Walk	27,056	83,604	99 years	60	32	2022
The Marker	Spencer Street	4,246	33,836	Freehold	50	10	2022
Amber Park	Amber Road	19,850	55,582	Freehold	80	21	2023
Monk Bridge	Whitehall Road, Leeds	16,750	53,167	Freehold	100	15	2023
Penrose	Sims Drive	16,225	52,337	99 years	40	*	2024
Irwell Hill Residences	Irwell Bank Road	12,787	35,802	99 years	100	*	2025
MIXED DEVELOPMENT							
Sunnyvale California	1250 Lakeside Drive, Sunnyvale CA 84085	35,733	24,223 (Apartments) 14,953 (Hotel)	Freehold	100	70 (Apartments) * (Hotel)	2021
Hong Leong City Center (Hotel)	Suzhou Jinji Lake, SIP District, China	45,455	33,131 (Hotel)	40 years (Hotel)	100	95	2022
Boulevard 88 / The Singapore EDITION	Cuscaden Road / Orchard Boulevard	12,127	56,050	Freehold	40	24	2022
Sengkang Grand Residences / Sengkang Grand Mall	Sengkang Central	37,255	65,621	99 years	50	15	2023
Redevelopment of Liang Court	River Valley Road	12,925	100,263	99 years	51	*	2025

Note:

(*) Work is less than 10% completed. For Sunnyvale California, hotel work is currently on-hold and commencement is depending on the recovery of the hospitality business (due to Covid-19) in the near future.

Annex V – List of hotels owned by the Group as at 31 December 2020

HOTELS	Tenure	Approximate Site Area (Sq. Ft)	Number of Rooms	Effective Group Interest (%)
Directly Owned by CDL				
ASIA				
The St. Regis Singapore 29 Tanglin Road, Singapore	999 years	71,881	299	33
M Social Singapore 90 Robertson Quay, Singapore	99 years wef 07.06.2011	48,631	293	100
Millennium Hilton Bangkok 123 Charoen Nakhon Rd, Khlong Ton Sai, Khlong San, Bangkok 10600, Thailand	Freehold	108,758	543	57.5
EUROPE				
Holiday Inn Moscow - Seligerskaya Korovinskoye Shosse, 10, Moscow, Russia	Leasehold to year 2055	287,550	201	50
Owned by Millennium & Copthorne Hotels Limited				
ASIA				
Grand Millennium Beijing Fortune Plaza, 7 Dongsanhuan Middle Road, Chaoyang District, Beijing 100020 China	Leasehold to year 2046 (hotel) Leasehold to year 2056 (underground carpark)	99,760	517	70
JW Marriott Hotel Hong Kong Pacific Place, 88 Queensway, Hong Kong	75 years from 18.04.1985 and may be renewable for a further term of 75 years	115,066	608	26
New World Millennium Hong Kong Hotel 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong	75 years from 28.11.1984 and may be renewable for a further term of 75 years	30,677	463	50
Millennium Hotel Sirih Jakarta Jalan Fachrudin 3, Jakarta 10250, Indonesia	The title is held under a Hak Guna Bangunan (i.e. Right to Build) and a 40-year lease wef 14.04.1984 and 22.01.1986 for approximate site area of 7,084 sq. metres and 212 sq. metres respectively	78,534	401	100
Millennium Mitsui Garden Hotel Tokyo 5-11-1 Ginza, Chuo-Ku, Tokyo 104-0061, Japan	Freehold/ Leasehold - 30 years from 25.03.2009	11,194	329	100
Millennium Hilton Seoul 50 Sowol-ro, Jung-gu, Seoul, South Korea 100-802	Freehold	202,221	680	100
Grand Millennium Kuala Lumpur 160 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia	Freehold	82,559	468	100

HOTELS	Tenure	Approximate Site Area (Sq. Ft)	Number of Rooms	Effective Group Interest (%)
The Heritage Hotel Manila Roxas Boulevard at corner of EDSA Pasay City, Metropolitan Manila, Philippines	Fee Simple	106,433	450	66
Grand Hyatt Taipei 2, Songshou Road Taipei, Taiwan, 11051	50 years starting from 07.03.1990. The lease agreement is extendable for another 30 years.	152,772	850	84
EUROPE				
Millennium Hotel Paris Charles de Gaulle Zone Hoteliere, Allée du Verger, 95700 Roissy-en-France, France	Freehold	125,475	239	100
Millennium Hotel Paris Opéra 12 Boulevard Haussmann, 75009 Paris, France	Freehold	11,765	163	100
Grand Hotel Palace Rome Via Veneto, 70, Rome, 00187, Italy	Freehold	8,622	86	100
Copthorne Tara Hotel London Kensington Scarsdale Place, Kensington, London W8 5SY, England	Freehold	81,106	833	100
Millennium Gloucester Hotel London Kensington Harrington Gardens, London SW7 4LH, England	Freehold	68,329	610	100
The Biltmore, Mayfair - LXR Hotels & Resorts 44 Grosvenor Square, Mayfair, London W1K 2HP, England	Leasehold to year 2096	45,854	308	100
Copthorne Hotel London Gatwick Copthorne Way, Copthorne, West Sussex RH10 3PG, England	Freehold	4,356,086	227	100
Millennium Hotel London Knightsbridge 17 Sloane Street, Knightsbridge, London SW1X 9NU, England	Leasehold to year 2091	8,708	222	100
Copthorne Hotel Slough-Windsor Cippenham Lane, Slough, Berkshire SL1 2YE, England	Freehold	74,056	219	100
The Bailey's Hotel London 140 Gloucester Road, London SW7 4QH, England	Freehold	20,699	212	100
Copthorne Hotel Birmingham Paradise Circus, Birmingham B3 3HJ, England	Freehold	23,551	211	100

HOTELS	Tenure	Approximate Site Area (Sq. Ft)	Number of Rooms	Effective Group Interest (%)
Copthorne Hotel Manchester Clippers Quay, Salford Quays, Manchester M50 3SN, England	Leasehold to year 2135	105,486	166	100
The Chelsea Harbour Hotel Chelsea Harbour, London, SW10 0XG, England	Leasehold to year 2112	27,566	158	100
Copthorne Hotel Newcastle The Close, Quayside, Newcastle upon Tyne NE1 3RT, England	Freehold	99,028	156	96
Copthorne Hotel Merry Hill-Dudley The Waterfront, Level Street, Brierley Hill, Dudley, West Midlands DY5 1UR, England	Freehold	147,831	138	100
Copthorne Hotel Cardiff-Caerdydd Copthorne Way, Culverhouse Cross, Cardiff CF5 6DH, Wales	Freehold	283,144	135	100
Copthorne Hotel Plymouth Armada Way, Plymouth PL1 1AR, England	Leasehold to year 2110	19,946	135	100
Copthorne Hotel Effingham Gatwick West Park Road, Copthorne, West Sussex RH10 3EU, England	Freehold	1,742,439	122	100
Hard Days Night Hotel Liverpool Central Buildings North John Street Liverpool, L2 6RR, England	Leasehold to year 2129	56,780	110	100
Copthorne Hotel Aberdeen 122 Huntly Street, Aberdeen AB10 1SU, Scotland	Freehold	14,015	87	83
Millennium Hotel Glasgow George Square, Glasgow G2 1DS, Scotland	Leasehold to year 2109	63,787	61	100
NORTH AMERICA				
Millennium Harvest House Boulder 1345 28th Street Boulder, CO 80302, USA	Freehold	689,095	269	100
Millennium Biltmore Hotel Los Angeles 506 South Grand Avenue, Los Angeles, CA 90071, USA	Freehold	121,686	683	100
Millennium Broadway New York Times Square 145 West 44th Street, New York, NY 10036, USA	Freehold	18,966	626	100

HOTELS	Tenure	Approximate Site Area (Sq. Ft)	Number of Rooms	Effective Group Interest (%)
Millennium Hilton New York Downtown 55 Church Street, New York, NY 10007, USA	Freehold	18,083	569	100
Novotel New York Times Square 226W 52nd Street, New York, NY 10019, USA	Fee simple estate, a leasehold interest, and a leased fee interest	21,280	480	100
Maingate Lakeside Resort 7769 W Irlo Bronson Memorial Highway, Kissimmee, FL 34747, USA	Freehold	1,009,611	475	100
Millennium Hilton New York One UN Plaza 1 UN Plaza, 44th Street at 1st Avenue, New York, NY 10017, USA	East tower freehold/ West tower leasehold to year 2079	49,019	439	100
Millennium Minneapolis 1313 Nicollet Mall, Minneapolis, MN 55403, USA	Leasehold to year 2030	48,836	321	100
Millennium Knickerbocker Hotel Chicago 163 East Walton Place, Chicago, IL 60611, USA	Freehold	21,603	306	100
Millennium Buffalo 2040 Walden Avenue, Buffalo, NY 14225, USA	Leasehold to year 2022 (with one 10-year option)	341,528	301	100
Millennium Durham 2800 Campus Walk Avenue, Durham, NC 27705, USA	Freehold	460,846	290	100
Millennium Maxwell House Nashville 2025 Rosa L. Parks Boulevard, Nashville, TN 37228, USA	Leasehold to year 2030 (with two 10-year options)	184,493	287	100
The Lakefront Anchorage 4800 Spenard Road, Anchorage, AK 99517, USA	Hotel Lease: Freehold Dock: Leasehold to 2040	152,406	248	100
The Bostonian Boston 26 North Street, At Faneuil Hall Marketplace, Boston, MA 02109, USA	Freehold	29,805	204	100
Comfort Inn Near Vail Beaver Creek 161 West Beaver Creek Boulevard, Avon, CO 81620, USA	Freehold	120,653	146	100
The McCormick Scottsdale 7421 North Scottsdale Road, Scottsdale, AZ 85208, USA	Leasehold to year 2033 (with two 10-year options)	353,260	125	100
Millennium Premier New York Times Square 133 West 44th Street, New York NY 10036, USA	Freehold	3,875	124	100

HOTELS	Tenure	Approximate Site Area (Sq. Ft)	Number of Rooms	Effective Group Interest (%)
Pine Lake Trout Club 17021 Chillicothe Road, Chagrin Falls, OH 44023, USA	Freehold	3,563,647	6	100
Novotel Penthouse 1651-65 Broadway, New York, NY10019, USA	Leasehold to year 2080	3,305	NA	100
Millennium Hotel St. Louis (Closed) 200 South 4th Street, St. Louis, MO 63102, USA	Freehold	183,342	780	100
AUSTRALASIA				
Copthorne Hotel & Resort Queenstown Lakefront Corner Adelaide Street & Frankton Road, Queenstown, New Zealand	Freehold	201,382	240	76
Millennium Hotel Rotorua Corner Eruera & Hinemaru Streets, Rotorua, New Zealand	Freehold/Perpetual leasehold land	108,812	227	76
Millennium Hotel Queenstown Corner Frankton Road & Stanley Street, Queenstown, New Zealand	Freehold	80,223	220	76
M Social Auckland 196-200 Quay Street, Auckland, New Zealand	Freehold	25,909	190	76
Copthorne Hotel & Resort Bay of Islands Tau Henare Drive, Paihia, New Zealand	Leasehold land to year 2021 (renewal option to May 2087)	676,339	180	37
Copthorne Hotel Rotorua Fenton Street, Rotorua, New Zealand	Freehold	386,801	136	76
Copthorne Hotel Palmerston North 110 Fitzherbert Avenue, Palmerston North, New Zealand	Freehold	101,127	89	76
Copthorne Hotel Wellington Oriental Bay 100 Oriental Parade, Wellington, New Zealand	Freehold	42,022	118	76
Copthorne Hotel Auckland City 150 Anzac Avenue, Auckland, New Zealand	Perpetual leasehold land	26,856	110	76
Kingsgate Hotel Greymouth 32 Mawhera Quay, Greymouth, New Zealand	Freehold/Perpetual leasehold land	30,214	64	76
Kingsgate Hotel Te Anau 20 Lakefront Drive, Te Anau, New Zealand	Freehold	94,927	94	76

HOTELS	Tenure	Approximate Site Area (Sq. Ft)	Number of Rooms	Effective Group Interest (%)
Copthorne Hotel & Apartments Queenstown Lakeview 88 Frankton Road, Queenstown, New Zealand	Freehold/Strata title	50,730	85	76
Kingsgate Hotel Dunedin 10 Smith Street, Dunedin, New Zealand	Freehold	23,605	55	76
Millennium Hotel New Plymouth, Waterfront 1 Egmont Street, New Plymouth 4310, New Zealand	Freehold	12,368	42	76

Annex VI – List of hotels owned by CDLHT as at 31 December 2020

HOTELS	Tenure	Approximate Site Area (Sq. Ft)	Number of Rooms	Effective Group Interest (%)
Owned by CDL Hospitality Trusts				
ASIA				
Orchard Hotel# 442 Orchard Road, Singapore	75-year leasehold interest commencing from 19.07.2006	92,440@	656	38
Claymore Connect# 442 Orchard Road, Singapore	75-year leasehold interest commencing from 19.07.2006		NA	38
Grand Copthorne Waterfront Hotel# 392 Havelock Road, Singapore	75-year leasehold interest commencing from 19.07.2006	116,896+	574	38
M Hotel# 81 Anson Road, Singapore	75-year leasehold interest commencing from 19.07.2006	22,970	415	38
Studio M Hotel 3 Nanson Road, Singapore	99-year leasehold interest commencing from 26.02.2007	31,560	360	38
W Singapore – Sentosa Cove 21 Ocean Way, Singapore	99-year leasehold wef 31.10.2006	183,159	240	38
Copthorne King's Hotel 403 Havelock Road, Singapore	99-year leasehold interest commencing from 01.02.1968	60,676	311	38
Hotel MyStays Asakusabashi 1-5-5 Asakusabashi, Taito-ku, Tokyo 111-0053, Japan	Freehold	6,071	139	38
Hotel MyStays Kamata 5-46-5 Kamata, Ota-ku, Tokyo 144-0052, Japan	Freehold	5,350	116	38
EUROPE				
Pullman Hotel Munich Theodor-Dombart-Strasse 4, Munich, 80805, Germany	Freehold	88,146	337	36
Hotel Cerretani Firenze - MGallery Via de' Cerretani 68, 50123 Florence, Italy	Freehold	14,531	86	36
Hilton Cambridge City Centre 20 Downing Street, Cambridge, CB2 3DT England	125-year leasehold interest commencing from 25.12.1990 and extendable for a further 50 years	38,750	198	38
The Lowry Hotel 50 Dearmans Place, Salford, Manchester, M3 5LH England	150-year leasehold interest commencing from 18.03.1997	23,681	165	38

HOTELS	Tenure	Approximate Site Area (Sq. Ft)	Number of Rooms	Effective Group Interest (%)
		AUSTRALASIA		
Mercure Perth 10 Irwin Street, Perth, Western Australia, Australia	Strata freehold	8,148	239	38
Ibis Perth 334 Murray Street, Perth, Western Australia, Australia	Freehold	15,931	192	38
Grand Millennium Auckland 71-87, Mayoral Drive, Auckland, New Zealand	Freehold	63,615	452	38
		MALDIVES		
Angsana Velavaru Velavaru Island, South Nilandhe Atoll, Republic of Maldives	50-year leasehold interest commencing from 26.08.1997	728,899	113	38
Raffles Maldives Meradhoo Meradhoo Island, Gaafu Alifu Atoll, Republic of Maldives	50-year leasehold interest commencing from 15.06.2006	576,687	38	38

Notes:

The Group has freehold reversionary interest of the property at the expiry of the 75-year lease.

@ Including Claymore Connect.

\+ Including adjoining Waterfront Plaza.

Annex VII – List of commercial properties owned by the Group as at 31 December 2020

COMMERCIAL PROPERTIES	Tenure	Approximate Site Area (Sq. Ft)	Approximate Lettable/ Strata Area (Sq. Ft)	Effective Group Interest[1] (%)
SINGAPORE - COMMERCIAL & RETAIL				
Republic Plaza, the flagship of CDL, is a 66-storey state-of-the-art intelligent office tower at Raffles Place, in the heart of Singapore's financial district.	999 years	72,809	774,422	100
South Beach is a mixed-use development located on Beach Road, comprising a 34-storey office tower (South Beach Tower) and a 45-storey hotel-cum-residential tower, along with retail (South Beach Avenue).	99 years wef 10.12.2007	376,295 [2]	508,417 (Office) 30,054 (Retail) 560,240 [3] (Hotel)	50.1
Fuji Xerox Towers is a part 15-storey/part 38-storey commercial office building situated at the intersection of Anson Road, Keppel Road, Tanjong Pagar Road and Bernam Street, near the western fringe of the Central Business District.	Freehold	58,061	352,944	100
City House is a 23-storey office building situated at Robinson Road/Cross Street within the Central Business District.	999 years	14,021	157,913	100
Central Mall (Office Tower) is a 7-storey office-cum-retail building located at Havelock Road/Magazine Road.	Freehold	30,148	131,465	100
Central Mall comprises a cluster of conservation shophouses at Havelock Road/Magazine Road.	99 years wef 15.05.1993	51,514	55,165	100
Palais Renaissance is a 16-storey retail-cum-office complex with 3 basements located at Orchard Road.	Freehold	29,180	110,889	100
11 Tampines Concourse is a 3-storey office building located at Tampines Ave 5. It is the first CarbonNeutral® development in Singapore and Asia Pacific.	15 years wef 18.02.2008	124,012	104,324	100
King's Centre is an 8-storey office-cum-retail waterfront development located at Havelock Road, along the Singapore River.	99 years wef 09.02.1984	55,822	89,526	100
City Square Mall is an 11-storey shopping mall located at the junction of Serangoon and Kitchener Roads.	Freehold	157,365	443,595	100
Quayside Isle is a 2-storey F&B and retail waterfront development located next to W Singapore – Sentosa Cove.	99 years wef 31.10.2008	89,683	44,121	100
Katong Shopping Centre is a 7-storey office-cum-shopping complex situated along Mountbatten Road. The Group owns 61 out of 425 strata-titled lots.	Freehold	86,925	84,662	100
Delfi Orchard is an 11-storey commercial-cum-residential complex located at Orchard Road. The Group owns 125 out of 150 strata-titled lots.	Freehold	20,264	68,177	100

COMMERCIAL PROPERTIES	Tenure	Approximate Site Area (Sq. Ft)	Approximate Lettable/ Strata Area (Sq. Ft)	Effective Group Interest[1] (%)
Tanglin Shopping Centre is an office-cum-shopping complex situated at Tanglin Road, within the Orchard Road tourist district. The Group owns 85 out of 363 strata-titled lots.	Freehold	68,511	64,784	100
The Arcade is a 20-storey office-cum-shopping complex situated at Collyer Quay within the Central Business District. The Group owns 19 out of 127 strata-titled units.	999 years	21,909	43,534	100
SINGAPORE - INDUSTRIAL				
Cideco Industrial Complex is an 8-storey industrial building located at Genting Lane.	Freehold	58,972	135,268	100
Tagore 23 Warehouse is a 4-storey warehouse located at Tagore Lane.	Freehold	79,843	129,878	100
City Industrial Building is an 11-storey flatted factory building at Tannery Lane.	Freehold	33,908	125,834	100
Citilink Warehouse Complex is an 8-storey warehouse located at Pasir Panjang Road. The Group owns 62 out of 180 strata-titled units.	Freehold	146,104	103,299	100
Cititech Industrial Building is an 8-storey industrial building located at 629 Aljunied Road. The Group owns 44 out of 144 strata-titled units.	Freehold	118,645	69,373	100
SINGAPORE - SERVICED APARTMENTS				
Le Grove is the Group's first serviced apartments project located at Orange Grove Road, off Orchard Road.	Freehold	63,410	88,415	100
OVERSEAS				
Biltmore Court & Tower (US) 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	53,293	377,723	100
125 Old Broad Street (UK) is a Grade A office tower located in the heart of London and within the main financial district, comprising of 30,547 sq. metres spread over 26 floors with panoramic views of the city and three basement levels.	Freehold	31,366	328,806	100
Aldgate House (UK) is located in the heart of Aldgate, one of London's most vibrant districts, comprising of 19,496 sq. metres Grade A office, retail and ancillary spaces over two basements, ground, mezzanine and eight upper floors.	Freehold	34,445	209,860	100
Hong Leong Plaza Hongqiao (China) is located in Shanghai Hongqiao CBD. The property comprises 5 office towers, sunken retail plaza and 2 levels of basement carpark.	Office: Leasehold to year 2061 Retail: Leasehold to year 2051	173,204	345,229 (Office) 41,771 (Retail)	100

COMMERCIAL PROPERTIES	Tenure	Approximate Site Area (Sq. Ft)	Approximate Lettable/ Strata Area (Sq. Ft)	Effective Group Interest[1] (%)
Hong Leong Hongqiao Center (China) is located in Shanghai Hongqiao CBD. The property comprises office space, a 132-room serviced apartment, and a basement carpark.	Office: Leasehold to year 2065 Retail: Leasehold to year 2055	190,313	244,793 (Office) 16,274 (Retail) 123,628 (Serviced Apartment)	100
HLCC mall (China) is a 6-storey retail mall within a mixed development project located at Jinji Lake within Suzhou Industrial Park.	Leasehold to 2052	68,850	324,938	100
Yaojiang International (China) is an 8-storey building offering co-working space and is located in Shanghai's prime North Bund Business District.	Leasehold to 2052	5,705	42,881	100
Jungceylon Shopping Mall and Millennium Resort Patong Phuket (Thailand) is a mixed development comprising a 4-storey retail mall and a 418-room hotel, located in the commercial area of Patong, Phuket Island.	Freehold	905,414	714,695 (Retail) 481,592 (Hotel)	49
Mille Malle (Thailand) is a 4-storey retail mall located in the prime residential and commercial district at Sukhumvit Road, Bangkok.	Freehold	20,667	32,807	49
Horie Lux (Japan) is a 14-storey development with 29 apartments and 5 retail units located in Central Osaka.	Freehold	4,810	27,719	100
Pregio Joto Chuo (Japan) is located in Joto Ward, Osaka city. The 9-storey residential development comprises 48 apartments.	Freehold	5,762	16,938	100
B-Proud Tenmabashi (Japan) is located in Chuo ward, Osaka. The 14-storey residential development comprises 26 apartments.	Freehold	2,293	14,622	100
Pregio Miyakojima Hondori (Japan) is located in Miyakojima ward, Osaka. The 15-storey residential development comprises 56 apartments.	Freehold	6,426	18,940	100
City Lux Yokohama (Japan) is a 10-storey residential building with 78 apartments located in Minami Ward, Yokohama City.	Freehold	8,364	32,208	100

Notes:

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

(2) Refers to the full development site, which comprises the hotel, office, retail and residential components.

(3) Refers to the Gross Floor Area of the 634-room JW Marriott Hotel Singapore South Beach.

Annex VIII – A Summary of CDL's awards and accolades in FY 2020

BUSINESS & PERFORMANCE*

- **Bloomberg Gender-Equality Index (GEI) 2020**
- **Euromoney Real Estate Survey 2020**
  - Best Developer in the Residential Sector (Singapore), Ranked #1
  - Best Developer in the Innovative Green Development Sector (Singapore), Ranked #1
  - Best Overall Developer (Singapore), Ranked #2
  - Best Developer in Mixed Sector (Singapore), Ranked #3
  - Best Developer in Retail / Shopping Sector (Singapore), Ranked #3
- **HR Asia Best Companies to Work for in Asia 2020**
- **IR Magazine Awards – South East Asia 2020**
  - Best ESG Materiality Reporting
- **Singapore Governance and Transparency Index (SGTI) 2020**
  - #3 out of 577 companies
- **The Asset Triple A Awards (Treasury, Trade, SSC and Risk Management Awards 2020)**
  - Digital Solutions – Best Payments and Collections Solution, Real Estate (for City Nexus app)

PRODUCT*

- **Building and Construction Authority (BCA) Awards 2020**
  - Quality Excellence Award – Quality Champion (Platinum)
  - Construction Excellence Award – Excellence
    Coco Palms
    The Criterion
  - Green Mark Award – Platinum
    M Social Singapore (Recertification)
  - Green Mark Award – Gold^{Plus}
    Haus on Handy
  - Universal Design Mark Award - Gold^{Plus} (Design)
    Sengkang Grand Mall & Residences
  - Universal Design Mark Award – Gold (Design)
    Haus on Handy
    The Tapestry
  - Universal Design Mark Award - Gold
    The Venue Residences and Shoppes
- **BCI Awards**
  - Top 10 Developer Awards
- **EdgeProp Singapore Excellence Awards 2020**
  - Top Developer
  - Top Development
    Amber Park
    Sengkang Grand Residences
  - Top Executive Condo
    The Criterion
  - Innovation Excellence
    Sengkang Grand Residences
  - Sustainability Excellence
    Amber Park
    Piermont Grand
- **Urban Land Institute (ULI) Asia Pacific Awards for Excellence 2020**
  - New Futura (Winner)

Amber Park, Singapore
Artist's Impression

SUSTAINABILITY^

- **Asia Sustainability Reporting Awards**
  - Asia's Best Integrated Report Award (Gold)
  - Best Carbon Disclosure (Gold)
  - Best Sustainability Report, Digital (Gold)
  - Best Sustainability Report, Design (Silver)
- **CDP**
  - A List for corporate climate action
  - A List for water security
- **Champions of Good 2020**
- **Dow Jones Sustainability Indices (World and Asia Pacific) 2020**
- **FTSE4Good Index Series**
- **Global 100 Most Sustainable Corporations in the World 2020**
- **Global Real Estate Sustainability Benchmark (GRESB) 2020**
  - Global Sector Leader (Diversified-Office/Retail-Listed)
  - Overall Regional Sector Leader (Diversified)
- **MSCI ESG Leaders Indexes 2020**
  - 'AAA' rating
- **Patron of the Arts Award 2020**
- **RICS Awards 2020 South East Asia**
  - Sustainability Award (Winner)
- **Royal Society for the Prevention of Accidents (RoSPA) Awards 2020**
  - Order of Distinction
- **Singapore Environmental Achievement Award**
  - Singapore Environment Council 20th Anniversary Sustained Impact Achievement Award
- **STOXX® Global ESG Leaders Indices 2020**
- **Sustainalytics**
  - ESG Global 50 Top Rated and ESG Industry Top Rated in 2020
- **Workplace Safety and Health Awards 2020**
  - Safety and Health Award Recognition for Projects (SHARP) Award (Winner)
    Amber Park
    Forest Woods
- **World Finance's Sustainability Awards 2020**
  - Most Sustainable Real Estate Company

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

RISK FACTORS

Prior to making an investment or divestment decision, prospective investors in or existing holders of the Notes should carefully consider all the information set forth in this Information Memorandum and any documents incorporated by reference herein including the risk factors set out below. The risk factors set out below do not purport to be complete or comprehensive of all the risks that may be involved in the business, assets, financial condition, performance or prospects of the Issuer and its subsidiaries or any of the properties owned by the Group, or any decision to purchase, own or dispose of the Notes. Additional risks which the Issuer is currently unaware of may also impair its business, assets, financial condition, performance or prospects. The inclusion of each of the risk factors in this Information Memorandum is not intended to inform a prospective investor in or existing holder of the Notes of any of the Issuer's or the Group's measures taken in relation to any of the risk factors, and should not be considered as a statement or representation that the Issuer or the Group has taken any measure in relation to any of the risk factors or of the adequacy or sufficiency of any measures. If any of the following risk factors develops into actual events, the business, assets, financial condition, performance or prospects of the Issuer and/or the Group could be materially and adversely affected. In such cases, the ability of the Issuer to comply with its obligations under the Trust Deed and the Notes may be adversely affected and investors may lose all or part of their investments in the Notes.

Limitations of this Information Memorandum

This Information Memorandum does not purport to nor does it contain all information that a prospective investor in or existing holder of the Notes may require in investigating the Issuer or the Group, prior to making an investment or divestment decision in relation to the Notes issued under the MTN Programme. This Information Memorandum is not, and does not purport to be, investment advice. A prospective investor should make an investment in the Notes only after it has determined that such investment is suitable for its investment objectives. Determining whether an investment in the Notes is suitable is a prospective investor's responsibility, even if the investor has received information to assist it in making such determination. Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the MTN Programme or the Notes (nor any part thereof) is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, any of the Dealers or the Arranger that any recipient of this Information Memorandum or any such other document or information (or such part thereof) should subscribe for or purchase or sell any of the Notes. Each person receiving this Information Memorandum acknowledges that such person has not relied on the Issuer, its subsidiaries or associated companies (if any), any of the Dealers or the Arranger or any person affiliated with each of them in connection with its investigation of the accuracy or completeness of the information contained herein or of any additional information considered by it to be necessary in connection with its investment or divestment decision. Any recipient of this Information Memorandum contemplating subscribing for or purchasing or selling any of the Notes should determine for itself the relevance of and the emphasis to be placed on the information contained in this Information Memorandum and any such other document or information (or any part thereof) and its investment or divestment should be, and shall be deemed to be, based solely upon its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group, the terms and conditions of the Notes and any other factors relevant to its decision, including the merits and risks involved. A prospective investor should consult with its legal, tax and financial advisors prior to deciding to make an investment in the Notes.

The Issuer and/or the Group may not have any measures in place to address or mitigate each of the risk factors set out herein. Where the Issuer and/or the Group has put in place measures to address or mitigate any of the risk factors set out below, such measure(s) may be inadequate and/or insufficient to address or mitigate the relevant risk factor.

RISKS ASSOCIATED WITH AN INVESTMENT IN THE NOTES

The Notes issued under the MTN Programme may have limited liquidity

There can be no assurance regarding the future development of the market for the Notes issued under the MTN Programme, the ability of the Noteholders, or the price at which the Noteholders may be able, to sell their Notes.

Although the issue of additional Notes may increase the liquidity of the Notes, there can be no assurance that the price of such Notes will not be adversely affected by the issue in the market of such additional Notes.

An active trading market for the Notes issued under the MTN Programme may not develop

There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. If such a market were to develop, the Notes may trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Issuer's operations and the market for similar Notes. The Dealers are not obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the relevant Dealer(s). No assurance can be given as to the liquidity of, or trading market for, the Notes.

Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. The limited liquidity may have a severely adverse effect on the market value of Notes.

The market value of the Notes issued under the MTN Programme may fluctuate

Trading prices of the Notes are influenced by numerous factors, including the operating results, financial condition and/or the future prospects of the Issuer and/or the Group, political, economic, financial and any other factors that can affect the capital markets, the industry, the Issuer and/or the Group generally. Adverse economic developments, in Singapore as well as countries in which the Issuer and/or the Group operate or have business dealings, could have a material adverse effect on the Singapore economy and the operating results, the financial condition and/or the future prospects of the Issuer and/or the Group.

Any deterioration in global financial conditions could have a material adverse effect on worldwide financial markets, which may also adversely affect the market price of the Notes.

The Notes issued under the MTN Programme are subject to interest rate risks

Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in bond prices, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, bond prices may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

The Notes issued under the MTN Programme are subject to inflation risks

Noteholders may suffer erosion on the return of their investments due to inflation. Noteholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Notes. An unexpected increase in inflation could reduce the actual returns.

The Group may not fully hedge the currency risks associated with Notes denominated in foreign currencies

As Notes issued under the MTN Programme can be denominated in currencies other than Singapore dollars, the Group may be affected by fluctuations between the Singapore dollars and such foreign currencies in meeting the payment obligations under such Notes and there is no assurance that the Issuer will be able to fully hedge the currency risks associated with such Notes denominated in foreign currencies.

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks"

The Programme allows for the issuance of Notes that reference certain interest rates or other types of rates or indices which are deemed to be "benchmarks", including LIBOR, EURIBOR, SOR or SIBOR, in particular with respect to certain Floating Rate Notes where the reference rate may be LIBOR, EURIBOR, SOR, SIBOR or another such benchmark. The Pricing Supplement for the Notes will specify whether LIBOR, EURIBOR, SOR, SIBOR or another such benchmark is applicable.

Interest rates and indices which are deemed to be or used as "benchmarks" are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011, as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**") among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

More broadly, any of the national or international reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On 5 March 2021, the United Kingdom Financial Conduct Authority announced, *inter alia*, the dates on which the various LIBOR rates in respect of various currencies will either cease to be provided or cease to be representative of their underlying market, with such end-date falling either on 31 December 2021 or 30 June 2023. Separately, the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. As the SOR methodology relies on USD LIBOR in its computation, the likely discontinuation of LIBOR after June 2023 will impact the future sustainability of SOR. On 30 August 2019, the MAS announced that, it has established an industry-led steering committee, the Steering Committee for SOR Transition to SORA (the "**SC-STS**") to oversee an industry-wide interest rate benchmark transition from the SOR to the Singapore Overnight Rate Average ("**SORA**"). On 5 August 2020, MAS announced several initiatives to support the adoption of SORA, including prescribing SORA as a financial benchmark under the SFA. The initiatives aim to catalyse greater activity in SORA markets, safeguard the benchmark's integrity and enhance market confidence in SORA. Similarly, the Association of Banks in Singapore has also proposed to discontinue certain tenors for SIBOR and to amend the methodology for determining SIBOR. On 27 October 2020, the SC-STS announced industry timelines to support a coordinated shift away from the use of SOR in financial products, and to concurrently accelerate usage of SORA. SOR is set to be discontinued alongside LIBOR discontinuation after June 2023 and more specifically, all lenders and borrowers are to cease the issuance of SOR-linked loans and securities that mature after end-2021. On 11 December 2020, the Association of Banks in Singapore (ABS), the Singapore Foreign Exchange Market Committee (SFEMC) and SC-STS released a joint response to feedback received on the consultation report titled "SIBOR Reform and the Future Landscape for SGD Interest Rate Benchmarks" and also published timelines for the discontinuation of SIBOR by end-2024. In addition, the MAS expanded the mandate of the SC-STS to enable it to oversee the interest rate benchmark transition from SIBOR to SORA.

It is not possible to predict with certainty whether, and to what extent, LIBOR, SIBOR or SOR will continue to be supported going forward. This may cause SOR and SIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the "benchmark".

Investors should be aware that, if SOR or SIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference SOR or SIBOR will be determined for the relevant period by the fallback provisions applicable to such Notes. Depending on the manner in which SOR or SIBOR is to be determined under the Conditions, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for SOR or SIBOR which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the relevant Screen Page. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference SOR or SIBOR.

Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. The elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions, or result in adverse consequences to holders of any securities linked to such benchmark (including but not limited to Floating Rate Notes or Notes whose interest rates are linked to LIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based on the same benchmark.

Due to the uncertainty concerning the availability of successor rates and alternative rates and the involvement of an independent adviser acting in consultation with the Issuer, the relevant fallback provisions may not operate as intended at the relevant time.

Any of the above changes or any other consequential changes as a result of national or international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing or otherwise dependent (in whole or in part) upon, a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any of the national or international reforms and the possible application of the benchmark replacement provisions of the Notes in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Performance of contractual obligations by the Issuer may be dependent on other parties

The ability of the Issuer to make payments in respect of the Notes may depend upon the due performance by the other parties to the Programme Agreement, the Trust Deed and the Agency Agreement of their obligations thereunder including the performance by the Trustee, the Issuing and Paying Agent and/or the Agent Bank of their respective obligations. Whilst the non-performance of any relevant parties will not relieve the Issuer of their obligations to make payments in respect of the Notes, the Issuer may not, in such circumstances, be able to fulfil its obligations to the Noteholders and the Couponholders.

The Trustee may request Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances (including, without limitation, pursuant to Condition 9), the Trustee may at its discretion request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes action on behalf of Noteholders. The Trustee shall not be obliged to take any such action if not first indemnified, secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken.

The Trustee may not be able to take action, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable laws, it will be for the Noteholders to take such action directly.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement to this Information Memorandum;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact such investment will have on the potential investor's overall investment portfolio.

Investment activities may be subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for them, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Provisions in the Trust Deed and terms and conditions of the Notes may be modified

The terms and conditions of the Notes contain provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including modification by Extraordinary Resolution (as defined in the Trust Deed) of the terms and conditions of the Notes and the Trust Deed. Any resolution (including an Extraordinary Resolution) duly passed at any such meeting shall be binding on all the Noteholders, whether present or not, and on all the Couponholders.

In addition, such modifications as may be agreed between the Issuer and the Trustee may be made without the consent of the Noteholders and the Couponholders provided that the Trustee is satisfied that any such modification will not be prejudicial to the interests of the Noteholders or is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with mandatory provisions of Singapore law.

A change in Singapore law which governs the Notes may adversely affect Noteholders

The Notes are governed by Singapore law in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to Singapore law or administrative practice after the date of issue of the Notes.

Commencement of proceeding under applicable Singapore insolvency or related laws may result in a material adverse effect on the Noteholders

There can be no assurance that the Issuer will not become bankrupt or insolvent, or be the subject of judicial management, schemes of arrangement, winding-up or liquidation orders or other insolvency related proceedings or procedures. In the event of an insolvency or near insolvency of the Issuer, the application of certain provisions of Singapore insolvency and related laws may have a material adverse effect on the Noteholders. Without being exhaustive, below are some matters that could have a material adverse effect on the Noteholders.

Where the Issuer is insolvent or close to insolvent and the Issuer undergoes certain insolvency procedures, there may be a moratorium against actions and proceedings which may apply in the case of judicial management, schemes of arrangement and/or winding-up in relation to the Issuer. It may also be possible that if a company related to the Issuer proposes a creditor scheme of arrangement and obtains an order for a moratorium, the Issuer may also seek a moratorium even if the Issuer is not in itself proposing a scheme of arrangement. These moratoriums can be lifted with court permission and in the case of judicial management, additionally with the permission of the judicial manager. Accordingly, if for instance there is any need for the Trustee to bring an action against the Issuer, the need to obtain court permission and (in the case of judicial management) the judicial manager's consent may result in delays in being able to bring or continue legal proceedings that may be necessary in the process of recovery.

Further, Noteholders may be made subject to a binding scheme of arrangement where the majority in number representing 75% in value of creditors and the court approve such scheme. In respect of company-initiated creditor schemes of arrangement, there are cram-down provisions that may apply to a dissenting class of creditors. The court may notwithstanding a single class of dissenting creditors approve a scheme provided an overall majority in number representing 75% in value of the creditors meant to be bound by the scheme have agreed to it and provided that the scheme does not unfairly discriminate and is fair and equitable to each dissenting class and the court is of the view that it is appropriate to approve the scheme. In such scenarios, Noteholders may be bound by a scheme of arrangement to which they may have dissented.

Further to the amendments that took effect on 23 May 2017 (some of which have been highlighted above), the Insolvency, Restructuring and Dissolution Bill (the "**IRD Bill**" or as passed, the "**IRD Act**") was passed in Parliament on 1 October 2018 and has come into force on 30 July 2020. The IRD Act includes a prohibition against terminating, amending or claiming an accelerated payment or forfeiture of the term under, any agreement (including a security agreement) with a company that commences certain insolvency or rescue proceedings (and before the conclusion of such proceedings), by reason only that the proceedings are commenced or that the company is insolvent. This prohibition is not expected to apply to any contract or agreement that is, or that is directly connected with, the Noteholders. However, it may apply to related contracts that are not found to be directly connected with the Noteholders.

The Issuer's ability to comply with its obligation to repay the Notes is dependent upon the earnings of, and distributions by, the members of the Group and future performance of the Group

The Issuer's ability to comply with its obligation to repay the Notes may depend on the earnings of the Group and the distribution of funds amongst members of the Group, primarily in the form of dividends. Whether or not the members of the Group can make distributions to the Issuer depend on distributable earnings, cash flow conditions, restrictions that may be contained in the debt instruments of its members, applicable law and other arrangements. These restrictions could reduce the amount of distributions that the Issuer receives from its members, which would restrict the Group's ability to fund its business operations and the Issuer's ability to comply with its payment obligations under the Notes.

Further, the ability of the Issuer to make scheduled principal or distribution payments on its indebtedness, including the Notes, and to fund its growth aspirations, will depend on the Group's future performance and its ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in this section "Risk Factors", many of which are beyond the control of the Issuer. If the Issuer's future cash flow from operations and other capital resources are insufficient to pay its debt obligations, including the Notes, or to fund its other liquidity needs, it may be forced to sell assets, attempt to restructure or refinance its existing indebtedness. No assurance can be given that the Issuer would be able to accomplish any of these measures on a timely basis or on satisfactory terms or at all.

The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of CDP

Notes issued under the MTN Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificates will be deposited with or registered in the name of, or in the name of a nominee of, or lodged with CDP. Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes. CDP will maintain records of its accountholders in relation to the Global Notes and Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through CDP.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to CDP for distribution to its accountholders or, as the case may be, to the Issuing and Paying Agent for distribution to the holders as appearing in the records of CDP. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of CDP to receive payments under the relevant Notes. The Issuer bears no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

Holders of beneficial interests in the Global Notes and Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by CDP to appoint appropriate proxies.

The Notes subject to optional redemption may have a lower market value than Notes which cannot be redeemed

An optional redemption feature is likely to limit the market value of the Notes containing such a feature. During any period when the Issuer elects to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At that time, Noteholders generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Noteholders should consider reinvestment risk in light of other investments available at that time.

The Notes may be issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Exchange rate risks and exchange controls may result in Noteholders receiving less interest or principal than expected

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, Noteholders may receive less interest or principal than expected, or no interest or principal.

The Notes are not secured

The Notes and Coupons of all Series constitute direct, unconditional and unsecured obligations of the Issuer ranking *pari passu* as a single class without any preference or priority among themselves and ranking *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law or the Trust Deed (if any)) of the Issuer from time to time outstanding.

Accordingly, on a winding-up of the Issuer at any time prior to maturity of any Notes, the Noteholders will not have recourse to any specific assets of the Issuer and/or the Group as security for outstanding payment or other obligations under the Notes and/or Coupons owed to the Noteholders or Couponholders and there can be no assurance that there would be sufficient value in the assets of the Issuer, after meeting all claims ranking ahead of the Notes, to discharge all outstanding payment and other obligations under the Notes and/or Coupons owed to the Noteholders or Couponholders.

Noteholders should be aware that Definitive Notes and Certificates which have a denomination that is not an integral multiple of the minimum Denomination Amount may be illiquid and difficult to trade

In relation to any issue of Notes which have a denomination consisting of a minimum Denomination Amount (as defined in the Conditions) plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Denomination Amount that are not integral multiples of such minimum Denomination Amount. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Denomination Amount will not receive a Definitive Note or Certificate in respect of such holding (should Definitive Notes or Certificates be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Denomination Amounts. If Definitive Notes or Certificates are issued, holders should be aware that Definitive Notes or Certificates which have a denomination that is not an integral multiple of the minimum Denomination Amount may be illiquid and difficult to trade. Definitive Notes and Certificates will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote or attend meetings of Noteholders) in respect of such Notes.

Tax treatment of the Notes is unclear

The Notes issued under the MTN Programme are intended to be “qualifying debt securities” for the purposes of the ITA, subject to the fulfillment of certain conditions more particularly described in the section entitled “Singapore Taxation”. However, there is no assurance that such Notes will enjoy or will continue to enjoy the tax concessions under the qualifying debt securities scheme, should the relevant tax laws be amended or revoked at any time.

Investors and holders of the Notes should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of the Notes.

No gross-up in respect of the Notes

In accordance with Condition 6, the Issuer will not be obliged to pay any additional amounts in respect of withholding or deduction from payments in respect of the Notes and the Coupons for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore or any authority thereof or therein or thereof having power to tax. Investors may therefore receive an amount at maturity which is less than their original investment amount.

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

Notes denominated in RMB ("**RMB Notes**") may be issued under the Programme. In addition to the risks highlighted above, RMB Notes contain particular risks for potential investors, including:

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of RMB Notes

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies despite significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. According to the "Circular of the People's Bank of China, the Ministry of Finance, the Ministry of Commerce, the General Administration of Customs, the State Administration of Taxation and the China Banking Regulatory Commission on Issues Concerning Expansion of the Pilot Implementation of Reminbi Settlement in Cross-border Trade" (中国人民银行、财政部、商务部、海关总署、国家税务总局、银监会关于扩大跨境贸易人民币结算试点有关问题的通知), the overseas coverage areas of Renminbi settlement in cross-border trade extend to all countries and regions in the world. This represents a current account activity. However, remittance of Renminbi by foreign investors into the PRC for purposes such as capital contributions, known as capital account items, is generally only permitted upon obtaining specific approvals from the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

On 7 April 2011, the Comprehensive Division of the State Administration of Foreign Exchange of the PRC (国家外汇管理局) promulgated the "Circular on Issues Concerning the Capital Account Items in connection with Cross Border Renminbi" (国家外汇管理局综合司关于规范跨境人民币资本项目业务操作有关问题的通知) (the "**SAFE Circular**"), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use cross border Renminbi (including offshore Renminbi and onshore Renminbi held in Renminbi bank settlement accounts of non-PRC residents) to make a contribution to an onshore enterprise or make a payment for the transfer of an equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the relevant prior written consent from the MOFCOM to SAFE or its local counterpart of such onshore enterprise and register for a foreign invested enterprise status.

On 13 October 2011, the People's Bank of China (the "**PBoC**") promulgated the "Administrative Measures on Renminbi Settlement of Foreign Direct Investment" (外商直接投资人民 币结算业务管理办法) (the "**PBoC FDI Measures**") as part of the implementation of the PBoC's detailed FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, the PBoC further issued the implementing rules for the PBoC FDI Measures. Under the PBoC FDI Measures, special approval for FDI and shareholder loans from the PBoC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBoC is still necessary.

On 5 July 2013, the PBoC promulgated the Notice on Simplifying the Procedures of Cross-border Renminbi Business and Improving Relevant Policies (关于简化跨境人民币业务流程和完善有关政策的通知) (the "**Notice**"), which simplifies the operating procedures on current account cross-border Renminbi settlement and further publishes policies with respect to issuance of offshore Renminbi bonds by onshore non-financial institutions. The Notice intends to improve the efficiency of cross-border Renminbi settlement and facilitate the use of cross-border Renminbi settlement by banks and enterprises.

On 3 December 2013, the MOFCOM promulgated the "Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment" (商务部关于跨境人民币直接投资有关问题的公告) (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the amount of capital contribution is required for each FDI. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

The reforms which are being introduced and will be introduced in the Shanghai Free Trade Zone (the "**Shanghai FTZ**") aim to upgrade cross-border trade, liberalise foreign exchange control, improve convenient cross-border use of Renminbi and promote the internationalisation of Renminbi. However, given the infancy stage of the Shanghai FTZ, how the reforms will be implemented and whether (and if so when) the reforms will be rolled out throughout China remain uncertain.

To support the development of the Shanghai FTZ, the Shanghai Head Office of the PBoC issued the Circular on Supporting the Expanded Cross-border Utilisation of Renminbi in the Shanghai FTZ (关于支持中国(上海)自由贸易试验区扩大人民币跨境使用的通知) (the "**PBoC Shanghai FTZ Circular**") on 20 February 2014, which allows banks in Shanghai to settle FDI based on a foreign investor's instruction. In respect of FDI in industries that are not on the "negative list" of the Shanghai FTZ, the MOFCOM approval previously required is replaced by a filing. However, the application of the Shanghai FTZ Circular is limited to the Shanghai FTZ.

As the SAFE Circular, the PBoC FDI Measures, the Notice, the MOFCOM Circular and the PBoC Shanghai FTZ Circular are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

Although starting from 1 October 2016, the Renminbi will be added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC Government will continue to gradually liberalise control over cross border remittance of Renminbi in the future or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under RMB Notes.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the RMB Notes and the Issuer's ability to source Renminbi outside the PRC to service RMB Notes

As a result of the restrictions imposed by the PRC Government on cross border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Currently, licensed banks in Singapore and Hong Kong may offer limited Renminbi denominated banking services to Singapore residents, Hong Kong residents and specified business customers. The PBoC has also established Renminbi clearing and settlement mechanism for participating banks in various countries, through settlement agreements on the clearing of Renminbi business with financial institutions in a number of financial centers and cities (each, a "**Renminbi Clearing Bank**") and these Renminbi Clearing Banks have been permitted to engage in the settlement of Renminbi trade transactions.

However, the current size of Renminbi denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the RMB Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the RMB Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in RMB Notes is subject to exchange rate risks

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions, along with many other factors. In August 2015, the PBoC implemented changes to the way it calculates the midpoint against the U.S. Dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. All payments of interest and principal with respect to RMB Notes will be made in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

An investment in RMB Notes is subject to interest rate risks

The PRC government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The RMB Notes may carry a fixed interest rate. Consequently, the trading price of such RMB Notes will vary with fluctuations in interest rates. If a holder of RMB Notes tries to sell any RMB Notes before their maturity, they may receive an offer that is less than the amount invested.

Payments in respect of RMB Notes will only be made to investors in the manner specified in the terms and conditions of the relevant Notes

All payments to investors in respect of RMB Notes will solely be made (i) in the case of RMB Notes which are represented by Global Notes or Global Certificates and cleared through the Depository, by transfer to a Renminbi bank account maintained by or on behalf of the a holder of Notes in accordance with the prevailing CDP rules and procedures, or (ii) in the case of RMB Notes which are in definitive form, by transfer to a Renminbi bank account in accordance with prevailing rules and regulations. Subject to the terms and conditions of the Notes, the Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

Gains on the transfer of the RMB Notes may become subject to income taxes under PRC tax laws

Under the PRC Enterprise Income Tax Law and its implementation rules which took effect on 29 December 2018 and 23 April 2019 respectively, any gain realised on the transfer of RMB Notes by non-resident enterprise holders may be subject to enterprise income tax if such gain is regarded as income derived from sources within the PRC. However, there remains uncertainty as to whether the gain realised from the transfer of the RMB Notes would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law and its implementation rules. Therefore, if non-resident enterprise holders are required to pay PRC income tax on gains on the transfer of the RMB Notes (such enterprise income tax is currently levied at the rate of 10 per cent. of the gross proceeds, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-resident enterprise holders of RMB Notes reside that reduces or exempts the relevant tax), the value of their investment in the RMB Notes may be materially and adversely affected.

RISKS ASSOCIATED WITH THE GROUP'S BUSINESS

This section describes some of the risks that could have a material effect on the Group's business activities as at the date of this Information Memorandum. Not all potential risks are listed. Some risks are excluded because they are considered not material to the Group as a whole. Additionally, there may be risks that are not reasonably foreseeable at the date of this Information Memorandum for the Group to assess fully their potential impact on the business. The order in which risks are presented below is not indicative of the relative impact on the Group. The potential effect of these risks may be material to the Group's business by having an impact on revenue, profits, net assets and financial resources. Such risks also have the potential to impact on the Group's reputation. It is often difficult to assess with accuracy the likely impact of an event on the Group's reputation, as any damage may often be disproportionate to the event's actual financial impact.

(A) GENERAL RISKS RELATING TO THE GROUP'S BUSINESS

Economic and political conditions globally and in the countries in which the Group operates may adversely impact the Group

With a presence in countries such as Singapore, China, the United Kingdom (the "**UK**"), Japan and Australia, the Group is affected by developments in the global economy as well as the geographical markets in which it currently operates and/or intends to operate in the future. The current global environment presents significant policy uncertainties, especially in global trade and geopolitical tensions.

In recent years, the global economy and global financial markets have experienced significant volatility as a result of, among other things:

- the occurrence of several health epidemics, such as the Covid-19 pandemic;
- a deterioration in economic and trade relations between the United States and its major trading partners, including China;
- the large fiscal deficit incurred by the United States;
- interest rate fluctuations as well as changes in policy rates by the U.S. Federal Reserve and other central banks;
- increased uncertainties resulting from the UK's exit from the European Union;
- the slowdown of economic growth in China and other major emerging market economies;
- the volatility in oil prices; and
- financial and social difficulties affecting many countries worldwide, in particular the United States, Latin America and Europe.

The above factors could undermine the stability of global economies, lead to changes in gross domestic product, economic growth, employment levels and consumer spending, consumer and investment sentiment, property market volatility and availability of debt and equity capital and result in a general global economic downturn or recession or even a financial crisis, which could have a material adverse effect on the business, financial condition and results of operations of the Group.

The outbreak of an infectious disease or any other serious public health concerns in Singapore and the jurisdictions in which the Group operates could adversely impact the business, results of operations, financial condition and prospects of the Group

The outbreak of any health epidemics, general outbreak of debilitating disease or infectious disease of pandemic nature in Singapore such as SARS, Middle East respiratory syndrome coronavirus, avian influenza, H1N1 (commonly referred to as "swine flu") and the recent outbreak of the Covid-19 coronavirus pandemic (collectively "**Pandemics**"), whether in Singapore and/or the jurisdictions in which the Group operates in or relies on could have a negative impact on the regional and/or global economy and may result in an adverse development in the supply of or demand for property (including retail, residential, commercial and industrial property), in property prices or in the Group's ability to retain or renew existing leases or attract new tenants in its investment properties, the lowering of occupancy rates and an increased insolvency or delay in the payment of rent by the tenants of the Group's investment properties, which would in turn have a material and adverse effect on the Group's business, results of operations, financial conditions and prospects.

The emergence of the Covid-19 pandemic has become one of the biggest disruptors in the global economy, creating uncertainty and placing global economic and social resilience to the test. In an effort to curb the spread of the highly infectious coronavirus, countries around the world have imposed various measures and strict movement controls, including travel restrictions, extended delays, suspension of business activities, quarantines, city lockdowns, and suspending major events, which have led to a substantial decline in the number of travellers and in business activity, thereby impacting the demand for the Group's properties. A non-exhaustive overview of the impact of the Covid-19 pandemic on the Group's business is set out below.

There can also be no assurance that any precautionary measures taken against any Pandemics (including to any of the Group's businesses as set out below) would be effective. A future outbreak of any Pandemics or any other serious public health concern in Singapore or in the jurisdictions in which the Group operates in or relies on could seriously harm the Group's business and may have any of the consequences in connection with the Covid-19 pandemic as set out below.

Residential properties

The implementation of increased social distancing measures and movement controls in the jurisdictions in which the Group operates have resulted in lower footfall in the residential sales offices of the Group. In Singapore, with the institution of "circuit breaker" measures on 7 April 2020, all sales offices in Singapore had to be closed. In February 2021, the Ministry of Trade and Industry ("**MTI**") announced that the Singapore economy contracted by 5.4% in 2020, a reversal from the 1.3 per cent growth recorded in 2019 due to Circuit Breaker measures that were implemented from 7 April 2020 to 1 June 2020 to slow the spread of Covid-19, which included the suspension of non-essential services and closure of most workplace premises, as well as weak external demand amidst a global economic downturn precipitated by the Covid-19 pandemic. For 2021, the MTI has maintained the GDP growth forecast at 4.0% to 6.0%. Although the "circuit breaker" measures were lifted on 1 June 2020 and Singapore is currently in its vaccination stage of recovery, there is still uncertainty as to when all businesses will be allowed to operate freely due to the fluid and unpredictable nature of regulatory changes by the government. Together with a worsening economic outlook and increased financial market volatility affecting consumer confidence and discretionary consumer spending, this has adversely impacted the volume of sales of the Group's residential properties, which in turn has an adverse effect on the Group's business and results of operations.

Further, the construction of new development properties by the Group has been affected by work stoppages and labour and material shortages due in part to the control measures imposed by countries globally to curb the spread of the coronavirus. These could give rise to delayed completions or cost overruns in the construction of the Group's development properties, which in turn may affect the Group's business, financial condition and results of operations.

Retail properties

With the implementation of the "circuit breaker" measures in Singapore and similar movement control measures in the jurisdictions in which the Group operates, many of the tenants of the Group's retail properties who are deemed non-essential services have had to suspend their businesses. This has in turn led to tenants requesting for rental rebates and for the deferral of rental payments due to the impact on their businesses. Further, such measures have adversely impacted the ability of the Group to seek new tenants. These factors have in turn adversely affected the revenue earned from the Group's retail properties.

In addition, given the rise of e-commerce and online retailing as a result of the control measures taken by countries around the world, retailers, including the Group's retail tenants, have and may develop their own online shopping platforms to decrease their dependence on traditional retail channels, including conventional "brick and mortar" shops. Even as the pandemic situation improves, the Group's retail properties may be unable to attract new tenants following the expiry or termination of leases, which may in turn adversely affect the revenue earned from the Group's retail properties.

Hospitality properties

The travel restrictions, city lockdowns, suspension of major events imposed by various countries around the world in an effort to curb the spread of the coronavirus have led to a substantial decline in the number of travellers, thereby impacting the demand for the Group's hospitality properties. The near-term outlook for the hotel sector is highly challenging and uncertain as the industry bears the immediate brunt with travel restrictions, trip cancellations, postponement of major events, as well as reduced food and beverage spend, caused by the pandemic. The Group's hospitality properties have been adversely affected due to lower occupancies and room rates in all the jurisdictions in which the Group operates. Further, some of the Group's hospitality properties have experienced temporary closures, either in response to government mandates and health recommendations or to optimise resources. Although occupancy rates at the Group's hospitality properties may have declined due to the pandemic, such properties still incur significant fixed costs that may not decrease significantly even with reduced occupancy rates, thereby materially and adversely affecting the Group's liquidity and revenue.

Further, the ongoing Covid-19 pandemic may further create negative economic impact and decreased viability in the global market. This may result in a reduction in the ability and willingness of consumers to spend money on leisure and entertainment activities (including vacations) which may reduce recreational travel and the level of occupancy of the Group's hospitality properties, and in turn adversely affect the Group's business, financial condition or results of operations. Such an outbreak may also adversely affect the Group's ability to sustain normal operations and provide uninterrupted services to its customers.

Commercial properties

Due to ongoing measures taken by countries in which the Group operates, most of the Group's commercial tenants face and may continue to face prolonged restrictions on the operation of their businesses. In light of this, the Group's commercial tenants may request for rental rebates and for the deferral of rental payments, and may not renew their leases or may request for a lower rental rate following the expiry or termination of their leases. Rental rates may also be affected by the negative economic impact caused by the Covid-19 pandemic. If any of these factors occur, the Group may be unable to lease its commercial properties on commercially viable terms or at all, which may in turn adversely affect the Group's financial performance and results of operations.

As the Covid-19 pandemic is ongoing and evolving rapidly, there is no assurance that the Group will not in the future experience more severe disruptions in the event that more stringent quarantine measures are imposed or if the Covid-19 pandemic becomes more severe or protracted. This could in turn cause further deterioration in the business, results of operations, financial conditions and prospects of the Group. The actual extent of the outbreak and its impact on the domestic, regional and global economy remains uncertain, and the actual extent of the impact on the Group's business, results of operations, financial conditions and prospects will depend on, among other things, the duration and impact of the Covid-19 outbreak.

The Group is exposed to the risk of expropriation of its properties in the countries in which it operates

The laws of the countries in which the Group's properties are currently located and regions into which the Group may expand to, may allow their respective governments, to compulsorily acquire land and buildings under certain circumstances, including if it is in the public interest to do so. In the event that all or any part of the Group's land or property is compulsorily acquired, the compensation paid in respect of the acquired property could be less than its market value or the price paid by the Group for acquiring the property. Such compulsory acquisition could therefore adversely affect the Group's business, financial condition, results of operations and prospects.

For example, the Land Acquisition Act, Chapter 152 of Singapore, *inter alia*, gives the Singapore Government the power to acquire any land in Singapore:

- for any public purpose;
- where the acquisition is required by any person, corporation or statutory board, for any work or undertaking which is of public benefit or of public utility or in the public interest; or
- for any residential, commercial or industrial purpose.

In determining the amount of the compensation to be awarded pursuant to any such compulsory acquisition, the following matters, *inter alia*, would be considered: (i) the market value of the property as at the date of the publication in the Singapore Government Gazette of the notification of likely acquisition of the land (provided that within six months from the date of publication of such notification, a declaration of intention to acquire is made by publication in the Singapore Government Gazette); or (ii) the market value of the property as at the date of publication in the Singapore Government Gazette of the declaration of intention to acquire in any other case.

Accordingly, if the market price of the property or part thereof which is acquired is greater than the market values referred to above, the compensation paid in respect of the property will be less than its market value. In such event, such compulsory acquisitions would have an adverse effect on the Group's financial condition.

The Group may be involved in legal and other proceedings arising from its operations from time to time

The Group may be involved from time to time in disputes with various parties involved in the development and sale of the Group's properties (such as contractors, sub-contractors, suppliers, construction companies, purchasers and other partners), and the management and operations of the Group's hotels and investment properties. As a property developer, the Group may face disputes with, and claims from, purchasers in connection with delays and alleged defective works carried out in its property development projects. It may also have disputes with its contractors or suppliers over issues including, amongst other things, the quality of construction materials, the standard and skillfulness of their labourers and prices of the construction contracts. Claims may also be made against the Group by owners or occupiers of neighbouring properties in respect of the use and enjoyment of such properties. These disputes may lead to legal and other proceedings, and may cause the Group to suffer additional costs and delays. In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject the Group to administrative proceedings and unfavourable decrees that result in financial losses and/or a delay in the construction or completion of the Group's projects. In the event that such disputes are not resolved amicably or claims are successfully made against the Group and the Group is required to compensate the claimants, its business, financial condition, results of operations and prospects may be materially and adversely affected.

Further, the Group is regulated by various government authorities and regulations. If any government authority believes that the Group or any of its tenants do not comply with the regulations, it could shut down the relevant non-compliant entity or delay the approval process, refuse to grant or renew the relevant approvals or licences, institute legal proceedings to seize the Group's properties, enjoin future action or (in the case of the Group not complying with the regulations) assess civil and/or criminal penalties against the Group and/or its officers or employees. Any such action by the government authority would have a material adverse effect on the business, financial condition and results of operations and/or cash flow of the Group.

The Group may encounter problems with its joint ventures and/or investments that may adversely affect its business

The Group has, and expects in the future to have, interests in joint venture ("**JV**") entities and/or investments in connection with its property development plans. There may be disagreements between the Group and its JV and/or investment partners regarding the business and operations of the JVs and/or investments which may not be resolved amicably. In addition, the Group's JV and/or investment partners may (i) have economic or business interests or goals that are inconsistent with that of the Group; (ii) take actions contrary to the Group's instructions, requests, policies or objectives; (iii) be unable or unwilling to fulfil their obligations; (iv) have financial difficulties; or (v) have disputes with the Group as to the scope of their responsibilities and obligations. Depending on the nature, the Group's equity interest in and the extent of its involvement in such projects, the Group may not be able to control the decision-making process of JV and/or investment projects without reference to its JV and/or investment partners. In addition, there is no assurance that any new JVs and/or investments that the Group enters into will yield its anticipated benefits.

Any dispute with the Group's JV and/or investment partners which cannot be resolved amicably may escalate and become litigious or result in the early termination of such JV and/or investment which could in turn adversely affect the Group's business, financial condition and results of operations. Political uncertainties or new government regulations such as restrictions on ownership or changes in economic, business and operating conditions may also result in a decline in the Group's investment in these JV and/or investment entities and associated companies or a loss in its ability to influence the management and directors of, and the decisions made by, these JV and/or investment entities and associated companies. Additionally, in light of the current economic climate, the Group's JV and/or investment partners may not be able to fulfil their respective contractual obligations (for example, they may default in making payments during future capital calls or capital raising exercises) or may experience a decline in creditworthiness. Although such JV and/or investment agreements may contain terms that govern the treatment of such events to the detriment of the defaulting party and the Group may seek to enforce its rights as enumerated within such agreements, the occurrence of any of these events may materially and adversely affect the performance of the Group's JVs and/or investment. There is no assurance that the Group will not encounter such risks which may have a material adverse effect on its business, financial condition and results of operations in the future.

Furthermore, there is no assurance that the Group will experience successful integration with its JVs and/ or investments. Achieving the anticipated benefits of any JV and/or investment will depend in significant part upon whether these JVs and/or investments are integrated in an efficient and effective manner. If problems arise, the Group may not be able to achieve the anticipated operating and cost synergies envisaged prior to the entry into such JV and/or investment entities. Additionally, the Group may also assume liabilities in connection with JV and/or investment partners that it would not otherwise be exposed to.

The Group's future plans may not be commercially successful

In order to grow the Group's business in the future, it may expand its operations both locally and overseas or explore acquisitions, JVs and/or strategic alliances which it believes will complement its current and future businesses.

Expansion plans generally involve numerous risks, including, but not limited to, the financial costs of setting up new business units, investment in machinery and equipment and working capital. Such expansion plans may be expensive and may divert the attention of the Group's management and expose its business to unforeseen liabilities or risks associated with entering new markets or new businesses. There is no assurance that such expansion plans will be commercially successful.

The Group may also not be successful in integrating any acquired businesses, products or technologies. The integration of any acquired business or asset involves a number of risks, including, but not limited to, failure to fully achieve the anticipated synergies for revenue growth and cost benefits, loss of customers and higher integration costs than anticipated. The Group may also be exposed to significant risks such as spending more than budgeted amounts to make necessary improvements to the acquired asset. If the Group fails to achieve a sufficient level of revenue or if its expansion plans result in a lapse of customer service, performance problems with an acquired company, dilutive issuances of equity securities or the incurrence of debt, contingent liabilities, impairment charges related to goodwill or other intangible assets or any other unanticipated events or circumstances, its future financial position and performance may be materially and adversely affected. Participation in acquisitions, JVs and/or strategic alliances similarly involves numerous risks, including, but not limited to:

- difficulties in the assimilation of the management, operations, services, products and personnel;
- the possible diversion of management attention from other business concerns; and
- inherent risks in assessing the values, strengths, weaknesses and profitability of properties and/ or businesses, including adverse short term effects on the Group's operating results, and whilst the Group will undertake appropriate due diligence in order to assess these risks, the acquired properties and/or businesses may not achieve their anticipated returns.

Additionally, the Group may acquire properties or businesses subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown or contingent liabilities, claims by customers, vendors or other persons, tax liabilities, and other liabilities whether incurred in the ordinary course of business or otherwise.

In addition, the Group enters into property and hotel development projects through, and it has interests and makes investments in, entities that are not its subsidiaries, and over which it does not have majority control, such as JVs and there is no assurance that such JVs or strategic alliances would have economic or business interests that are aligned with the Group's strategies, and may therefore behave in a manner adverse to the Group's interests. The performance of these entities and the Group's share of their results is subject to the same or similar risks that affect it as described herein. The successful implementation of the Group's growth strategies depends on its ability to identify suitable partners and the successful integration of these partners' operations with the Group's operations. There is no assurance that the Group will expand its operations overseas or explore acquisitions, JVs and/or strategic alliances that are complementary to its businesses.

The Group cannot provide any assurance that it will be able to execute the above growth strategies successfully and the performance of any acquisitions, JVs or strategic alliances could fall short of expectations, thereby adversely affecting its business, financial condition and results of operations.

The Group is subject to risks inherent in investment entities and/or associated companies which it does not control

The Group holds some of its investments through the acquisition of minority or joint interests in investment entities and/or associated companies. There can be no assurance that the Group will be able to control such entities or exercise any influence over the assets of such entities or their distributions to the Group. The management and/or the employees of such entities may also make decisions which could adversely affect the operations of the Group. This could affect the Group's ability to deal with its investments in a manner which achieves its objectives which could in turn have a material adverse impact on the Group's financial condition.

The Group is exposed to risk of liquidity disruptions and increased financing costs

In recent times, credit markets worldwide have experienced significant volatility including a reduction in liquidity levels, increasing costs for credit protection and a general decline in lending activity between financial institutions and in commercial lending markets worldwide. These developments may result in the Group incurring increasing financing costs associated with the Group's levels of debt. Furthermore, there can be no assurance that the Group will be able to raise financing either on a short-term or a longer term basis on favourable terms or at all, which could have a material adverse effect on the Group. Such refinancing risks could (i) delay the completion of existing projects, (ii) hinder the Group in funding its development and (iii) increase the cost of debt due to higher bank margins, having an impact on results and cash flows. The Group's ability to meet its payment obligations and to fund planned capital expenditures will depend on the success of the Group's business strategy and the Group's ability to generate sufficient revenues to satisfy its obligations, which are subject to many uncertainties and contingencies beyond the Group's control.

Potential liability for environmental problems could result in substantial costs

The Group is subject to a variety of laws and regulations in jurisdictions in which it invests and operates concerning the protection of health and the environment that may require a current or previous owner of real estate to investigate and clean up hazardous or toxic substances on a property. For example, owners and operators of real estate may be liable for the costs of removal or remediation of certain hazardous substances or other regulated materials on or in such property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such substances or materials.

This gives rise to several risks, including:

- the risk of prosecution by environmental authorities;
- the requirement for unbudgeted additional expenditure to remedy such issues;
- the adverse impact on the operations at the affected property which may in turn adversely affect the revenue of the Group; and
- the adverse impact on the value of the affected property.

The Group may be liable to bear the costs of remedying or removing such contamination and there is no guarantee that the Group can recover such costs from other parties which might have contributed to or are responsible for such contamination.

The cost of investigation, remediation or removal of these substances may be substantial. There is no assurance that potential environmental liability does not exist or will not arise in the future. Environmental laws and regulations in jurisdictions in which it invests and operates may also impose compliance obligations on owners and operators of properties with respect to the management of hazardous substances and other regulated materials. Failure to comply with these laws can result in penalties or other sanctions. However, if the Group fails to comply with existing or future environmental laws and regulations in the jurisdictions in which it operates, its reputation may be damaged or it may be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group may suffer an uninsured loss

The Group maintains insurance cover appropriate to its risk profile after taking into account the level of retained risk the Group considers to be appropriate, relative to the cost of cover available in the market place. Not all risks are insured, either because the risk is uninsurable or that cover is not available on commercially viable terms. The Group is also exposed to the risk of cover not being continually available. Availability may be influenced by factors outside the Group's control, which could reduce the markets' underwriting capacity, breadth of policy coverage or simply make the cost of cover too expensive. The Group could be exposed to uninsured third-party claims, loss of revenue or reduction of fixed asset values which may, in turn, have an adverse effect on Group profitability, cash flows and ability to satisfy banking covenants. Should an uninsured loss or a loss in excess of insured limits occur, the Group could be required to pay compensation and/or lose capital invested in its properties as well as anticipated future revenue from such properties. The Group would also remain liable for any debt or other financial obligation related to the properties and the business, financial condition and results of operations of the Group may be adversely affected. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future or that adequate insurance coverage for the Group will be available in the future on commercially reasonable terms, at commercially reasonable rates or at all.

The Group is exposed to general risks associated with the ownership and management of real estate

Property investment is subject to risks incidental to the ownership and management of commercial properties. In particular, risks associated with the Group's property rental business (and to a lesser extent, the Group's hospitality and property development businesses) would include, among other things, defects (latent or otherwise) in buildings, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, inability to dispose of major investment properties for the values at which they are recorded in the Group's financial statements, increased operating costs, the need to renovate, repair and re-let space periodically and to pay the associated costs, wars, terrorist attacks, riots, civil commotions, natural disasters, epidemics, pandemics and other events beyond the Group's control. The activities of the Group may also be impacted by changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, taxes and government charges. Such revisions may lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance. Rights related to the relevant properties may also be restricted by legislative actions, such as revisions to the laws relating to building standards or town planning laws, or the enactment of new laws relating to government appropriation, condemnation and redevelopment.

The Group is exposed to risks relating to the quality and extent of the title to or interests in the properties in the Group's portfolio

The quality, nature and extent of the title to the properties in the Group's portfolio vary, depending on a number of factors, including:

- the stage of development of the property;

- the extent to which the contract pursuant to which the property interest was acquired has been performed, the extent to which the terms and conditions thereunder have been complied with, and the amount of the purchase consideration which has been paid;

- the extent of compliance by the Group or any other relevant party (including previous owners, the vendor of the property and the entity in which the Group invested that has acquired or is acquiring the property) with all relevant laws and regulations relating to the ownership, use, sale, development or construction of the property;

- the manner under which the interest in the property is held, whether through a JV, a development agreement, under a master lease, an option to purchase, a sale and purchase agreement, through asset-backed securities or otherwise;

- in the case where the property interests are leasehold interests, the extent of compliance by the Group or any other relevant party (including previous lessees or lessors, the vendor of the property and the entity in which the Group has invested that has acquired or is acquiring the property) with the terms and conditions of the state or head lease or any other document under which the title of the property is derived;

- the capacity, power, authority and general creditworthiness of the counterparties to the contractual and other arrangements through which the Group has acquired its interest in the property;

- the laws and regulations that apply to the property; and

- the country and location of the property.

The limitations described above on the quality, nature and extent of the title to the land and properties in the Group's portfolio of property interests impact its ability to deal with and have control over its property interests, and the conditions under which it may own, develop, operate or manage the property. No assurance can be given that the quality, nature and extent of the title to the Group's property interests will not be challenged or adversely impacted or will not adversely affect the Group's ability to deal with its property interests and in turn the value of its investment in these properties.

The Group's operations are subject to various regulatory requirements

The Group's operations are subject to various regulatory requirements. Failure to comply with these requirements could result in the imposition of fines or other penalties by governmental authorities, which may include the revocation of governmental licences. This may also result in delays to the completion of the Group's property development projects. Any penalties imposed by governmental authorities may materially and adversely affect the business of the Group.

The real estate industry in the countries in which the Group operates is subject to significant government regulation. In particular, regulatory approvals may be required for, amongst other things, land and title acquisition or divestment, development planning and design, construction, renovation and asset enhancement, and mortgage financing and refinancing. Such approvals may stipulate maximum periods for the commencement of development of the land. Some of these countries may also restrict the level, percentage and manner of foreign ownership and investment in real estate or may impose additional costs on foreigners seeking to invest in or own properties. Some of these laws and regulations are at times ambiguous and their interpretations and applications can be inconsistent or uncertain, making compliance with them challenging, and may be potentially detrimental to the Group. If the Group fails to obtain the relevant approvals or comply with applicable laws and regulations, it may be subject to penalties, have its licences or approvals revoked, or lose its right to own, develop or manage its properties and its businesses, any or all of which could have a material and adverse impact on its business, financial condition, results of operations and prospects.

Terrorist attacks, other acts of violence or war and adverse political developments may affect the business and results of operations of the Group

Since the occurrence of certain terrorist attacks in different parts of the world in recent years, there has been an escalation of a general fear of expansion of terrorist activities around the world, which could have an adverse effect on the world economy, as well as on the demand levels for tourism. Any further developments or terrorist activities could also materially and adversely affect international financial markets and the Singapore economy and may adversely affect the operations, revenues and profitability of the Group. Terrorist activities, acts of violence or war and adverse political developments also could potentially result in damage to the properties of the Group and cause injury or death as well as disruption in the operations, revenue and profitability of the Group. The consequences of any of these terrorist attacks or armed conflicts are unpredictable, and the Group may not be able to foresee events that could have an adverse effect on its businesses and results of operations.

The Group's real estate investments may be illiquid

Real estate investments are generally illiquid. Such illiquidity limits the ability of an owner or a developer to convert real estate assets into cash on short notice or may require a substantial reduction in the price that may otherwise be sought for such assets to ensure a quick sale. Such illiquidity also limits the ability of the Group to vary its portfolio or liquidate part of its assets in response to changes in economic, real estate market or other conditions. This could have a material and adverse effect on the Group's financial condition and results of operations, with a consequential material and adverse effect on the Group's ability to make expected returns. Moreover, the Group may face difficulties in securing timely and commercially favourable financing in asset-based lending transactions secured by real estate assets due to the illiquid nature of such assets. These factors could affect the Group's gains from realisation of its investments in real estate assets, including the value at which it may dispose of its holdings in entities that hold the real estate assets, the income or other distributions received by it from vehicles which the Group has invested in or the inability to dispose of major investment properties for the values at which they are recorded in the financial statements of the Group, which in turn would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The market values of the Group's properties may differ from their appraised values as determined in the valuation reports

The valuations of the Group's properties are based on certain assumptions which may differ materially from actual measures of the market. Property valuations generally include a subjective determination of certain factors relating to the relevant property, such as the property's relative market position, financial and competitive strengths and physical condition. Accordingly, no assurance can be given to prospective investors that the assumptions are accurate measures of the market or that the valuation of each of the Group's properties is accurate. The market value of the Group's properties or any future acquisitions may, therefore, differ from their appraised values. The appraised value of any of the Group's properties or any future acquisitions is not an indication of, and does not guarantee, a sale price at that value at present or in the future. The price at which the Group may sell a property may be lower than its appraised value or the initial acquisition price of that property.

The Group depends on the continued service of certain key personnel, and the loss of any such key personnel may adversely affect its financial condition and results of operations

Execution of the Group's strategy depends on its ability to attract, develop and retain employees with the appropriate skills, experience and aptitude. Development and maintenance of a group culture, recognition systems, compensation and benefits arrangements, training and development all play leading roles in minimising this risk. The loss of key employees may have a material adverse effect on the Group's businesses, financial condition and results of operations.

The Group's key businesses are generally capital intensive in nature, and the Group's growth may be affected if it is unable to obtain financing

The Group's key businesses are generally capital intensive in nature. For instance, the Group's hospitality and investment properties will require periodic capital expenditure, refurbishments, renovation and improvements to remain competitive. Acquisitions or development of additional hotels and property assets (including landbank for future development) will also require significant capital expenditure. The Group may not be able to fund capital improvements or acquisitions solely from cash generated from its operating activities. The Group may not be able to obtain additional equity or debt nor be able to obtain such financing on favourable terms.

The Group may require additional financing to fund working capital requirements, to support the future growth of its business and/or to refinance existing debt obligations. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group. Factors that could affect the Group's ability to procure financing on favourable terms include general and economic political conditions, the Group's performance, the cyclicality of the property market and market disruption risks which could adversely affect the liquidity, interest rates and the availability of funding sources.

The Group is subject to exchange rate fluctuations

The Group's current portfolio of properties is located across 29 countries around the world; because of this geographical diversity, the Group receives income in the local currencies where its properties are located at the then-applicable exchange rates. Although the Group engages in certain hedging activities to mitigate its currency exchange rate exposure, the impact of future exchange rate fluctuations among the US dollar, the Singapore dollar and other currencies on the Group's cost of sales and margins cannot be accurately predicted. Some of the currencies may not be convertible or exchangeable or may be subject to exchange controls. The reporting currency for the Group is Singapore dollars. Exchange rate fluctuations will arise when the assets and liabilities in foreign currencies are translated into Singapore dollars for financial reporting purposes. If the foreign currencies depreciate against the Singapore dollar, this may adversely affect the consolidated financial statements of the Group.

The Group is subject to credit risk arising from defaulting counterparties

Credit risk may arise when counterparties default on their contractual obligations resulting in financial loss to the Group. Although the Group adopts a policy of only dealing with creditworthy counterparties and the Group regularly reviews its credit exposure to its customers, credit risks may nevertheless arise from events or circumstances that are difficult to anticipate or detect, including, but not limited to, political, social, legal, economic and foreign exchange risks that may have an impact on its customers' ability to make timely payments and render the Group's enforcement for payments ineffective. Credit risk on cash and bank balances and derivative financial instruments including interest rate hedging is limited as these are placed or transacted with reputable institutions.

Failure to maintain the integrity of internal or customer data could result in harm to the Group's reputation or subject the Group to costs, liabilities, fines or lawsuits

The Group's business involves collecting and retaining large volumes of internal and external data, including personal information, customer data (including lessees, licensees and purchasers) and other types of information such as credit card numbers, and its various information technology systems, networks and platforms store, process, summarise and transmit such data. The Group also maintains information about various aspects of its business, including information relating to its financial position, operations and employees. In particular, as part of its hospitality services and services for its serviceapartments, the Group requires guests to provide personal information when booking and/or checking into its hotels and service apartments. Booking and reservations for hotel rooms and service apartments may be done through the platforms of service providers, and breaches of customer data may arise if the Group's information systems or the platforms of such service providers are compromised. Any system failures, computer and/or software viruses and malwares, computer breaches (including breaches by "hackers") or other causes may result in operational problems with such information systems, networks and/or platforms.

The integrity and protection of the Group's customer, employee and company data is critical to its business. The Group relies on information technology networks, systems and platforms, including the Internet and cloud services, to store, process, transmit and store electronic information and to manage or support a variety of its business processes, including financial transactions and maintenance of records, which may include the personally identifiable information of customers (including data relating to its leases, licensee and sale agreements). The Group also relies on commercially available systems, software, security tools and monitoring services to secure the storing, processing and transmitting of confidential customer information, such as individually identifiable information relating to financial and banking accounts. The Group's information technology networks, systems and platforms, including software may be vulnerable to data theft and corruption and there is no assurance that such cybersecurity risks can be alleviated entirely. If such attacks were to occur, the Group may have its systems breached and its company, employee and customer information compromised. Consequently, the Group may suffer a loss of consumer confidence and damage to its reputation and the Group may also be subject to liability claims or regulatory penalties. The Group may be subject to data protection or similar laws and regulations in jurisdictions in which the Group carries on business. In 2012, the Singapore Government introduced the Personal Data Protection Act 2012 (Act 26 of 2012), which regulates the collection, use and disclosure of personal data. Any theft, loss, fraudulent or unlawful use of customer, employee or company data could harm the Group's reputation or result in remedial and other costs, liabilities, fines or lawsuits.

The Group is reliant on effective marketing and branding strategies

The Group relies on a number of factors such as price, location and product quality as well as its brand recognition and branding strategies to expand its customer base and increase its market share in Singapore and other target markets. In the event that its marketing strategies fail to promote the Group's products or enhance its brand names due to a failure to spend sufficient resources for such purposes, its business and operating results may be adversely affected. The success and continued growth of the Group's business is also dependent on its ability to establish effective marketing strategies to maintain and increase its customer base, to capture a bigger market share and increase its turnover. Any misjudgment in assessing its customers' needs and changes in its customers' preferences could result in loss of sales. In such event, the Group's profitability will be adversely affected.

The Group's business is exposed to tax and treasury risk

The Group's businesses operate in numerous tax jurisdictions. Changes in tax laws in any of those jurisdictions may have adverse consequences to the Group's profits. The Group's interpretation and application of various tax laws may be challenged, with the possible result of the Group having to incur unforeseen tax liabilities.

The Group is exposed to various types of taxes including but not limited to income tax, withholding tax, capital gains tax and other taxes specifically imposed for the ownership of such assets. While the Group intends to manage the taxation in each country efficiently, there can be no assurance that the desired tax outcome will be achieved. In addition, the level of taxation in each country is subject to changes in laws and regulations and such changes, if any, may lead to an increase in tax rates or the introduction of new taxes.

Further, any increase in Goods and Services Tax in Singapore or overseas markets where the Group's properties are located could have a negative impact on the retail market, which may result in the loss of tenants for the properties of the Group that comprise or include retail malls. This in turn may reduce the rental income of the Group and have an adverse effect on the Group's financial condition and results of operations.

The Group's financial statements are subject to changes in accounting standards

The Singapore Accounting Standards Council may issue new and revised accounting standards and pronouncements from time to time. Applying such standards and pronouncements to the Group's financial statements may result in a change in the presentation and measurement of financial information, and thus may result in a change in the way the Group records its revenues, expenses, assets, liabilities or reserves. For example, the Group's adoption of the new financial reporting framework — Singapore Financial Reporting Standards (International) ("**SFRS(I)**") and SFRS(I) 1 *First time Adoption of Singapore Financial Reporting Standards (International)* on 1 January 2018 has resulted in an increase in assets, reserves and expenses in the FY2018 financial statements. Moreover, changes in accounting policy in relation to revenue recognition may result in fluctuations in the Group's revenue recognised year-on-year. The Group has also adopted SFRS(I) 15 *Revenue for contracts with customers* on 1 January 2018, which has resulted in changes in, amongst other things, the Group's revenue recognition methods in relation to the sale of development properties under construction as well as the treatment of certain development costs. Further, on 1 January 2019, the Group adopted SFRS(I) 16 *Leases* which introduces new or amended requirements with respect to lease accounting. As a result, the Group is required to remove the distinction between operating and finance leases and recognise right-of-use assets and lease liability at commencement for all leases, with exemption for short-term leases and leases of low value assets. In addition, the International Financial Reporting Standards Interpretation Committee's finalised agenda decision on IAS 23 Borrowing Costs on 6 March 2019 concluded that borrowing costs would not be capitalised when the borrowings relate to the construction of a residential multi-unit real estate development for which revenue is recognised over time.

The Group cannot predict the impact of changes in accounting standards and pronouncements. Such changes could adversely affect the Group's reported financial results and positions and adversely affect the comparability of the Group's future financial statements with those relating to prior periods.

Planned amenities and transportation infrastructure near the Group's properties may not be implemented as planned, or may be closed, relocated, terminated, delayed or not completed

There can be no assurance that amenities, transportation infrastructure and public transport services within the proximity of the Group's properties will be implemented or completed as planned or will not be closed, relocated, terminated or delayed. If such an event were to occur, it may materially and adversely impact the accessibility and attractiveness of the relevant property development projects as well as investment properties. This may then have a material and adverse effect on the demand, the selling prices and/or the rental rates of the relevant properties and may materially and adversely affect the Group's business, financial condition, prospects and results of operations.

The Group may require additional funding for future growth of its operations

The Group's ability to arrange adequate financing on terms which are acceptable to itself depends on a number of factors that are beyond its control, including general economic and political conditions, the terms on which financial institutions are willing to extend credit to the Group and the availability of other sources of debt or equity financing. If the Group is unable to secure adequate financing, its business and growth may be adversely affected. In particular, property and hotel development projects typically require large initial capital outlay during the land acquisition and construction phases. To carry out such projects, the Group will require adequate funding either from internal resources or borrowings to fund the working capital of the projects. In addition, the Group is also required to secure the requisite performance bonds or guarantees from financial institutions for some of its contracts.

Additional debt financing may, apart from increasing interest expense and gearing, result in all or any of the following:

- increase the Group's vulnerability to adverse economic and industry conditions;
- require the Group to dedicate a substantial portion of its cash flow from operations to payments on its debt, thereby reducing the availability of its cash flow to fund capital expenditure, working capital and other requirements; and/or
- limit the Group's flexibility in planning for, or reacting to, changes in its business and its industry.

The Group is unable to provide any assurance that it will be able to obtain the additional debt and/or equity financing on terms that are acceptable to itself or at all. Any inability to secure additional debt and/or equity financing may materially and adversely affect the Group's implementation of its business strategies and future plans, thereby adversely affecting its business, financial condition and results of operations.

The Group is subject to interest rate fluctuations

The Group is subject to the effects of interest rate fluctuations on its borrowings from financial institutions. Some of the Group's existing borrowings are on a floating rate basis, and the Group's future borrowings may also be on a floating rate basis. Consequently, the interest cost to the Group will be subject to fluctuations in interest rates.

Although the Group may enter into hedging transactions to mitigate the risk of such interest rate fluctuations, such hedging may not adequately cover the Group's exposure to interest rate fluctuations. As a result, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected by interest rate fluctuations.

An increase in interest rates in Singapore and/or any of the countries in which the Group operates may negatively impact the demand for the Group's residential and/or mixed-development units. For example, changes in monetary policies by central banks can have a negative impact on the real estate sector, particularly where such changes result in a rise in long-term interest rates. Higher interest rates may impact demand for the Group's residential units by making it more expensive and difficult for potential purchasers and/or tenants to secure financing, which can lead to a decrease in the demand for residential and/or mixed-development units. As property development and property investment contribute to a significant part of the Group's revenue, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected by higher interest rates.

(B) RISKS RELATING TO THE GROUP'S PROPERTY DEVELOPMENT BUSINESS

Changing market conditions may adversely affect the Group's financial condition

The property market is subject to changes in economic outlook and financial market volatility in Singapore as well as globally. Rapidly changing market conditions, including changes in customer tastes, market prices and the desirability of a location, may adversely affect the Group's property development business. Timing of launching new projects is therefore key to securing sales of units at optimal sales prices. A downturn in the property market leading to lower property values may result in the Group having to delay the launches of new developments. This will result in increased holding costs until the development properties are sold. Further, property development requires significant capital outlays and returns on capital are not achieved until cash is received from pre-sale, sales or leases. The size of the capital outlays and number of parties involved in a property development project make it difficult to change property development plans once set. As a result, the Group may not be able to adjust its plans or reallocate its resources to adapt to rapidly changing market conditions and this may materially and adversely affect its business, financial condition, results of operations and prospects.

The Group's property development business is dependent on the performance of the real estate market in the jurisdictions in which the Group operates

The Group expects the residential real estate market in Singapore and the other jurisdictions in which the Group operates to remain highly competitive. Oversupply of developed properties could cause downward pressure on property sale prices. There is no assurance that supply will not exceed demand for property as a result of economic uncertainty, slower growth and increased interest rates (which may reduce the ability of the Group's potential customers to finance real estate purchases and increase the Group's own costs of financing). This may lead to further volatility in property prices, which could in turn materially and adversely affect the Group's business, financial condition and results of operations. There is also no assurance that there will not be over-development in the property sector in the areas where the Group's properties are located in the future, which may result in an over-supply of properties and a fall in property prices.

In particular, a substantial amount of the Group's existing development projects and landbank are located in Singapore and therefore the success of the Group's property development business still depends significantly on the continued growth of the real estate market in Singapore. The Group's financial condition, results of operation and profitability may be materially and adversely affected by any adverse development in the supply of or demand for property or property prices in Singapore.

The Group is subject to risks associated with the development of residential and commercial properties

The Group's primary business is the development of residential and commercial properties. Property developments typically require substantial capital outlay during the land acquisition and construction phases and may take one or more years before positive cashflows may be generated through presales, resales or sales of a completed property development. Depending on the size of the development, the time span for completing a property development usually lasts for more than a year. Consequently, changes in the business environment during the length of the project may affect the revenue and cost of the development, which in turn has a direct impact on the profitability of the projects. Factors that may affect the profitability of a project also include the risk that the receipt of government approvals may take more time than expected, the failure to complete construction according to original specifications, schedule or budget, the availability of financing and lacklustre sales of the properties. The sales and the value of a property development project may be adversely affected by a number of factors, including but not limited to the international, regional and local political and economic climate, local real estate conditions, perceptions of property buyers, competition from other available properties, changes in market rates for comparable sales and increased business and operating costs. If any of the property development risks described above materialises, the Group's returns on investments may be lower than originally expected and the Group's financial performance may be materially and adversely affected.

The Group may be unable to identify or acquire land or properties for development at commercially acceptable prices

The Group may not be able to identify and acquire attractive sites in the future at commercially acceptable prices, or at all. Its inability to identify and acquire attractive new sites at commercially acceptable prices could impair its ability to compete with other property developers and materially and adversely affect its ability to grow its business and maintain its profitability.

The Group's business may be affected by changes in government policies

The performance of the Group's businesses may be affected by changes in government policies. This could, in turn, affect the profitability of the Group depending on the Group's ability to maneuver around a dynamic environment.

The Singapore residential property market is subject to varying degrees of government regulations over, and policies on, among other things, land and title acquisition, development planning and design and construction and mortgage financing and refinancing. The Singapore Government is actively involved in the development, construction and sale of housing to middle and lower-income families through its public housing scheme. The Singapore Government is also a major supplier of land to private developers. The Singapore Government has exercised and continues to exercise significant influence over Singapore's property industry, and the policies of the Singapore Government concerning the economy or the real estate sector, or any change therein, could have a material and adverse effect on the business of the Group. For example, changes to the Master Plan guidelines relating to zoning and micro-planning restrictions on land use, increase in foreign worker levies and changes in laws relating to sustainable development, environmental controls, building codes, stamp duty, property tax, income tax and capital gains tax could adversely affect the profitability of the Group.

The Group's business may be affected by anti-speculation measures

To curb speculation in real estate and promote a stable and sustainable property market, the governments of Singapore and the foreign jurisdictions where the Group operates have been seen to adopt measures including tightening lending policies, imposing higher down payments and property tax. These governments may introduce new laws or amend or abolish existing laws at any time and these laws may have retroactive effect. Jurisdictions in which the Group has invested in may be subject to such changes in laws and regulations. These changes may have a material and adverse impact on the overall performance of the property markets in which the Group operates and thus affect the Group's business, financial condition, prospects and results of operations.

Historically, the Singapore Government has sought to regulate or reduce property speculation through measures such as the adoption and enforcement of regulations and the imposition of credit controls, taxes and fees. In recent years, the Singapore Government has implemented a series of measures to cool the Singapore property market and to seek to maintain a stable and sustainable property market where prices move in line with economic fundamentals. For instance, in December 2011, the Singapore Government introduced the additional buyer's stamp duty ("**ABSD**"), which was further enhanced in January 2013 and again in July 2018. ABSD ranging from 5% to 30% is to be paid by certain groups of people or entities (as the case may be) who buy or acquire residential properties (including residential land). Further, the Group may, where necessary, apply for ABSD remission and if granted, the IRAS may impose conditions on the Group. If such conditions are not met, ABSD with interest will be payable. The Group may be subject to such ABSD and interest for future residential land acquisitions which the Group may undertake.

Furthermore, the Group may, where necessary, apply for ABSD remission and if granted, the IRAS may impose conditions on the Group which may be more stringent compared to the conditions imposed under the Qualifying Certificate (the "**Qualifying Certificate**") issued pursuant to the Residential Property Act, Chapter 274 of Singapore (the "**Residential Property Act**"). If such conditions are not met by the Group, ABSD with interest will be payable and this could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, under the conditions of the Qualifying Certificate, all developers with non-Singaporean shareholders or directors are required to obtain the Temporary Occupation Permit ("**TOP**") for their residential property developments within five years and to sell all dwelling units within two years from the date of TOP. An extension charge of 8%, 16% and 24%. of the land purchase price for the first, second and subsequent years past the two-year TOP deadline will be incurred to extend the deadline. The Group is, on the basis of the legislation, affected by the Qualifying Certificate scheme and it may incur extension charges if any units in its residential property developments remain unsold after a period of two years from TOP. However, the Ministry of Law in Singapore has, on 6 February 2020, announced that it will, with immediate effect, allow publicly listed housing developers with a substantial connection to Singapore to be treated as a Singapore company within the meaning of the Residential Property Act when they acquire residential land for development. To this end, publicly listed developers can apply for exemption from the Qualifying Certificate regime on the basis that they have a substantial connection to Singapore.

In June 2013, the MAS introduced a total debt servicing ratio ("**TDSR**") framework for property loans granted by financial institutions to individuals. The TDSR framework requires financial institutions to take into consideration borrowers' other outstanding debt obligations when granting property loans. The TDSR is the percentage of total monthly debt obligations to gross monthly income and the general position is that a property loan extended by a financial institution will not exceed a TDSR threshold of 60%. On 10 March 2017, the Singapore Government announced that the TDSR framework will no longer apply to mortgage equity withdrawal loans with loan-to-value ratios of 50% and below with effect from 11 March 2017.

To address the stamp duty rate differential between direct acquisition/disposal of residential properties and acquisition/disposal of equity interest in entities holding primarily residential properties, the Singapore Government introduced the Additional Conveyance Duties ("**ACD**"). ACD is chargeable on qualifying acquisitions/disposals of equity interest (for example shares or units) in property-holding entities ("**PHEs**") which own primarily tangible assets that are residential properties in Singapore on or after 11 March 2017. No ACD will apply if the transfer of equity interest in a PHE is pursuant to a will or by way of assent.

The Singapore Government may introduce further legislation or policies or amend existing legislation or policies to moderate the Singapore residential property market or to encourage financial prudence. Such measures may have an adverse effect on the Singapore residential property market and on the Group's financial performance.

The Group's property development business may be subject to risks in investing outside Singapore

The Group's property operations in foreign countries could expose it to political, economic, regulatory and social risks and uncertainties specific to those countries. These investments may also be adversely affected by a number of local real estate market conditions in these countries, such as oversupply, the performance of other competing properties or reduced demand. Any changes in the political environment and the policies by the governments of these countries, which include, *inter alia*, restrictions on foreign currency conversion or remittance of earnings, the requirement for approval by government authorities, changes in laws, regulations and interpretation thereof and changes in taxation could adversely affect the Group's future results and investments, which may also be exposed to currency fluctuations when they are converted to Singapore dollars. Such unfavourable events in such foreign countries will have an adverse impact on the Group's distributable income and asset value.

More generally, in the countries in which the Group operates, in order to develop and complete a property development project, a property developer must typically obtain various permits, licences, certificates and other approvals from the relevant administrative authorities at various stages of the property development process, including land use rights certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions. Delays or issues may be encountered in obtaining such government approvals or in fulfilling the conditions required for obtaining the approvals, especially as new laws, regulations or policies may come into effect from time to time with respect to the real estate industry in general or the particular processes with respect to the granting of approvals. There is no assurance that the Group will be able to obtain the requisite governmental approvals or fulfil the conditions required for obtaining the approvals or adapt to new laws, regulations or policies that may come into effect. There can also be no assurance that governments of the countries where the Group operates in will not adopt restrictive policies and impose onerous or unfavourable conditions with respect to the issuance of certain licences, permits or approvals.

If the Group is unable to obtain the relevant approvals or fulfil the conditions of such approvals for a significant number of its property development projects, these development projects may not proceed on schedule or at all and the Group's business, financial condition, prospects and results of operations may thereby be adversely affected.

The Group is subject to risks in relation to pre-sold properties

The Group faces risks relating to pre-sale of properties. For example, the Group may fail to complete a fully or partially pre-sold property development, in which case, the Group may be liable for potential losses that buyers may suffer as a result. There can be no assurance that these losses would not exceed the purchase price paid in respect of the pre-sold units. In addition, if a pre-sold property development is not completed on time, the buyers of pre-sold units may be entitled to compensation for late delivery. Failure to complete a property development on time may be attributed to factors such as the time taken and the costs involved in completing construction, which are in turn adversely affected by factors such as delays in obtaining requisite licences, permits or approval from government agencies or authorities, shortages of labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors, accidents, changes in government priorities and policies and unprecedented public health outbreaks. If the delay extends beyond the contractually specified period, these buyers may even be entitled to terminate the pre-sale agreements and claim damages. There is no assurance that the Group will not experience any failure or significant delays in completion or delivery or that the Group will not be subject to any liabilities for any such failure or delays. Further, a high default rate of the buyers under their respective sale agreements could have an adverse effect on the Group's property development business, cashflow and financial position.

The Group relies on independent contractors to provide property development products and services

The Group engages independent third party contractors to provide significant property development services, including construction, piling and foundation, structural works, architectural works, building and property fitting-out work, interior decoration and installation of air-conditioning units and elevators and all other mechanical and electrical works. There can be no assurance that the services rendered by any such independent contractor or any subcontractor will be completed in a timely manner or be of satisfactory quality. If these services are not timely or of acceptable quality, the Group may incur substantial costs to complete the projects and to remedy any defects and the Group's reputation could be significantly harmed. The Group is also exposed to the risk that a contractor may require additional funds in excess of the fixed cost to which they committed contractually and the Group may have to bear such additional amounts. For instance, any further restriction of foreign labour entitlements in Singapore may reduce the labour supply to the construction industry. Any contractor that experiences financial or other difficulties, including labour shortages or disputes with its employees, may be unable to carry out such construction or related work, resulting in delay in the completion of the Group's development projects or resulting in additional costs. The Group believes that any problems with the Group's contractors, individually or in the aggregate, may materially and adversely affect the Group's financial condition, results of operations or reputation. There is no assurance that such problems with the Group's contractors will not occur in the future.

Certain construction risks may arise during the building of any new property

The construction of new developments entails significant risks, including shortages of materials or skilled labour, unforeseen engineering, environmental or geological problems, work stoppages, litigation, weather interference, floods or unforeseen cost increases, any of which could give rise to delayed completions or cost overruns. Difficulties in obtaining the requisite licences, permits, allocations or authorisations from regulatory authorities could also increase the cost of, or delay the construction or opening of, new developments.

Accidents or mishaps may occur at the work sites of the Group's projects. Such accidents or mishaps may severely disrupt the operations of the Group and lead to delays in the completion of projects. In the event of such delay, the Group may be liable to pay liquidated damages to its clients and its business, financial condition and results of operations may be materially and adversely affected. Furthermore, such accidents or mishaps may subject the Group to claims from workers or other persons involved in such accidents or mishaps for damages, and any claims which are not covered by the Group's insurance policies may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

In addition, in the event that the Group's work sites contravene the requisite safety standards imposed by the regulatory authorities, the Group may be subject to penalties which include being fined or issued with partial or full stop-work orders. The issuance of such stop-work orders may disrupt operations and lead to a delay in the completion of a project.

All of these factors may adversely affect the Group's business, financial condition and results of operations.

The Group faces increasing competition

The Group's real estate business competes with both domestic and international companies with respect to factors such as location, pricing, concept and design. Intensified competition between real estate developers may result in, *inter alia*, increased costs for land acquisition, increased construction costs, increased difficulty in obtaining qualified and experienced manpower, lower profit margins and a slowdown in the approval process for new property developments by the relevant government authorities, all of which may adversely affect the Group's property development business. As a result, there can be no assurance that the Group will be able to compete successfully in the future against its existing or potential competitors or that increased competition with respect to the Group's activities may not have a material adverse effect on its business and financial condition.

The Group's performance may be affected by changes in commodity prices

The Group faces risks in relation to changes in commodity prices due to the consumption of large quantities of building materials, including raw iron, steel, sand, granite and concrete, in its property development operations. As a property developer, in general, the Group enters into fixed or guaranteed maximum price construction contracts with independent construction companies, each of which concerns the development of a significant part of its overall development project. These contracts typically cover both the supply of the building materials and the construction of the facility during the construction period. In accordance with industry practice, the Group or its contractors may amend existing construction contracts, including fixed or maximum price terms, to take into account significant price movements of construction materials. Therefore, should the price of building materials increase significantly prior to the Group entering into a fixed or guaranteed maximum price construction contract and should the Group choose to absorb these price increases in order to retain the continued services of contractors in an overall effort to minimise costs, or should its existing contractors fail to perform under their contracts, the Group may be required to pay more to existing or prospective contractors, which could materially and adversely affect the Group's results of operations and financial condition.

The Group is subject to the risk of inability to collect progress payments from purchasers of its property development projects

The Group is subject to the solvency or creditworthiness of the purchasers of its development properties. In this respect, the Group may sometimes face delay or even non-payment in the collection of progress payments from the purchasers of its property development projects. Any significant delay or inability in collecting payment may impact negatively on the Group's results of operations and financial condition.

The Group's property development business is subject to revenue and profit volatility

The Group's revenue from its property development business in any financial year may fluctuate as it is predominantly project-based and is dependent on the number, value and stage of completion of the property development projects it undertakes. Accordingly, there is no assurance that the amount of revenue and profits from the Group's sale of development properties will remain comparable each year. In the event that the Group undertakes fewer or no new property development projects for any reason or if there is any delay in the progress of any of the property development projects, its revenue and profits recognised in that financial year, and accordingly the Group's business, financial condition, results of operations and prospects, may be materially and adversely affected. As such, potential investors should note that the historical financial performance and financial condition of the Group are not to be taken as an indication of the future financial performance and financial condition of the Group in any financial reporting period.

Losses or liabilities from latent property or equipment defects may adversely affect earnings and cash flow

Design, construction or other latent property or equipment defects in the Group's development properties may require additional capital expenditure, special repair, maintenance expenses or the payment of damages or other obligations to third parties. Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which may have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

The costs of maintaining the Group's properties and the risk of unforeseen maintenance or repair requirements tend to increase over time as the Group's properties age. The business and operation of the Group's properties may be disrupted as a result of asset enhancement works and it may not be possible to collect the full rate of, or, as the case may be, any rental income on the space affected by such asset enhancement works.

(C) RISKS RELATING TO THE GROUP'S HOTEL OPERATIONS

The financial performance of the Group's hotel operations depends on global economic conditions and the conditions of the hospitality industry in the countries in which the Group has hospitality assets and/or operates

A number of factors are beyond the control of the Group, and could affect the financial performance of the Group's hotel operations, including the following:

- major events affecting either economic or political stability on a global and regional level represent an exposure to the Group. Economic events, such as global financial crises, could include recessionary pressures which would have an impact on the Group's revenue, operating costs and profitability. Political risk could include changes in the regulatory environment in which the Group's business activities operate, including restrictions on the repatriation of funds or control over the ownership of assets;

- the hotel industry operates in an inherently cyclical market place. A weakening of demand, or an increase in market room-supply, may lead to downward pressure on room rates which in turn would lead to a negative effect on operating performance;

- sustained levels of occupancy and room rates can be adversely affected by events that reduce domestic or international travel. Such events may include acts of terrorism, war or perceived increased risk of armed conflict, civil unrest, epidemics (such as the Covid-19 pandemic), natural disasters or other calamities, travel restrictions, increased cost of travel or industrial action. These events may be localised to a particular country, region or could have a wider international perspective. Reduced demand will impact on revenue and operational profitability;

- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;

- the nature and length of a typical hotel guest's stay — hotel guests typically stay on a short-term basis and there is therefore no assurance of long-term occupancy for hotel rooms;

- the Group may be called to renegotiate the terms of collective agreement with unionised hospitality staff from time to time. No assurance can be given that the Group's employment contracts can be renegotiated on the terms agreeable to it and the staff upon the expiration of the contracts. The inability to negotiate satisfactory terms with the unions may impact the Group's ability to hire and retain qualified personnel, which will adversely affect the standards of its hospitality business, and thus the results of its operations and its prospects;

- increases in operating costs due to inflation, labour costs, workers' compensation and health-care related costs, utility costs, insurance and unanticipated costs such as acts of nature and their consequences;

- changes in travel patterns resulting from epidemics (such as the Covid-19 pandemic), increases in transportation or fuel costs, strikes among workers in the transportation industry and adverse weather patterns; and

- changes in the Group's relationships with, and the performance and reputation and standing of the lessees, hotel managers, serviced residence operators, service providers and other companies with whom the Group may contract.

These factors could have adverse effects on the Group's results of operations and, consequentially, financial condition.

Accidents, injuries or prohibited activities in the Group's hotels may adversely affect its reputation and subject it to liability

There are inherent risks of accidents, injuries or prohibited activities (such as illegal drug use, gambling, violence or prostitution by guests) that may take place in hotels. The occurrence of one or more accidents, injuries or prohibited activities at any of the Group's hotels could adversely affect its safety reputation among guests, harm its brand, decrease its overall occupancy rates and increase its costs by requiring the Group to implement additional safety measures. In addition, if accidents, injuries or prohibited activities occur at any of the Group's hotels, it may be held liable for costs or damages and fines. The Group's current property and liability insurance policies may not provide adequate or any coverage for such losses, and the Group may be unable to renew its insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all.

The Group's hospitality business operations require hotel licences, which may be adversely affected by any failure to obtain, renew or obtain the transfer of, such licences

The operation of hotels is generally subject to various local laws, rules and regulations. The withdrawal, suspension or non-renewal of any of the certificates of registration and/or licences, or the imposition of any penalties as a result of any infringement or non-compliance with any applicable laws, rules or regulations, will have an adverse impact on the businesses at its hotels and their results of operations. Further, any changes in such laws, rules and regulations may also impact the businesses at the Group's managed hotels and may result in higher costs of compliance. Any failure to comply with new or revised laws, rules and regulations could result in the imposition of fines or other penalties by the relevant authorities. This could have an adverse impact on the revenue and profits of the hotels or otherwise adversely affect their operations.

The growth of the Group's hotel business is dependent on the following:

- *Intellectual property rights and brands.* Future development will, in part, be dependent on the recognition of the Group's brands and perception of the values inherent in those brands. Substantial investment continues to be made in protecting the Group's brands from misuse and infringement, by way of trade mark registration and domain name protection. Consistent delivery of product quality is vitally important to influencing consumer preference and creating and maintaining value perception. In this regard, the risk associated with managing third-party properties is that product quality may not be delivered in accordance with brand standards. This may increase the Group's exposure to litigation, increase risks to the reputation of the Group's brands, reduce revenue and become an inhibiting factor on on-going development.

- *Management agreements.* A key focus within the Group's strategy is to increase the number of management contracts of third-party properties. In this regard, the Group faces competition from established global and regional brands within the market place. Successful execution of this strategy will depend on the Group's ability to identify suitable management opportunities, secure contracts on suitable contractual terms and ensure that contractual commitments are met and retained going forward. The Group faces the risk of slower growth in the event it is unsuccessful in penetrating this market.

- *Information technology systems and infrastructure*. The Group invests in systems that are tried and tested so that as much operational resilience as possible, cost considerations permitting, can be obtained. Investment is made in robust infrastructure technology to provide a reliable operating platform. In order to maintain its competitiveness within the market place, the Group may, in the future, need to make a substantial investment in new technology. Crisis management and disaster recovery plans are in place for business critical systems.

- *Property ownership.* The Group's strategy is to be both owner and manager of hotel properties. Growth of the Group's portfolio of owned assets is dependent on the availability of suitable development sites, acquisitions and access to funding. A limit on such opportunities may have a negative impact on future operational profitability. Property ownership requires on-going investment in the form of preventive maintenance, refurbishment, existing and new capital expenditure and product development. There is also the possible loss of capital due to uninsured events and reductions in asset values as a result of demographic changes in the markets in which the properties are located.

The hospitality industry is competitive

The global hospitality industry is highly competitive. The hotels owned and/or managed by the Group typically experience competition primarily from other similar upscale hotels in their immediate vicinity, and also with other hotels in their geographical market. The level of competition in the global hospitality industry is affected by various factors, including changes in economic conditions, both locally, regionally and globally, changes in local, regional and global populations, the supply and demand for hotel rooms and changes in travel patterns and preferences. Competing hotels may offer more facilities at their premises at similar or more competitive prices compared to the facilities offered at the hotels owned or managed by the Group. Competing hotels may also significantly lower their rates or offer greater convenience, services or amenities, to attract more guests. If these efforts are successful, the results of operations at the hotels owned or managed by the Group may be adversely affected. Furthermore, there may be increased competition from other alternative accommodation options such as Airbnb which may offer more attractive rates for guests.

There can also be no assurance that demographic, geographic or other changes will not adversely affect the convenience or demand for the hotels owned or managed by the Group.

Some of the Group's hotel rooms are booked through third-party online and other hotel reservation intermediaries and consolidators to whom the Group pays commissions for such services. They may be able to negotiate higher commissions, reduced room rates, or other significant concessions from the Group. The Group believes that such intermediaries and consolidators attempt to develop and increase customer loyalty toward their reservation systems rather than the Group's. As a result, the growth and increasing importance of these travel intermediaries and consolidators may adversely affect the Group's ability to control the supply and price of its room inventory, which would in turn adversely affect its margins and profitability.

An over-supply in room availability in the markets where the Group owns or manages hotels could adversely affect occupancy rates and the average daily hotel rates of the hotels owned or managed by the Group.

The Group relies on international hotel operators in the operation, management, maintenance, branding and marketing of its hotels

The Group relies on international hotel operators in the operation, management, maintenance, branding and marketing of its hotels. In the event that any agreement for the operation and management of any of the Group's hotels are terminated prematurely or not renewed upon expiry on mutually agreeable terms, or the Group is unable to engage the services of a competent hotel operator as a replacement, the Group's business, financial condition, prospects and results of operations may be adversely affected.

While the Group primarily chooses international hotel operators who have a long track record in the hospitality industry, there is also no assurance that the Group's hotels will be operated, managed, maintained, branded or marketed well in the future and consequently, the profitability and financial performance of the Group could be adversely affected. Failure of the hotel operators to properly operate, manage or maintain the Group's hotels under management agreements may result in customers choosing alternative hotels and/or resorts. Insufficient cash flow caused by lower occupancy may adversely impact the future operations and profitability of the Group's hotels, thereby affecting the ability of its hotels to generate income. Consequently, the financial performance of the Group could be adversely affected.

The hospitality industry is service-oriented and the Group may be adversely affected if it is unable to compete effectively for skilled hospitality employees

The hospitality industry is a service-oriented industry and is very labour intensive. Competitors may compete aggressively for skilled hospitality employees, which would increase the operating cost of the Group's hotels. In addition, changes in foreign labour regulations may impact the availability of hospitality staff and increase the operating costs of its hotels. A shortage of manpower and compressed work procedures may translate to lower service quality, which may in turn affect guests' lodging experience and lead existing customers to prefer alternative accommodation from competitors of the Group's hotels.

(D) RISKS RELATING TO THE GROUP'S INVESTMENT PROPERTIES BUSINESS

The gross revenue earned from, and the value of, the investment properties in the Group's portfolio may be adversely affected by a number of factors

The gross revenue earned from, and the value of, investment properties may be adversely affected by a number of factors, including:

(i) an increase in the availability of commercial or retail buildings and competition for tenants from other similar properties, which may affect rental income or occupancy levels at the Group's investment properties;

(ii) vacancies following the expiry or termination of tenancies that lead to reduced occupancy rates which reduce the Group's gross revenue and its ability to recover certain operating costs through service charges;

(iii) the expiry of a concentrated number of leases at the same time potentially resulting in existing or prospective tenants acquiring leverage in negotiating lower rental prices;

(iv) loss of key tenants and difficulties in finding suitable replacement tenants in a timely manner and on comparable lease terms;

(v) the amount of rent payable by tenants and other terms on which tenancy renewals and new tenancies are secured being less favourable than those under current tenancies or being commercially unviable;

(vi) the ability of the Group to collect rent from tenants on a timely basis or at all;

(vii) tenants requesting rental rebates due to the impact of an economic downturn;

(viii) tenants requesting waiver of interest on late payment of rent;

(ix) events affecting the investment properties which could result in the inability of the relevant tenants to operate in such properties and consequently to make timely payments of rent;

(x) tenants seeking the protection of bankruptcy or insolvency laws which could result in delays in the receipt of rent payments, inability to collect rental income or delays in the termination of the tenant's lease, which could hinder or delay the re-letting of the space in question, or the sale of the relevant property;

(xi) the local and international economic climate and real estate market conditions (such as oversupply of, or reduced demand for, commercial or retail space, changes in market rental rates and operating expenses for the investment properties);

(xii) the Group's ability to provide adequate management and maintenance of the investment properties or to purchase or put in place adequate insurance;

(xiii) changes in laws and governmental regulations in relation to real estate, including those governing the environment, ownership, real estate development, usage, zoning, taxes and government charges. Such revisions may lead to an increase in management expenses or unforeseen capital expenditure needed to ensure compliance. Rights related to the relevant properties may also be restricted by legislative actions, such as revisions to the laws relating to environmental and building standards or town planning laws, or the enactment of new laws related to condemnation and redevelopment; and

(xiv) natural disasters, acts of God, wars, terrorist attacks, riots, civil commotions, widespread communicable diseases and other events beyond the control of the Group.

Factors such as those set out above could impact the Group's ability to optimise its revenue and cash flow and could materially and adversely affect the Group's business, financial condition, prospects and results of operations.

The Group may not be able to generate adequate returns on its properties held for long-term purposes

Property investment is subject to varying degrees of risks. The investment returns available from investments in real estate depend, to a large extent, on the amount of capital appreciation generated, income earned from the rental of the relevant properties as well as the expenses incurred. Maximising yields from properties held for long-term investment also depends to a large extent on active ongoing management and maintenance of the properties. The ability to eventually dispose of investment properties will also depend on market conditions and levels of liquidity, which may be limited or subject to significant fluctuation in the case of certain types of commercial properties. The revenue derived from and the value of property investment may be adversely affected by a number of factors, including but not limited to changes in market rates for comparable rentals, the inability to collect rent due to bankruptcy or insolvency of tenants and the costs resulting from periodic maintenance, repair and re-letting. If the Group expands the property investment aspect of the Group's business but are unable to generate adequate returns, the Group's financial condition and results of operations may be adversely affected.

Failure to find replacement tenants may affect the Group's performance

Ongoing global financial uncertainties may impact tenants of the Group's investment properties. There is no certainty that existing tenants will renew their tenancies. The Group faces the risk that vacancies following non-renewal of leases may lead to reduced occupancy levels or that the terms of replacement tenancies could be less favourable than current leases, which may in turn reduce the Group's revenue. If the leases are not renewed or are renewed on terms less favourable to the Group than current leases in a concentrated manner in a year this could affect the Group's business, financial condition, results of operations and prospects for that year. There is no assurance that a replacement tenant may be found on satisfactory terms or on a timely basis. In the event that a concentration of leases expire at the same time, the Group's existing or prospective tenants may leverage in negotiating a lower rental price, which might adversely impact the Group's revenue and business.

The Group is subject to risks associated with asset enhancements of its properties

The Group's investment properties may be the subject of asset enhancement initiatives by the Group from time to time. Asset enhancement initiatives typically require substantial capital outlay and may take an extended period of time before positive cash flows may be generated. A significant amount of time and funds are required to complete such asset enhancement initiatives. The Group finances its asset enhancement initiatives largely through internally generated funds as well as debt financing. The ability of the Group to undertake its asset enhancement initiatives is subject to its ability to secure adequate funding. In addition, it is charged interest at rates which may fluctuate according to market rates charged by commercial banks and its profitability may be adversely affected in the event that the interest expense arising from such debt financing is under-estimated. As security for payment under debt financing, the Group may also be required to mortgage or pledge certain assets to creditors and/or assign the sale and rental proceeds, performance bonds and insurances in respects of its properties to creditors.

The time taken and the costs involved in completing asset enhancement initiatives can be adversely affected by many factors, including delays in obtaining requisite licences, permits or approval from government agencies or authorities, shortages of materials, equipment, labour and unforeseen engineering, environmental or geological problems, adverse weather conditions, natural disasters, litigation, work stoppages and labour disputes with contractors and subcontractors, accidents, changes in government policies, and other unforeseen problems or circumstances. Consequently, changes in the business environment during the length of the project may affect the revenue and cost of the asset enhancement initiative, which in turn have a direct impact on whether or not the asset enhancement initiative is profitable. Factors that may affect the profitability of an asset enhancement initiative also includes the risk that the receipt of government approvals may take more time than expected, the failure to complete construction according to original specifications, schedule or budget and the availability of financing.

There can also be no assurance that any or all of the current or future asset enhancement initiatives affecting the properties in which the Group has an interest will be completed within the anticipated time frame or budget, if at all, whether as a result of the factors specified above or for any other reason. The inability to complete any asset enhancement initiative within the anticipated time frame and budget could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, significant pre-operating costs may be incurred and there can be no assurance that these costs can be recovered within a brief period or if at all, and there may be a substantial length of time before an asset enhancement initiative generates revenues and positive cash flows. The failure to adequately prepare for pre-operating costs could adversely affect the Group's business, financial condition, results of operations and prospects.

Due diligence on the Group's properties may not identify all material defects, breaches of laws and regulations and other deficiencies

There can be no assurance that the Group's reviews, surveys or inspections (or the relevant review, survey or inspection reports on which the Group has relied) would have revealed all defects or deficiencies affecting properties that the Group has interests in or manages, including to the title thereof. In particular, there can be no assurance as to the absence of latent or undiscovered defects, deficiencies or inaccuracies in such reviews, surveys or inspection reports, any of which may have a material adverse impact on the Group's business, financial condition, results of operations and prospects.

(E) ADDITIONAL RISKS RELATING TO THE GROUP'S OPERATIONS IN THE PRC

The PRC Government has implemented property control measures in relation to the PRC property market

Increasing speculation in the PRC property market may result in rapid increases in property prices. To discourage speculation in the PRC property market, the PRC Government has, among other things, implemented the control measures below.

On 7 January 2010, the General Office of the State Council issued the Notice Regarding the Promotion of Stable and Healthy Development of the Property Market (国务院办公厅关于促进房地产市场平稳健康发展的通知), which requires the local governments at all levels to strengthen the real estate credit risk management, to rectify the property market, and to intensify its efforts to promote the healthy development of the property market through supporting reasonable housing consumption, curbing speculative investment and increasing effective supply.

On 17 April 2010, the State Council issued the Notice Regarding Curtailing the Excessively Prompt Increase in Property Prices in Certain Cities (国务院关于坚决遏制部分城市房价过快上涨的通知), which increased the minimum down-payment ratio for second homes from 40% to 50%. The State Council also required mortgage banks to strictly adhere to the policy of charging mortgage rates for second homes at no less than 110% of the corresponding benchmark lending rate. The State Council required banks in cities with significant property price increases to stop lending to buyers of third properties. Banks can also suspend mortgage lending to non-local residents who cannot provide tax returns or proof of social security contributions for more than one year. The State Council also authorised local governments to restrict the number of properties an individual can buy.

On 26 January 2011, the General Office of the State Council issued the Notice on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market (国务院办公厅关于进一步做好房地产市场调控工作有关问题的通知), which further increased the minimum downpayment ratio for second homes from 50% to 60%. The State Council also authorised the local branches of the PBoC to raise the down-payment ratio and mortgage rate for second homes in light of objectives and policies of local governments.

On 26 February 2013, the General Office of the State Council issued the Circular on Further Regulation and Control of the Real Estate Market (国务院办公厅关于继续做好房地产市场调控工作的通知), which introduced six policy measures to control the real estate market, including: (1) improving the accountability system for stabilisation of house prices; (2) strict controls over house purchases for speculation; (3) increasing the supply of ordinary residential houses and the land supply of residential houses; (4) accelerating the planning and construction of subsidised housing projects; (5) tightening the market regulations and forecast management; and (6) accelerating the establishment and optimisation of the long-term mechanism for the healthy development of the real estate market.

On 19 May 2018, the Ministry of Housing and Urban-Rural Development (中华人民共和国住房和城乡建设部) ("**MOHURD**") issued the Notice on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market (住房城乡建设部关于进一步做好房地产市场调控工作有关问题的通知) (Jian Fang [2018] No. 49), which further aims to curb overheating and speculation and promote the steady and healthy development of the real estate market, through, amongst others, (1) adhering to the goal and intensity of regulation and control; (2) increasing the formulation and implementation of the housing development plan; (3) accelerating the adjustment of housing and land supply structures; (4) strictly strengthening fund control; (5) strictly rectifying and standardising the real estate market order; (6) strengthening public opinion guidance and expectation management; and (7) further implementing the main responsibility of local regulation and control.

So far, the PRC Government has placed emphasis on regulating investments in the residential property market given that this relates closely to people's livelihoods. While these regulations and policies do not have any material impact on the commercial property market from a legal point of view, more funds may turn to the commercial property market and cause it to overheat as investments in residential property are burdened by these regulations and policies. In such cases, there is no assurance that the PRC Government will not extend such control measures to regulate commercial properties. Although various control measures are intended to promote more balanced property developments in the long-term, these measures could adversely affect the development and sales of the Group's properties. In addition, there is no assurance that the PRC Government will not introduce additional measures from time to time to regulate the growth of the PRC property market. The continuation of the existing measures and the introduction of any new measures may materially and adversely affect the Group's business, financial condition and results of operations in the PRC.

The Group's PRC operations are subject to extensive PRC regulatory control on foreign investment in the real estate sector

The PRC Government has promulgated a number of regulations and rules regulating foreign investment in the real estate sector. Pursuant to the Circular on Strengthening Administration of Approval and Filing of Foreign Investment in Real Estate Industry (关于加强外商投资房地产业审批备案管理的通知) (Shang Ban Zi Han [2010] No. 1542) issued by the General Office of The Ministry of Commerce of the People's Republic of China ("**MOFCOM**") on 22 November 2010, foreign-invested real estate enterprises are not permitted to purchase and resell real properties in the PRC that are either completed or under construction for arbitrage purposes. There can be no assurance that the PRC Government will not deem any transaction of real properties or any transfer of equity in real estate companies as arbitrage through transaction of real estate. The regulation is believed to be aimed at controlling inflow of foreign capital by curtailing the practices of reselling properties for arbitrage purposes adopted by some foreign investors, which is an indication that the PRC Government has been imposing stricter policies on foreign investment in the real estate industry.

On 6 November 2015, MOFCOM and the State Administration of Foreign Exchange ("**SAFE**") jointly promulgated the Circular on Further Improvements to Filing for Real Estate Investments of Foreign Investors (商务部、外汇局关于进一步改进外商投资房地产备案工作的通知) (Shang Zi Han [2015] No. 895), or Circular 895, which simplifies the administrative procedures for, and improves the management of foreign-invested real estate companies. Circular 895 was abolished by the MOFCOM on 1 January 2020. Notwithstanding the abolishment of Circular 895 and no alternative regulations having been promulgated so far, no PRC operating entity has received any notice from any government authority that the public registration on the website of MOFCOM in relation to the establishment and corporate changes of foreign-invested real estate enterprises is required in the PRC since 1 January 2020.

Pursuant to the Special Administrative Measures for Access of Foreign Investments (Negative List) (2020 version) (外商投资准入特别管理措施(负面清单) (2020版)) jointly promulgated by the National Development and Reform Commission and MOFCOM and effective on 23 July 2020, the real estate development industry does not fall within the negative list for access of foreign investments in the PRC.

There is also no assurance that the PRC Government will not implement additional restrictions on foreign investment in the real estate industry and purchases and sales of real estate properties by foreign investors.

Making capital contributions or loans to the Issuer's PRC operating entities is subject to PRC regulations

On 1 June 2015, the SAFE promulgated the Circular on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (国家外汇管理局关于改革外商投资企业外汇资本金结汇管理方式的通知) (Hui Fa [2015] No. 19), or SAFE Circular 19, which was amended on 30 December 2019, regulating the conversion by a foreign-invested enterprise of foreign currency registered capital into Renminbi by restricting how the converted Renminbi may be used. SAFE Circular 19 provides that the Renminbi capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and unless otherwise provided by law, such Renminbi capital may not be used, directly or indirectly, for (1) expenditures exceeding the enterprise's business scope or those prohibited by the laws and regulations; (2) investment in securities, unless otherwise provided by applicable laws and regulations; (3) the issuance of entrusted RMB loans (excluding those that are permitted within the business scope), repayment of inter-enterprise loans (including third party advances) and the repayment of banks' RMB loans re-lent to third parties; or (4) the payment of relevant fees to the purchase of real estate property not for own use, except for foreign-invested real estate enterprises. Violations of SAFE Circular 19 could result in severe monetary or other penalties.

On 23 May 2007, the MOFCOM and the SAFE issued the Notice on Further Strengthening and Regulating the Approval and Administration of Foreign Direct Investments in the Real Estate Industry (关于进一步加强、规范外商直接投资房地产业审批和监管的通知), amended on 28 October 2015, which stipulated that the SAFE will no longer process foreign exchange registrations for foreign-invested real estate enterprises established in violation of relevant regulations.

On 28 April 2013, the SAFE issued the Measures for the Administration of Foreign Debt Registration (外债登记管理办法) and the Guidelines on the Administration of Registration of Foreign Debts (外债登记管理操作指引), amended on 4 May 2015, which state that the SAFE will no longer process foreign debt registrations for foreign exchange submitted by foreign-invested real estate enterprises which obtained approval certificates from and registered with the MOFCOM on or after 1 June 2007. Foreign-investment real estate enterprises which were established prior to 1 June 2007 may borrow foreign debt within its original borrowing gap and if such borrowing gap is reduced due to a capital increase, the reduced borrowing gap shall be applied; if the register capital of a foreign-invested real estate enterprise has not been paid up, or the foreign-invested real estate enterprise has not received the Certificate for the Use of State-owned Land, or the capital for developing the project has not reached 35% of the total project investment amount, it shall not be allowed to borrow foreign debts, and the SAFE will not process foreign debt registrations for it. Furthermore, according to the Notice of the People's Bank of China on Clarifying the Operational Rules for the Renminbi Settlement Business in Relation to Foreign Direct Investment promulgated by the PBoC (中国人民银行关于明确外商直接投资人民币结算业务操作细则的通知) (Yin Fa [2012] No.165), effective on 14 June 2012, and amended on 29 May 2015, a foreign-invested real estate enterprise cannot borrow Renminbi funds from abroad.

Pursuant to the Foreign Investment Law of the PRC (中华人民共和国外商投资法) promulgated by the Standing Committee of the National People's Congress on 15 March 2019 and effective on 1 January 2020, the State shall establish a foreign investment information report system. The foreign investors or foreign-invested enterprises shall submit relevant investment information to the competent department for commerce through the Enterprise Registration System and/or the Enterprise Credit Information Publicity System. Pursuant to the Measures on Reporting of Foreign Investment Information (外商投资信息报告办法) jointly issued by the MOFCOM and the State Administration for Market Regulation on 30 December 2019 and effective on 1 January 2020, foreign investors shall submit an initial report through the Enterprise Registration System after the completion of establishment registration for the foreign-invested enterprise or registration of change for the merger and acquisition of a non-foreign-invested enterprise. If there is any change of the information regarding the initial report, the foreign-invested enterprises shall submit a change report through the Enterprise Registration System. The foreign-invested enterprises shall submit the annual report for the preceding year during 1 January to 30 June annually through the National Enterprise Credit Information Publicity System.

The Group's PRC-sourced income may be subject to PRC withholding tax under the Enterprise Income Tax Law of the PRC

Under the Enterprise Income Tax Law and its implementation rules, the PRC-sourced income of non-PRC resident enterprises, such as dividends paid by PRC resident enterprises to non-PRC resident enterprise shareholders, is generally subject to a 10 per cent. withholding tax, unless the tax rate is reduced by a tax treaty between the PRC and the relevant jurisdiction. If the Issuer is considered a non-PRC resident enterprise, dividends it receives from its PRC operating entities will generally be subject to a 10 per cent. withholding tax under the Enterprise Income Tax Law and its implementing rules.

The land use rights for the Group's future property developments in the PRC will not be formally vested until it has received the formal Land Use Rights Certificates

The land use rights for the Group's property developments and any land that the Group may acquire in the future in the PRC will not be formally vested in the Group until it has received the corresponding formal Land Use Rights Certificates. Under current PRC land grant policies, the relevant authorities will typically not issue the formal Land Use Rights Certificate for a plot of land until (a) the developer has paid the land grant premium in full, (b) the resettlement process for occupants of the land and/or business owners who have been affected by the acquisition of the site has been completed by the local government, and (c) other land grant conditions have been satisfied.

There can be no assurance that the Group will not encounter difficulties arising from a delay in the issuance of, or a failure to obtain, the formal Land Use Rights Certificates in the future. In the event that the Group is unable to obtain, or encounters delays in obtaining, the formal Land Use Rights Certificates from the relevant authorities, the Group will have to incur additional costs, which may materially and adversely affect its business, operations, results of operations, financial position and prospects.

There is a possibility that the Group's land use rights may be forfeited or that the Group may be penalised by the PRC government if the Group fails to comply with the terms of the land use rights grant contracts or rules imposed by the local government

Under PRC law, if a developer fails to comply with or develop land according to the terms of the land use rights grant contract or rules imposed by the local government (including those relating to payment of land grant premium, land use or timeline with respect to commencement and completion of the development of the land), the relevant government authority may issue a warning, impose a penalty on the developer or forfeit the land use rights granted to the developer.

Specifically, under current PRC laws and regulations, if the Group fails to pay any outstanding land premiums by the stipulated deadline, the Group may be subject to a late payment penalty at the rate of 0.1 per cent. of the unpaid land premium per day. If the Group fails to fully pay the land premiums within 60 days after the land grant contract becomes effective, the grantor is entitled to terminate the land grant contract and claim for indemnities.

If the Group fails to commence development for more than one year from the commencement date stipulated in the land grant contract, the land authorities may impose a levy of idle land fee on the Group of up to 20.0 per cent. of the land premium. If the Group fails to commence development for more than two years, the land is subject to forfeiture unless the delay in development is caused by a government action or by force majeure.

In addition, even if the Group commences development of the land in accordance with the land grant contract, if the area of the developed land is less than one-third of the total site area of the land, or if the total capital expenditure is less than one-fourth of the total investment of the project, and the development of the land is suspended for more than one year without government approval, the land may still be treated as idle land. In the "Notice on Promoting the Saving and Intensification of Use of Land" (国务院关于促进节约集约用地的通知) promulgated by the State Council of the PRC (the "**State Council**") in January 2008, the aforesaid policy was reinforced. This notice states, among others, that the Ministry of Land and Resources of the PRC (the "**MLR**") and other authorities are required to conduct research on and commence drafting of implementation rules concerning the levy of land appreciation fees on idle land. The MLR issued a "Notice on Strengthening the Administration of Construction Land and Promoting the Utilisation of Approved Land that Has Been Granted Approval but is Not Being Utilised" (关于严格建设用地管理促进批而未用土地利用的通知) in August 2009, which reiterates the current rules regarding idle land. In September 2010, the MLR and the MOHURD jointly issued the "Notice On Further Strengthening the Administration and Control of Property Land and Construction" (关于进一步加强房地产用地和建设管理调控的通知), which provides that a property developer and its controlling shareholders will be prohibited from participating in land bidding unless any non-compliance or illegal behaviour in which it engages, such as (a) leaving the land site idle for more than one year due to the property developer's own reasons, (b) illegal transfer of land use rights, (c) non-compliance with the land development requirements specified in a land grant contract, and (d) committing crimes such as acquiring land by forging official documents and illegal land speculation, have been completely rectified or the relevant case and investigation have been closed.

There can be no assurance that regulations relating to idle land in the PRC will not become more restrictive in the future and that circumstances leading to the imposition of penalties, liquidated damages or forfeiture of the Group's land will not arise in the future. If the Group is deemed as holding land idle for more than one year without cause or is required to forfeit land, it may lose (a) the opportunity to develop the relevant land site, (b) its investments in the land, including land premiums paid and development costs incurred, and/or (c) its ability to bid for other land in the future, any of which could materially and adversely affect the Group's business, operations, results of operations, financial position and prospects.

With respect to the timeline for the commencement and completion of the development of land, the Group is typically given a stipulated period according to either (a) the terms of the respective land use rights grant contract or (b) rules imposed by the local government, within which it is required to develop the piece of land, failing which, penalties may be incurred by the Group, including a possible forfeiture of the land in question. Circumstances leading to a possible breach of such terms of the Group's land use rights grant contracts or rules imposed by the local government may arise in the future, leading to possible penalising actions being taken by the relevant authorities, which may materially and adversely affect the Group's business, operations, results of operation, financial position and prospects.

The Group's business in the PRC may be adversely affected if its PRC operating entities fail to obtain, or experience material delays in obtaining requisite government approvals or licenses in carrying out the property development and management operations

Property developers must abide by various laws and regulations, including rules stipulated by national and local governments to enforce these laws and regulations in the PRC. To engage in property development and management operations, the Group's PRC operating entities must apply to the relevant government authorities to obtain (and renew for those relating to on-going operations) various licenses, permits, certificates and approvals.

Pursuant to the Regulations on Planning Administration regarding Granting and Transfer of State-Owned Land Use Right in Urban Area (城市国有土地使用权出让转让规划管理办法) promulgated by the Ministry of Construction on 4 December 1992 and amended on 26 January 2011, a real estate developer shall apply for a construction land planning permit (建设用地规划许可证) from the competent urban and rural planning administration. After obtaining the construction land planning permit, the real estate developer shall conduct all necessary planning and design works in accordance with relevant planning and design requirements.

Pursuant to the Urban and Rural Planning Law of the People's Republic of China (中华人民共和国城乡规划法) promulgated by the Standing Committee of the National People's Congress on 28 October 2007 and amended on 24 April 2015 and 23 April 2019, a planning and design proposal in respect of the real estate project shall be submitted to the competent urban and rural planning administration in compliance with the requirements and procedures, and a construction work planning permit (建设工程规划许可证) from the municipal planning authority should be obtained.

Pursuant to the Regulations on Administration Regarding Permission for Commencement of Construction Works (建筑工程施工许可管理办法) promulgated by the Ministry of Construction on 15 October 1999 and amended on 4 July 2001, 25 June 2014, 28 September 2018, and 30 March 2021 respectively, the real estate developer shall apply for a construction work commencement permit (建筑工程施工许可证) from the relevant construction authority.

Pursuant to the Regulations on Administration of Development and Operation of Urban Real Estate (城市房地产开发经营管理条例) promulgated by the State Council on 20 July 1998 and amended on 8 January 2011, 24 March 2019, 27 March 2020, and 29 November 2020 respectively, the Administrative Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (房屋建筑和市政基础设施工程竣工验收备案管理办法) promulgated by the MOHURD on 19 October 2009 and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (房屋建筑和市政基础设施工程竣工验收规定) promulgated and implemented by the MOHURD on 2 December 2013, upon the completion of real estate development project, the real estate development enterprise shall submit an application to the competent real estate development administration of local people's government at or above county level, where the project is located, for examination upon completion of building and for filing purposes and to obtain the filing form for acceptance and examination upon completion of construction project. A real estate project shall not be delivered before completing the acceptance examination.

The PRC operating entities must meet specific conditions in order for the government authorities to issue or renew any certificate or permit. If the PRC operating entities fail to apply or renew the certificates in a timely manner, the Group's PRC operations may be adversely affected.

There is no assurance that the PRC operating entities of the Group will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property industry or that its PRC operating entities will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for the operations in a timely manner, or at all, in the future. Therefore, in the event that the PRC operating entities fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of their major property projects, the PRC operating entities will not be able to continue with their development plans, and their business, financial condition and results of operations may be adversely affected.

In the event that the PRC government promulgates the proposed PBoC standards as reported, the financial positions of the Group's PRC operating entities may be affected

Recently, news articles on the PBoC's plans to control the scale of interest-bearing debts of property developers in China by applying a newly proposed standard in the assessment of the debt burden of property developers began to emerge. In particular, under such new standards, for a property developer, (i) the liability to asset ratio (calculated as total liabilities less contract liabilities divided by total assets less contract liabilities), shall not exceed 70%; (ii) the net gearing ratio (calculated as total interest-bearing liabilities less cash and bank balances divided by total equity) shall not exceed 100%; and (iii) the cash to short-term borrowing ratio (calculated as cash and bank balances divided by short-term interest bearing liabilities) shall not be lower than 1.0. The proposed standard further stipulates that (i) for property developers which comply with all the above-mentioned three limits, their size of interest-bearing liabilities shall increase by less than 15% annually; (ii) for property developers which only comply with two of the above-mentioned three limits, their size of interest-bearing liabilities shall increase by less than 10% annually; (iii) for property developers which only comply with one of the above-mentioned three limits, their size of interest-bearing liabilities shall increase by less than 5% annually; and (iv) for those property developers which fail to comply with any of the above-mentioned three limits, their size of interest-bearing liabilities shall not increase at all. So far, no such new regulations has been officially promulgated. In the event that the PRC government promulgates such new regulations as reported, the financial positions of the Group's PRC operating entities may be affected.

Interpretation of the PRC laws and regulations involves uncertainty

The taxation and real estate laws and in particular, the laws relevant to the rights of foreign investors and the entities through which they may invest are often unclear in the PRC where many of the Group's properties are located.

The PRC legal system is based on written statutes and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, to develop a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. The PRC may not accord equivalent rights (or protection for such rights) to those rights which investors might expect in countries with more sophisticated real estate laws and regulations. Furthermore, the PRC is geographically large and divided into various provinces and municipalities and different laws, rules, regulations and policies apply in different provinces and they may have different and varying applications and interpretations in different parts of the PRC. The PRC has no centralised register or official resources where legislation enacted by the central and local authorities is provided to the public. Legislation or regulations, particularly for local applications, may be enacted without prior notice or announcement to the public. The Group may not be aware of the existence of new legislation or regulations. There is also no integrated system in the PRC from which information can be obtained in respect of legal actions, arbitrations or administrative actions. Even if an individual court-by-court search were performed, each court may refuse to make the documentation which it holds available for inspection. There is a risk that entities in the PRC acquired by the Group may be subject to proceedings which may not have been disclosed.

Agreements governed under PRC laws may be more difficult to enforce by legal or arbitral proceedings in the PRC than in countries with more mature legal systems. Even if the agreements generally provide for arbitral proceedings for disputes arising out of the agreements to be in another jurisdiction, it may be difficult for the Group to obtain effective enforcement in the PRC of an arbitral award obtained in that jurisdiction.

The PRC's political policies and foreign relations could affect the Group's properties

Investment in PRC properties entails risks of a nature and degree not typically encountered in property investments in developed markets. In the PRC, there is a high risk of nationalisation, expropriation, confiscation, punitive taxation, currency restriction, political changes, government regulation, political, economic or social instability, or diplomatic developments which could adversely affect the value of investments made in the PRC, and for which the Group may not be fairly compensated. Certain national policies may restrict foreigners investing in industries deemed sensitive to the national interest such as mining of certain kinds of minerals, construction and operation of natural reserves.

The PRC's economic reforms could affect the Group's business

The PRC economy differs from the economies of most developed countries in many respects, including its structure, its level of development, its growth rate, its control of foreign exchange and its allocation of resources. The PRC economy is still in the process of being transformed from a planned economy to a more market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy. Although the Group believes these reforms will have a positive effect on its overall and longterm development, it cannot predict whether changes in the PRC's economic and other policies will or will not have any adverse effect on the Group's current or future business, financial condition and results of operations.

PURPOSE OF THE MTN PROGRAMME AND USE OF PROCEEDS

The net proceeds arising from the issue of Notes under the MTN Programme (after deducting issue expenses) will be used to finance the general working capital requirements and corporate funding of the Group, and/or to refinance the existing borrowings of the Group.

CLEARING AND SETTLEMENT UNDER THE DEPOSITORY SYSTEM

Clearance and Settlement

In respect of Notes which are accepted for clearance by CDP in Singapore, clearance will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities ("**Depository System**") maintained by CDP. Notes that are to be listed on the SGX-ST may be cleared through CDP.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

In respect of Notes which are accepted for clearance by CDP, the entire issue of the Notes is to be held by CDP in the form of a Global Note or Global Certificate for persons holding the Notes in securities accounts with CDP ("**Depositors**"). Delivery and transfer of Notes between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors.

Settlement of over-the-counter trades in the Notes through the Depository System may be effected through securities sub-accounts held with corporate depositors ("**Depository Agents**"). Depositors holding the Notes in direct securities accounts with CDP, and who wish to trade Notes through the Depository System, must transfer the Notes to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between the Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of interest and repayment of principal on behalf of issuers of debt securities.

Although CDP has established procedures to facilitate transfer of interests in the Notes in global form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee, the Principal Paying Agent or any other agent will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

SINGAPORE TAXATION

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and e-tax guides issued by the MAS and IRAS in force as at the date of this Information Memorandum and are subject to any changes in such laws, administrative guidelines, or e-tax guides, or the interpretation of those laws, guidelines, or e-tax guides, occurring after such date, which changes could be made on a retroactive basis. These laws, guidelines and e-tax guides are also subject to various interpretations or conclusions set out below and no assurance can be given that the relevant tax authorities or the courts will agree with the explanations or conclusions set out below. The following is a summary of the material Singapore tax consequences to a holder of the Notes. Neither these statements nor any other statements in this Information Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. The statements made herein should not be regarded as advice on the tax position of any person and should be treated with appropriate caution. Holders and prospective holders of the Notes are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Arranger and any other persons involved in the MTN Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.

1. TAXATION RELATING TO INTEREST AND OTHER PAYMENTS ON THE NOTES

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore, unless specifically exempted. The rate at which tax is to be withheld for such payments (other than those subject to the 15% final withholding tax described below) to non-resident persons (other than non-resident individuals) is the prevailing corporate tax rate, currently 17%. The applicable rate for non-resident individuals is 22%. However, if the payment is derived by a person not resident in Singapore from sources other than from its trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15%. The rate of 15% may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

(a) any interest from debt securities derived on or after 1 January 2004;

(b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and

(c) prepayment fee, redemption premium or break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

The terms "**break cost**", "**prepayment fee**" and "**redemption premium**" are defined in the ITA as follows:

"**break cost**", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

"**prepayment fee**", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

"**redemption premium**", in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to "break cost", "prepayment fee" and "redemption premium" in this Singapore tax disclosure have the same meaning as defined in the ITA.

In addition, with respect to any tranche of the Notes which are debt securities issued under the MTN Programme (the "**Relevant Notes**") during the period from the date of this Information Memorandum to 31 December 2023 where more than half of the issue of such Relevant Notes are distributed by Financial Sector Incentive – Capital Market, Financial Sector Incentive – Standard Tier or Financial Sector Incentive – Bond Market companies, such Relevant Notes would be qualifying debt securities ("**QDS**") for the purposes of the ITA, to which the following treatment shall apply:

(i) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as MAS may direct, to MAS of a return on debt securities for the Relevant Notes in the prescribed format within such period as MAS may specify and such other particulars in connection with the Relevant Notes as MAS may require, and the inclusion by the Issuer in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Notes is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Notes using the funds and profits of such person's operations through the Singapore permanent establishment), interest, discount income (not including discount income from secondary trading), prepayment fee, redemption premium and break cost (collectively, the "**Qualifying Income**") from the Relevant Notes, paid by the Issuer and derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Notes are not obtained from such person's operations through a permanent establishment in Singapore, are exempt from Singapore tax;

(ii) subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as MAS may direct, to MAS of a return on debt securities for the Relevant Notes in the prescribed format within such period as MAS may specify and such other particulars in connection with the Relevant Notes as MAS may require), Qualifying Income from the Relevant Notes paid by the Issuer and derived by any company or body of persons (as defined in the ITA) in Singapore is subject to tax at a concessionary rate of 10% (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

(iii) subject to:

(aa) the Issuer including in all offering documents relating to the Relevant Notes statement to the effect that any person whose Qualifying Income derived from the Relevant Notes is not exempt from tax shall include such income in a return of income made under the ITA; and

(bb) the Issuer, or such other person as MAS may direct, furnishing to MAS a return on debt securities for the Relevant Notes in the prescribed format within such period as MAS may specify and such other particulars in connection with the Relevant Notes as MAS may require,

payments of Qualifying Income derived from the Relevant Notes are not subject to withholding of tax by the Issuer.

However, notwithstanding the foregoing:

(A) if during the primary launch of any tranche of Relevant Notes, the Relevant Notes of such tranche are issued to fewer than four persons and 50% or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Relevant Notes would not qualify as QDS; and

(B) even though a particular tranche of Relevant Notes are QDS, if, at any time during the tenure of such tranche of Relevant Notes, 50% or more of such Relevant Notes which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income from such Relevant Notes derived by:

(i) any related party of the Issuer; or

(ii) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term "**related party**", in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) is derived from the Relevant Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA (as mentioned above) shall not apply if such person acquires such Relevant Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Notwithstanding that the Issuer is permitted to make payments of interest, discount income, prepayment fee, redemption premium or break cost (i.e. Qualifying Income) in respect of the Relevant Notes without deduction or withholding for tax under Section 45 or Section 45A of the ITA, any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax is required to include such income in a return of income made under the ITA.

2. CAPITAL GAINS

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains from the sale of Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who are adopting Singapore Financial Reporting Standard ("**FRS**") 39, FRS 109 or Singapore Financial Reporting Standard (International) 9 ("**SFRS(I) 9**") (as the case may be) for Singapore income tax purposes may be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39, FRS 109 or SFRS(I) 9 (as the case may be). Please see the section below on "Adoption of FRS 39, FRS 109 or SFRS(I) 9 treatment for Singapore income tax purposes".

3. ADOPTION OF FRS 39, FRS 109 OR SFRS(I) 9 TREATMENT FOR SINGAPORE INCOME TAX PURPOSES

Subject to certain "opt-out" provisions, Section 34A of the ITA requires taxpayers who adopt or are required to adopt FRS 39 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 39, subject to certain exceptions provided in that section. IRAS has issued an e-tax guide entitled "Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition & Measurement" to provide guidance on the Singapore income tax treatment of financial instruments.

FRS 109 or SFRS(I) 9 (as the case may be) is mandatorily effective for annual periods beginning on or after 1 January 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who adopt or who are required to adopt FRS 109 or SFRS(I) 9 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. IRAS has also issued an e-tax guide entitled "Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments".

Holders of the Notes who may be subject to the tax treatment under the FRS 39 tax regime, FRS 109 tax regime or the SFRS(I) 9 tax regime should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

4. ESTATE DUTY

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

SUBSCRIPTION, PURCHASE AND DISTRIBUTION

The Programme Agreement provides for Notes to be offered from time to time through one or more Dealers. The price at which a Series or Tranche will be issued will be determined prior to its issue between the Issuer and the relevant Dealer(s). The obligations of the Dealer(s) under the Programme Agreement will be subject to certain conditions set out in the Programme Agreement. Each Dealer (acting as principal) will subscribe or procure subscribers for Notes from the Issuer pursuant to the Programme Agreement.

The Arranger, the Dealers or any of their respective affiliates may have performed certain banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of the Issuer's or affiliates' business. The Issuer may also from time to time agree with the relevant Dealer(s) that the Issuer may pay certain third party commissions (including, without limitation, rebates to private banks as may be specified in the applicable Pricing Supplement).

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

In connection with the issue of any Tranche of Notes, such Notes, when issued, may not have a market. The Dealer or Dealers (if any) may advise the Issuer that they intend to make a market in such Notes as permitted by applicable law. They are not obligated, however, to make a market in the Notes and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for such Notes.

The Arranger, the Dealers or any of their respective affiliates may purchase Notes for its own account or enter into secondary market transactions or derivative transactions relating to the Notes, including, without limitation, purchase, sale (or facilitation thereof), stock borrowing or credit or equity-linked derivatives such as asset swaps, repackaging and credit default swaps, at the same time as the offering of the Notes. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Information Memorandum relates (notwithstanding that such selected counterparties may also be a purchaser of the Notes). As a result of such transactions, the Arranger, the Dealers or any of their respective affiliates may hold long or short positions relating to the Notes.

The Arranger, the Dealer(s) and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer and/or its subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Dealer(s) and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. The Notes issued under the Programme may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

Accordingly, references herein to the Notes being "offered" should be read as including any offering of the Notes to the Arranger, the Dealers and/or their respective affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so.

While the Arranger, the Dealers and/or any of their respective affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause the Arranger, the Dealers or any of their respective affiliates or its clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Notes. The Arranger, the Dealers or any of their respective affiliates may receive returns on such transactions and have no obligations to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Notes.

United States

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this section have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer will be required to agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

This Information Memorandum has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Information Memorandum does not constitute an offer to any person in the United States. Distribution of this Information Memorandum by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States is prohibited.

Singapore

Each Dealer will be required to acknowledge that this Information Memorandum has not been and will not be registered as a prospectus with the MAS. Accordingly, each Dealer will be required to represent, warrant and agree that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Any reference to the "**SFA**" is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Hong Kong

Each Dealer will be required to represent and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Prohibition of sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Information Memorandum as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(i) the expression "**retail investor**" means a person who is one (or more) of the following:

  (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended or superseded, "**MiFID II**");

  (b) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (c) not a qualified investor as defined in the Prospectus Regulation (as defined below); and

(ii) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable" in relation to each Member State of the European Economic Area (each, a "**Relevant State**"), each Dealer will be required to represent and agree that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Information Memorandum as completed by the Pricing Supplement in relation thereto to the public in that Relevant State, except that it may make an offer of such Notes to the public in that Relevant State:

(i) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(iii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iv) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (ii) to (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129 (as amended or superseded).

United Kingdom

Prohibition of Sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer will be required to represent and agree that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Information Memorandum as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(i) the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**");

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(c) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(ii) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the applicable Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Information Memorandum as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom, except that it may make an offer of such Notes to the public in the United Kingdom:

(i) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the

Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by final terms contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(ii) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(iii) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iv) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (ii) to (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA, or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Note means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Dealer appointed under the Programme will be required to represent and agree that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Relevant Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Relevant Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

General

Each Dealer understands that no action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Information Memorandum or any other document or any Pricing Supplement, in any country or jurisdiction (other than Singapore) where action for that purpose is required.

Each issue of Notes shall be subject to such additional selling restrictions as may be agreed to between the Issuer and the relevant Dealer(s) and each of the Dealers has undertaken that it will at all times comply with all such selling restrictions.

Each Dealer has agreed to observe and comply with all applicable laws and regulations in each jurisdiction in which it may offer, sell or deliver the Notes or distribute any such material as a result of any of the foregoing activities and it will also ensure that no obligations or liabilities are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions. The Issuer will not have any responsibility for, and each Dealer will at its own expense obtain, any consent, approval or permission required by it for the acquisition, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction (other than in Singapore in respect of the Information Memorandum or in connection with the invocation by the Issuer of any applicable exemption under Sections 274 and/or 275 of the SFA) to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. Further, each Dealer has agreed that it will not directly or indirectly solicit subscription for any Notes or distribute or publish any prospectus, form of application, offering circular, advertisement or other offering material in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

Each Dealer has also agreed to impose restrictions similar to those set out above on any subsequent holder of the Notes.

Any person who may be in doubt as to the restrictions set out in the SFA or the laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers the Notes or any interest therein or rights in respect thereof and the consequences arising from a contravention thereof should consult his own professional advisers and should make his own inquiries as to the laws, regulations and directives in force or applicable in any particular jurisdiction at any relevant time.

GENERAL AND OTHER INFORMATION

INFORMATION ON DIRECTORS

1. The names and positions of each of the Directors of the Issuer are set out below:

Name	Position
Kwek Leng Beng	Executive Chairman and Executive Director
Sherman Kwek Eik Tse	Executive Director and Group Chief Executive Officer
Lee Jee Cheng Philip	Independent Non-Executive Director
Philip Yeo Liat Kok	Independent Non-Executive Director
Ong Lian Jin Colin	Independent Non-Executive Director
Daniel Marie Ghislain Desbaillets	Independent Non-Executive Director
Chong Yoon Chou	Independent Non-Executive Director
Chan Swee Liang Carolina	Independent Non-Executive Director (Carol Fong)

SHARE CAPITAL

2. As at the date of this Information Memorandum, there are only two classes of shares namely ordinary shares and preference shares in the Issuer. The rights and privileges attached to the ordinary shares and preference shares respectively are stated in the Constitution of the Issuer.

3. As at the date of this Information Memorandum, the number of Shares issued by the Issuer is as follows:

Class of Shares	Number of Shares
Ordinary	909,301,330
Preference	330,874,257

4. As at 31 December 2020, the interests of the substantial shareholders of the Issuer in the ordinary shares are as follows:

	Number of Ordinary Shares held	
Substantial Shareholders	Direct Interest	Deemed Interest
Hong Realty (Private) Limited ("**HR**")	32,088,799	30,488,981[(1)]
Hong Leong Holdings Limited ("**HLH**")	148,787,477	19,546,445[(2)]
Hong Leong Investment Holdings Pte. Ltd. ("**HLIH**")	155,921,749	284,394,395[(3)]
Davos Investment Holdings Private Limited ("**Davos**")	–	440,316,144[(4)]
Kwek Holdings Pte Ltd ("**KH**")	–	440,316,144[(4)]

Notes:

(1) HR is deemed under Section 7 of the Companies Act to have an interest in the 30,488,981 Ordinary Shares held directly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(2) HLH is deemed under Section 7 of the Companies Act to have an interest in the 19,546,445 Ordinary Shares held directly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(3) HLIH is deemed under Section 7 of the Companies Act to have an interest in the 284,394,395 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.

(4) Davos and KH are deemed under Section 7 of the Companies Act 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.

BORROWINGS

5. As at 31 Dec 2020, the borrowings of the Group are as disclosed in Appendix III to this Information Memorandum.

WORKING CAPITAL

6. After taking into account the present banking facilities, the Issuer will have adequate working capital for its present requirements.

CHANGES IN ACCOUNTING POLICIES

7. Save as disclosed in Appendix III, there has been no significant change in the accounting policies of the Issuer since its audited financial accounts for FY2020.

LITIGATION

8. There are no legal or arbitration proceedings pending or, so far as the Issuer is aware, threatened against the Issuer the outcome of which may have or have had during the 12 months prior to the date of this Information Memorandum a material adverse effect on the financial position of the Issuer.

CONSENT

9. The Auditors have given and have not withdrawn its written consent to the issue of this Information Memorandum with the references herein to their names and, where applicable, reports in the form and context in which they appear in this Information Memorandum.

DOCUMENTS AVAILABLE FOR INSPECTION

10. Copies of the following documents may be inspected at the registered office of the Issuer at 9 Raffles Place, #12-01 Republic Plaza, Singapore 048619 during normal business hours and by prior appointment for a period of six months from the date of this Information Memorandum:

    (a) the Constitution of the Issuer;

    (b) the audited financial statements of the Issuer and its subsidiaries for FY2019 and FY2020;

    (c) the Trust Deed; and

    (d) the letter of consent referred to in paragraph 9 above.

FUNCTIONS, RIGHTS AND OBLIGATIONS OF THE TRUSTEE

11. The functions, rights and obligations of the Trustee are set out in the Trust Deed.

AUDITED FINANCIAL STATEMENTS OF CITY DEVELOPMENTS LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The information in this Appendix II has been extracted and reproduced from the audited financial statements of City Developments Limited and its subsidiaries for the financial year ended 31 December 2019 and has not been specifically prepared for inclusion in this Information Memorandum.

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 2019, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 114 to 263.

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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Valuation of development properties
(Refer to note 12 to the financial statements)

Risk:

The Group has significant residential development properties held for sale in Singapore, China and the United Kingdom (UK). 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 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 banks. 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.

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 could be impaired. The Group first identifies properties where there is an indication of impairment. In identifying such properties, the Group takes into consideration the global economic outlook, market sentiments and trading performance of the properties, particularly those properties which have recorded weak performance in the current year. The identified properties 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 properties selected for a detailed impairment review, we evaluated 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.

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.

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.

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

KPMG LLP
Public Accountants and
Chartered Accountants

SINGAPORE
16 March 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-current assets					
Property, plant and equipment	4	**5,462,367**	5,013,300	**43,677**	13,994
Investment properties	5	**4,410,261**	3,741,327	**436,510**	452,217
Lease premium prepayment		**–**	101,349	**–**	–
Investments in:					
- subsidiaries	7	**–**	–	**2,024,934**	2,067,869
- associates	8	**562,876**	427,852	**–**	–
- joint ventures	9	**1,192,456**	1,307,639	**37,360**	37,360
Financial assets	10	**1,060,292**	884,476	**375,964**	352,831
Other non-current assets	11	**677,732**	310,496	**5,134,558**	3,620,324
		13,365,984	11,786,439	**8,053,003**	6,544,595
Current assets					
Lease premium prepayment		**–**	3,752	**–**	–
Development properties	12	**5,155,642**	5,703,910	**181,735**	182,833
Contract costs	13	**26,151**	12,156	**–**	–
Contract assets	14	**242,048**	107,241	**–**	42,921
Consumable stocks		**16,650**	13,254	**–**	–
Financial assets	10	**562,681**	14,203	**–**	–
Trade and other receivables	15	**822,074**	955,490	**5,521,625**	4,426,381
Cash and cash equivalents	17	**2,797,652**	2,289,247	**1,269,235**	727,373
		9,622,898	9,099,253	**6,972,595**	5,379,508
Assets held for sale	6	**211,375**	–	**–**	–
		9,834,273	9,099,253	**6,972,595**	5,379,508
Total assets		**23,200,257**	20,885,692	**15,025,598**	11,924,103

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
Equity attributable to owners of the Company					
Share capital	18	**1,991,397**	1,991,397	**1,991,397**	1,991,397
Reserves	19	**8,528,853**	8,049,300	**4,615,886**	4,706,110
		10,520,250	10,040,697	**6,607,283**	6,697,507
Non-controlling interests		**746,306**	2,233,243	**–**	–
Total equity		**11,266,556**	12,273,940	**6,607,283**	6,697,507
Non-current liabilities					
Interest-bearing borrowings	21	**7,673,152**	5,068,840	**4,211,386**	2,192,985
Employee benefits	25	**28,662**	26,392	**–**	–
Lease liabilities	26	**189,448**	–	**20,003**	–
Other liabilities	27	**130,825**	262,242	**9,912**	8,847
Provisions	28	**26,809**	36,719	**–**	–
Deferred tax liabilities	29	**107,592**	113,778	**21,242**	17,561
		8,156,488	5,507,971	**4,262,543**	2,219,393
Current liabilities					
Trade and other payables	30	**1,198,907**	1,293,336	**2,799,268**	2,510,898
Contract liabilities	14	**209,503**	104,007	**–**	–
Interest-bearing borrowings	21	**2,037,999**	1,258,412	**1,341,294**	437,525
Lease liabilities	26	**17,752**	–	**5,769**	–
Employee benefits	25	**27,495**	26,562	**2,364**	2,562
Provision for taxation		**249,506**	385,393	**7,077**	56,218
Provisions	28	**28,471**	36,071	**–**	–
		3,769,633	3,103,781	**4,155,772**	3,007,203
Liabilities directly associated with the assets held for sale	6	**7,580**	–	**–**	–
		3,777,213	3,103,781	**4,155,772**	3,007,203
Total liabilities		**11,933,701**	8,611,752	**8,418,315**	5,226,596
Total equity and liabilities		**23,200,257**	20,885,692	**15,025,598**	11,924,103

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000
Revenue	31	**3,428,725**	4,222,563
Cost of sales		**(1,790,239)**	(2,308,489)
Gross profit		**1,638,486**	1,914,074
Other income	32	**175,210**	45,567
Administrative expenses		**(591,093)**	(528,835)
Other operating expenses		**(568,669)**	(526,231)
Profit from operating activities		**653,934**	904,575
Finance income		**108,527**	62,825
Finance costs		**(204,691)**	(156,765)
Net finance costs	32	**(96,164)**	(93,940)
Share of after-tax profit of associates		**98,539**	38,831
Share of after-tax profit of joint ventures		**97,768**	26,072
Profit before tax		**754,077**	875,538
Tax expense	33	**(140,716)**	(214,760)
Profit for the year	32	**613,361**	660,778
Profit attributable to owners of the Company:			
- Ordinary shareholders		**551,672**	544,426
- Preference shareholders		**12,904**	12,904
		564,576	557,330
Non-controlling interests		**48,785**	103,448
Profit for the year		**613,361**	660,778
Earnings per share			
- Basic	34	**60.8 cents**	59.9 cents
- Diluted	34	**59.3 cents**	58.4 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000
Profit for the year		**613,361**	660,778
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan remeasurements		**(2,634)**	6,948
Net change in fair value of equity investments at FVOCI		**66,786**	(34,427)
		64,152	(27,479)
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		**(2,997)**	(2,399)
Exchange differences on hedges of net investment in foreign operations		**7,526**	(5,414)
Exchange differences on monetary items forming part of net investments in foreign operations		**15,627**	(3,460)
Exchange differences reclassified to profit or loss on liquidation and cessation of business of foreign operations		**58**	850
Share of translation differences of equity-accounted investees		**(11,530)**	(8,639)
Translation differences arising on consolidation of foreign operations		**(85,908)**	(41,593)
		(77,224)	(60,655)
Total other comprehensive income for the year, net of tax	33	**(13,072)**	(88,134)
Total comprehensive income for the year		**600,289**	572,644
Total comprehensive income attributable to:			
Owners of the Company		**579,159**	498,402
Non-controlling interests		**21,130**	74,242
Total comprehensive income for the year		**600,289**	572,644

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000
Group				
At 1 January 2019		1,991,397	185,990	(21,036)
Total comprehensive income for the year				
Profit for the year		–	–	–
Other comprehensive income				
Defined benefit plan remeasurements		–	–	–
Changes in fair value of equity investments at FVOCI		–	–	66,828
Effective portion of changes in fair value of cash flow hedges		–	–	–
Exchange differences on hedges of net investment in foreign operations		–	–	–
Exchange differences on monetary items forming part of net investments in foreign operations		–	–	–
Exchange differences reclassified to profit or loss on cessation of business of foreign operations		–	–	–
Share of translation differences of equity-accounted investees		–	(245)	–
Translation differences arising on consolidation of foreign operations		–	–	–
Total other comprehensive income		–	(245)	66,828
Total comprehensive income for the year		–	(245)	66,828
Transactions with owners, recorded directly in equity				
<u>Contributions by and distributions to owners</u>				
Capital distribution to non-controlling interests (net)		–	–	–
Dividends paid to owners of the Company	35	–	–	–
Dividends paid to non-controlling interests		–	–	–
Issue expenses of a subsidiary		–	(85)	–
Transfer to statutory reserve		–	–	–
Share-based payment transactions		–	–	–
Total contributions by and distributions to owners		–	(85)	–
<u>Changes in ownership interests in subsidiaries</u>				
Acquisition of subsidiaries with non-controlling interests	39	–	–	–
Changes in interests in subsidiaries without loss of control	39	–	94,742	–
Total changes in ownership interests in subsidiaries		–	94,742	–
Total transactions with owners		–	94,657	–
Transfer on conversion of convertible securities held in an associate to investment in an associate		–	–	(4,860)
At 31 December 2019		1,991,397	280,402	40,932

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

	Hedging reserve $'000	Other reserve $'000	Share option reserve $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
	135	22,262	15,258	(119,583)	7,966,274	10,040,697	2,233,243	12,273,940
	–	–	–	–	564,576	564,576	48,785	613,361
	–	–	–	–	(2,577)	(2,577)	(57)	(2,634)
	–	–	–	–	–	66,828	(42)	66,786
	(3,825)	–	–	–	–	(3,825)	828	(2,997)
	–	–	–	10,950	–	10,950	(3,424)	7,526
	–	–	–	17,416	–	17,416	(1,789)	15,627
	–	–	–	9	–	9	49	58
	–	–	–	(7,506)	–	(7,751)	(3,779)	(11,530)
	–	–	–	(66,467)	–	(66,467)	(19,441)	(85,908)
	(3,825)	–	–	(45,598)	(2,577)	14,583	(27,655)	(13,072)
	(3,825)	–	–	(45,598)	561,999	579,159	21,130	600,289
	–	–	–	–	–	–	(9,369)	(9,369)
	–	–	–	–	(194,284)	(194,284)	–	(194,284)
	–	–	–	–	–	–	(74,847)	(74,847)
	–	–	–	–	–	(85)	(145)	(230)
	–	1,220	–	–	(1,220)	–	–	–
	–	–	21	–	–	21	–	21
	–	1,220	21	–	(195,504)	(194,348)	(84,361)	(278,709)
	–	–	–	–	–	–	1,050	1,050
	–	–	–	–	–	94,742	(1,424,756)	(1,330,014)
	–	–	–	–	–	94,742	(1,423,706)	(1,328,964)
	–	1,220	21	–	(195,504)	(99,606)	(1,508,067)	(1,607,673)
	–	–	–	–	4,860	–	–	–
	(3,690)	23,482	15,279	(165,181)	8,337,629	10,520,250	746,306	11,266,556

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000
Group				
At 1 January 2018		1,991,397	182,152	16,701
Total comprehensive income for the year				
Profit for the year		–	–	–
Other comprehensive income				
Defined benefit plan remeasurements		–	–	–
Changes in fair value of equity investments at FVOCI		–	–	(37,737)
Effective portion of changes in fair value of cash flow hedges		–	–	–
Exchange differences on hedges of net investment in foreign operations		–	–	–
Exchange differences on monetary items forming part of net investments in foreign operations		–	–	–
Exchange differences reclassified to profit or loss on liquidation and cessation of business of foreign operations		–	–	–
Share of translation differences of equity-accounted investees		–	–	–
Translation differences arising on consolidation of foreign operations		–	–	–
Total other comprehensive income		–	–	(37,737)
Total comprehensive income for the year		–	–	(37,737)
Transactions with owners, recorded directly in equity				
<u>Contributions by and distributions to owners</u>				
Capital distribution to non-controlling interests (net)		–	–	–
Dividends paid to owners of the Company	35	–	–	–
Dividends paid to non-controlling interests		–	–	–
Issue expenses of a subsidiary		–	–	–
Purchase of treasury shares		–	–	–
Transfer to statutory reserve		–	–	–
Share-based payment transactions		–	–	–
Total contributions by and distributions to owners		–	–	–
<u>Changes in ownership interests in subsidiaries</u>				
Acquisition of subsidiaries with non-controlling interests	39	–	–	–
Changes in interests in subsidiaries without loss of control	39	–	3,838	–
Total changes in ownership interests in subsidiaries		–	3,838	–
Total transactions with owners		–	3,838	–
At 31 December 2018		1,991,397	185,990	(21,036)

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

Hedging reserve $'000	Other reserve $'000	Share option reserve $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
1,699	9,197	15,043	(95,495)	7,633,723	9,754,417	2,254,844	12,009,261
–	–	–	–	557,330	557,330	103,448	660,778
–	–	–	–	4,463	4,463	2,485	6,948
–	–	–	–	–	(37,737)	3,310	(34,427)
(1,564)	–	–	–	–	(1,564)	(835)	(2,399)
–	–	–	(3,975)	–	(3,975)	(1,439)	(5,414)
–	–	–	4,467	–	4,467	(7,927)	(3,460)
–	5	–	212	(7)	210	640	850
–	–	–	(5,633)	–	(5,633)	(3,006)	(8,639)
–	–	–	(19,159)	–	(19,159)	(22,434)	(41,593)
(1,564)	5	–	(24,088)	4,456	(58,928)	(29,206)	(88,134)
(1,564)	5	–	(24,088)	561,786	498,402	74,242	572,644
–	–	–	–	–	–	(2,085)	(2,085)
–	–	–	–	(194,733)	(194,733)	–	(194,733)
–	–	–	–	–	–	(91,095)	(91,095)
–	–	–	–	–	–	(30)	(30)
–	–	–	–	(21,442)	(21,442)	–	(21,442)
–	13,060	–	–	(13,060)	–	–	–
–	–	215	–	–	215	111	326
–	13,060	215	–	(229,235)	(215,960)	(93,099)	(309,059)
–	–	–	–	–	–	2,302	2,302
–	–	–	–	–	3,838	(5,046)	(1,208)
–	–	–	–	–	3,838	(2,744)	1,094
–	13,060	215	–	(229,235)	(212,122)	(95,843)	(307,965)
135	22,262	15,258	(119,583)	7,966,274	10,040,697	2,233,243	12,273,940

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Group	
	2019 $'000	**2018 $'000**
Cash flows from operating activities		
Profit for the year	**613,361**	660,778
Adjustments for:		
Depreciation and amortisation	**275,987**	218,840
Dividend income	**(5,559)**	(6,071)
Equity settled share-based transactions	**–**	636
Finance income	**(107,633)**	(62,825)
Finance costs	**190,657**	124,818
Loss on liquidation of subsidiaries/dilution of an associate (net)	**118**	41
Impairment loss on investment in an associate	**3,000**	–
Gain on remeasurement of previously held interest in an associate which became a subsidiary	**(6,608)**	–
Impairment losses on investment properties and property, plant and equipment (net)	**57,972**	94,099
Profit on sale of property, plant and equipment and investment properties	**(164,988)**	(41,735)
Property, plant and equipment and investment properties written off	**3,469**	4,007
Share of after-tax profit of associates	**(98,539)**	(38,831)
Share of after-tax profit of joint ventures	**(97,768)**	(26,072)
Tax expense	**140,716**	214,760
	804,185	1,142,445
Changes in working capital:		
Development properties	**382,624**	(1,362,237)
Contract costs	**(13,995)**	611
Contract assets	**(134,807)**	201,186
Consumable stocks and trade and other receivables	**15,745**	101,426
Trade and other payables	**(77,463)**	(223,122)
Contract liabilities	**103,711**	(252,110)
Employee benefits	**303**	2,858
Cash generated from/(used in) operations	**1,080,303**	(388,943)
Tax paid	**(243,915)**	(210,689)
Net cash from/(used in) operating activities*	**836,388**	(599,632)

* The net cash outflow for operating activities in 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 2019

	Note	Group 2019 $'000	Group 2018 $'000
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)	39	**(244,298)**	(1,309,243)
Advances granted to a real estate developer in China		**(552,200)**	–
Dividends received:			
- an associate		**63,035**	6,747
- joint ventures		**35,628**	33,383
- financial investments		**5,559**	6,071
Increase in investments in associates		**(64,917)**	(15,185)
Decrease in investments in joint ventures		**167,031**	8,146
Increase in amounts owing by equity-accounted investees (non-trade)		**(297,083)**	(187,984)
Interest received		**77,388**	49,712
Payments for intangible assets		**(524)**	(38)
Payments for capital expenditure on investment properties		**(88,920)**	(60,016)
Payments for purchase of property, plant and equipment		**(218,405)**	(201,087)
Purchase of investment properties		**(41,760)**	(30,726)
Proceeds from sale of property, plant and equipment and investment properties		**14,157**	94,736
Purchase of financial assets (net)		**(408,728)**	(122,748)
Proceeds from distributions from investments in financial assets		**180,920**	1,332
Settlement of financial derivatives		**22,873**	(1,827)
Net cash used in investing activities		**(1,350,244)**	(1,728,727)
Cash flows from financing activities			
Acquisition of non-controlling interests	39	**(1,330,014)**	(1,208)
Capital distribution to non-controlling interests (net)		**(9,829)**	(2,605)
Dividends paid		**(268,671)**	(285,308)
Payment of lease liabilities and finance lease payables		**(17,022)**	(142)
Interest paid (including amounts capitalised in investment properties, property, plant and equipment and development properties)		**(187,100)**	(127,817)
Net increase in amounts owing to related parties (non-trade)		**29,116**	105,298
Net proceeds from revolving credit facilities and short-term bank borrowings		**1,183,133**	857,047
Decrease in other liabilities		**–**	(1,318)
Decrease in deposits pledged to financial institutions		**58,251**	43,076
Increase in restricted cash		**(4,093)**	(59)
Cash flows (used in)/from financing activities carried forward		**(546,229)**	586,964

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000
Cash flows (used in)/from financing activities brought forward		**(546,229)**	586,964
Payment of financing transaction costs		**(11,632)**	(8,071)
Payment of issue expenses by a subsidiary		**(230)**	(30)
Purchase of treasury shares		**–**	(21,442)
Proceeds from bank borrowings		**2,059,709**	1,172,543
Repayment of bank borrowings		**(856,975)**	(582,528)
Proceeds from issuance of bonds and notes		**900,000**	79,300
Repayment of bonds and notes		**(395,275)**	(329,150)
Net cash from financing activities		**1,149,368**	897,586
Net increase/(decrease) in cash and cash equivalents		**635,512**	(1,430,773)
Cash and cash equivalents at beginning of the year		**2,162,373**	3,599,044
Effect of exchange rate changes on balances held in foreign currencies		**(8,316)**	(5,898)
Cash and cash equivalents at end of the year	17	**2,789,569**	2,162,373

Non-cash transaction

Dividends amounting to $460,000 (2018: $520,000) 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 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 16 March 2020.

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 2019 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.

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the following notes:

Note 3.1(ii)	Accounting for acquisitions as business combinations or asset acquisitions
Notes 3.1(v), 43 and 44	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 3.20	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 7	Measurement of recoverable amounts of investments in and balances with subsidiaries
Note 12	Measurement of realisable amounts of development properties
Note 25	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 reports 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.

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.

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

Measurement of fair values (cont'd)

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

- Note 5 Investment properties
- Note 25 Share-based payment arrangements
- Note 39 Acquisition of subsidiaries
- Note 41 Financial instruments

2.5 Changes in accounting polices

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2019:

- 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)

In addition to the above, the Group has early adopted the following amendments to standards which are effective for annual periods beginning after 1 January 2019 with earlier application permitted:

- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Interest Rate Benchmark Reform* (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7)

The Group has early applied amendments to SFRS(I) 3 in accounting for acquisitions from 1 January 2019. The new accounting policy (see note 3.1) has been applied prospectively. The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationship that existed at 1 January 2019 or were designated thereafter and that are directly affected by interest rate benchmark reform. The details of the accounting policies and related disclosures about the risks and hedge accounting are disclosed in note 3.7 and 41, respectively.

Other than SFRS(I) 16 and Amendments to SFRS(I) 1-28, the application of these SFRS(I)s, amendments to standards and interpretations did not have a material effect on the financial statements.

SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in accumulated profits at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

2 BASIS OF PREPARATION (CONT'D)

2.5 Changes in accounting polices (cont'd)

SFRS(I) 16 *Leases* (cont'd)

Definition of a lease

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

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

As a lessee

As a lessee, the Group leases many assets including hotel properties, office facilities and equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet. In addition, on adoption of SFRS(I) 16 as at 1 January 2019, the Group has reclassified lease premium prepayment to property, plant and equipment or investment properties.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property, the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments discounted at the respective lessee entities' incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

2 BASIS OF PREPARATION (CONT'D)

2.5 Changes in accounting polices (cont'd)

SFRS(I) 16 *Leases* (cont'd)

As a lessee (cont'd)

Leases classified as finance leases under SFRS 1-17

The Group leases certain items of plant and equipment. These leases were classified as finance leases under SFRS(I) 1-17. For these finance leases, the carrying amount of the right-of use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under SFRS(I) 1-17 immediately before that date.

As a lessor

The Group leases out its investment properties, including own property and right-of-use assets. The Group has classified these leases as operating leases.

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

The Group sub-leases some of its properties. Under SFRS(I) 1-17, the head lease and sub-lease contracts were classified as operating leases. On transition to SFRS(I) 16, the right-of-use assets recognised from the head leases are presented in investment properties, and measured at cost less accumulated impairment losses at that date. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under SFRS(I) 16.

The Group has applied SFRS(I) 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

Impact on financial statements

Impact on transition*

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	1 January 2019 $'000
Right-of-use assets – property, plant and equipment	**260,970**
Right-of-use assets – investment property	**43,861**
Lease premium prepayment	**(105,101)**
Trade and other receivables	**(1,522)**
Other liabilities	**6,476**
Trade and other payables	**(245)**
Lease liabilities	**(204,439)**

* For the impact of SFRS(I) 16 on profit or loss for the period, see note 36. For the impact of SFRS(I) 16 on segment information, see note 42. For the details of accounting policies under SFRS(I) 16 and SFRS(I) 1-17, see note 3.5.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the applicable incremental borrowing rates at 1 January 2019, which range from 0.90% to 14.55% per annum.

2 BASIS OF PREPARATION (CONT'D)

2.5 Changes in accounting polices (cont'd)

SFRS(I) 16 *Leases* (cont'd)

Impact on financial statements (cont'd)

	1 January 2019 $'000
Operating lease commitments at 31 December 2018 as disclosed under SFRS(I) 1-17 in the Group's consolidated financial statements	319,152
Discounted using the incremental borrowing rate at 1 January 2019	178,204
- Recognition exemption for leases of low-value assets	(978)
- Recognition exemption for leases with less than 12 months of lease term at transition	(7,731)
- Lease which commenced after 1 January 2019	(1,727)
- Extension and termination options reasonably certain to be exercised	9,979
- Variable lease payments based on an index or a rate	26,692
Lease liabilities recognised at 1 January 2019	204,439

Amendments to SFRS(I) 1-28

The Group applied the amendments to SFRS(I) 1-28 in accounting for its long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. On adoption of this amendment on 1 January 2019, the Group's prior years' share of an associate or joint venture's losses are required to be allocated to the extent of the long-term interests in an associate or joint venture.

On adoption of this amendment on 1 January 2019, the Group's share of joint ventures' losses previously recognised in other payables of $88.9 million as at 31 December 2018 was set off against the amount due from joint venture (note 30). In accordance with the transition options available under this amendment, the Group has elected not to restate the comparative information for 2018. Accordingly, the information presented for 2018 is presented, as previously reported.

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 have been applied consistently by Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

(i) Business combinations

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

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.

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)

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.

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) Business combinations and property acquisitions

At the time of acquisition, the Group considers whether each acquisition represents an acquisition of business or an acquisition of an asset.

Acquisitions before 1 January 2019

An acquisition is accounted for as a business combination where an integrated set of activities is acquired, in addition to the property. In determining whether an integrated set of activities is acquired, the Group considers whether significant processes such as strategic management and operational processes, are acquired. Where significant processes are acquired, the acquisition is considered an acquisition of business and accounted for as stated above.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(ii) Business combinations and property acquisitions (cont'd)

Acquisitions from 1 January 2019

The Group early adopted the amendments to SFRS(I) 3 and applied the new definition of business in determining whether an acquisition represents an acquisition of business or an acquisition of assets based on whether the input and substantive process that together significantly contribute to ability to create output, are acquired. Following the adoption of the amendments, the Group may elect to apply an optional concentration test which, if met, eliminates the need to assess whether an acquisition constitutes a business. Under this test, the set of activities and assets acquired would not represent a business where substantially all the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

Where an acquisition does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of acquisition is allocated to the assets and liabilities acquired and no goodwill or deferred tax is recognised.

(iii) 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.

(iv) 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.

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

Associates are those entities in which the Group has significant influence, but not control or joint control, over 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(vi) 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% (2018: 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% (2018: 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.

(vii) 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.

(viii) 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.

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);
- 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies (cont'd)

(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.

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 Limited (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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(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.

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 and right-of-use assets in respect of leases where the Group is a lessee.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Investment properties (cont'd)

(i) Recognition and measurement (cont'd)

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.

(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.

3.5 Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (cont'd)

Policy applicable from 1 January 2019 (cont'd)

As a lessee (cont'd)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (cont'd)

Policy applicable from 1 January 2019 (cont'd)

As a lessor

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

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SFRS(I) 9 to the net investment in the lease (see note 3.12 (i)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (cont'd)

Policy applicable from 1 January 2019 (cont'd)

As a lessee

In the comparative period, as a lessee, the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

3.6 Lease premium prepayment

Policy applicable before 1 January 2019

Lease premium prepayment related to upfront premium paid in respect of long leasehold land where substantially all risks and rewards of ownership were not anticipated to be passed to the Group. It was classified appropriately between current and non-current assets and was charged to profit or loss on a straight-line basis over the term of the lease.

On adoption of SFRS(I) 16 on 1 January 2019, lease premium prepayment has been reclassified as right-of-use assets in property, plant and equipment and investment properties.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (con't)

(ii) Classification and subsequent measurement

Non-derivative financial assets

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.

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 or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

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

Financial assets: Business model assessment

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

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

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.

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

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

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

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

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 (cont'd)

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

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

Financial assets at 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.

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 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

(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.

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

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

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

Specific policies applicable from 1 January 2019 for hedges directly affected by interbank offer rates (IBOR) reform

A fundamental reform of major interest rate benchmarks is being undertaken globally to replace or reform IBOR with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposure to interbank offered rates (IBORs) on its financial instruments that will be replaced or reformed as part of this market-wide initiative. There is significant uncertainty over the timing and the methods of transition across the jurisdictions that the Group operates in.

The Group early adopted the principles of the amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 issued in December 2019 in relation to the project on interest rate benchmark reform (the "amendments").

A hedging relationship is directly affected by the uncertainties arising from the IBOR reform with respect to the hedged risk and the timing amount of the interest rate benchmark-based cash flows of the hedged item and the hedging instruments. For the purpose of evaluating whether the hedging relationship is expected to be highly effective (i.e. prospective effectiveness assessment), the Group assumes that the benchmark interest rate on which the cash flows are based is not altered as a result of IBOR reform.

The Group will cease to apply the amendments to its effectiveness assessment of the hedging relationship at the earlier of, when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the hedged risk and the timing and the amount of the interest rate benchmark-based cash flows of the hedged item and hedging instrument; and when the hedging relationship is discontinued.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

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

Net investment hedges (cont'd)

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.

(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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Contract assets and liabilities (cont'd)

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

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment (cont'd)

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

General approach (cont'd)

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 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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment (cont'd)

(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 costs, 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(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.

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 guarantees 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.

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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Revenue recognition (cont'd)

(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 Finance income and costs

The Group's finance income and costs include:

- interest income on amounts owing by joint ventures, fellow subsidiaries and associates, and funds invested;
- 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.

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.

3.20 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Tax (cont'd)

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 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.

3.22 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.

3.23 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted. Except as disclosed in note 2.5, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 January 2019.

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- SFRS(I) 17 *Insurance Contracts*
- *Classification of liabilities as current or non-current* (Amendments to SFRS(I) 1-1)

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.

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	Right-of-use assets $'000	Total $'000
Group								
Cost or deemed cost								
1 January 2018		4,122,890	1,362,995	24,432	1,685,338	37,315	–	7,232,970
Acquisition of subsidiaries	39	–	–	–	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
At 1 January 2019		4,225,527	1,370,894	25,415	1,737,825	105,548	–	7,465,209
Recognition of right-of-use assets on initial application of SFRS(I) 16		–	–	–	–	–	260,970	260,970
Adjusted balance at 1 January 2019		4,225,527	1,370,894	25,415	1,737,825	105,548	260,970	7,726,179
Acquisition of subsidiaries	39	–	313,856	–	6,737	–	–	320,593
Additions		11,784	9,358	5,888	114,951	82,760	22,694	247,435
Disposal/Written off		(388)	–	–	(40,760)	–	(195)	(41,343)
Reclassifications		19,951	59,178	9,511	48,000	(136,640)	–	–
Transfer from development properties		–	–	72,014	–	–	–	72,014
Transfer to assets held for sale		(78,774)	(90,301)	–	(80,557)	(12,132)	(2,616)	(264,380)
Translation differences on consolidation		(22,565)	(650)	(2,062)	(5,748)	280	(3,389)	(34,134)
At 31 December 2019		4,155,535	1,662,335	110,766	1,780,448	39,816	277,464	8,026,364

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 and improvements $'000	Renovation-in-progress $'000	Right-of-use assets $'000	Total $'000
Group								
Accumulated depreciation and impairment losses								
At 1 January 2018		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
At 1 January 2019		980,086	344,776	3,693	1,123,354	–	–	2,451,909
Charge for the year		27,264	24,044	–	106,459	–	20,758	178,525
Disposal/Written off		(26)	–	–	(36,576)	–	(195)	(36,797)
Reclassifications		(167)	167	–	–	–	–	–
Transfer to assets held for sale		(6,100)	(16,488)	–	(57,162)	–	(38)	(79,788)
Impairment losses		38,357	9,871	–	11,551	–	607	60,386
Translation differences on consolidation		(3,605)	(431)	24	(5,329)	–	(897)	(10,238)
At 31 December 2019		1,035,809	361,939	3,717	1,142,297	–	20,235	2,563,997
Carrying amounts								
At 1 January 2018		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
At 31 December 2019		3,119,726	1,300,396	107,049	638,151	39,816	257,229	5,462,367

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land $'000	Furniture, fittings and equipment $'000	Right-of-use assets $'000	Total $'000
Company				
Cost				
At 1 January 2018	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
At 1 January 2019	2,570	29,599	–	32,169
Recognition of right-of-use assets on initial application of SFRS(I) 16	–	–	32,293	32,293
Adjusted balance at 1 January 2019	2,570	29,599	32,293	64,462
Additions	–	7,255	–	7,255
Disposal/Written off	–	(2,443)	–	(2,443)
At 31 December 2019	2,570	34,411	32,293	69,274
Accumulated depreciation				
At 1 January 2018	–	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
Charge for the year	–	3,725	6,132	9,857
Disposal/Written off	–	(2,435)	–	(2,435)
At 31 December 2019	–	19,465	6,132	25,597
Carrying amounts				
At 1 January 2018	2,570	5,165	–	7,735
At 31 December 2018	2,570	11,424	–	13,994
At 31 December 2019	2,570	14,946	26,161	43,677

Right-of-use assets classified within property, plant and equipment

	Land and buildings $'000	Furniture, fittings, plant and equipment and improvements $'000	Total $'000
Group			
Balance at 1 January 2019	253,725	7,245	260,970
Depreciation charge for the year	(19,323)	(1,435)	(20,758)
Additions to right-of-use assets	22,382	312	22,694
Impairment loss	(607)	–	(607)
Transfer to assets held for sale	(2,578)	–	(2,578)
Translation differences on consolidation	(2,420)	(72)	(2,492)
Balance at 31 December 2019	251,179	6,050	257,229

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Right-of-use assets classified within property, plant and equipment (cont'd)

	Buildings $'000
Company	
Balance at 1 January 2019	32,293
Depreciation charge for the year	(6,132)
Balance at 31 December 2019	26,161

Included in property, plant and equipment are certain hotel properties of the Group with carrying amount totalling $498,004,000 (2018: $506,477,000) which are mortgaged to certain financial institutions to secure credit facilities (refer to notes 22 and 23 for more details of the facilities).

The transfer from development properties to property, plant and equipment during 2019 relates to reclassification of a hotel in Suzhou, as a hotel management agreement was signed in respect of that property during the year.

The movements between property, plant and equipment and 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 was 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.

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 2020, 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. These plans and forecasts include management's most recent view of trading prospects 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.

Included in the impairment loss recognised by the Group during the year was impairment loss recognised totalled $58,236,000 on one hotel in the United States of America (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 $593,093,000 as at 31 December 2019. In 2018, an impairment loss of $94,099,000 was recognised on six hotels in the 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 as at 31 December 2018.

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".

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The key assumptions used in estimating the recoverable amounts are set out below:

	US	Europe	Asia
Occupancy growth rate			
2019	Up to 1.0%	Up to 1.0%	-2.0% to 10.0%
2018	Up to 9.5%	Up to 4.3%	Up to 9.0%
Average room rate growth			
2019	4.6%	1.7% to 2.6%	2.4% to 6.8%
2018	3.0% to 4.0%	4.0%	2.0% to 2.5%
Discount rate			
2019	7.8%	5.9% to 11.5%	7.2% to 12.0%
2018	6.5% to 13.0%	10.0%	8.0% to 9.0%
Terminal rates			
2019	5.5%	4.0% to 9.5%	5.5% to 9.0%
2018	5.0% to 11.0%	6.5%	6.0% to 7.0%

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 3.0% (2018: 1.5% and 2.5%), 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.

5 INVESTMENT PROPERTIES

	Note	Group $'000	Company $'000
Cost			
At 1 January 2018		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
At 1 January 2019		4,753,980	600,812
Recognition of right-of-use assets on initial application of SFRS(I) 16		43,861	–
Adjusted balance at 1 January 2019		4,797,841	600,812
Acquisition of subsidiaries	39	446,772	–
Additions		136,079	1,127
Disposal/Written off		(1,944)	(1,517)
Transfers from development properties		136,683	–
Translation differences on consolidation		2,681	–
At 31 December 2019		5,518,112	600,422
Accumulated depreciation and impairment losses			
At 1 January 2018		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
At 1 January 2019		1,012,653	148,595
Charge for the year		96,711	15,317
Reversal of impairment loss		(2,414)	–
Translation differences on consolidation		901	–
At 31 December 2019		1,107,851	163,912

* 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 in 2018 (see note 39 (e)), the deferred gain was set off against the consideration paid for that investment property.

5 INVESTMENT PROPERTIES (CONT'D)

	Group $'000	Company $'000
Carrying amounts		
At 1 January 2018	2,448,901	453,365
At 31 December 2018	3,741,327	452,217
At 31 December 2019	4,410,261	436,510
Fair value		
At 1 January 2018	6,301,274	1,089,822
At 31 December 2018	7,919,056	1,122,087
At 31 December 2019	8,780,086	1,115,949

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 29 years (2018: 1 to 20 years), and subsequent renewals are negotiated at prevailing market rates and terms.

During the year, the Group's transfers from development properties to investment properties relate to several office buildings in Shanghai which were completed and commenced leasing activities during the year. In 2018, the transfer from development properties to investment properties was in relation to a retail mall in Suzhou which was completed and commenced leasing activities in that year. In 2018, the Group's transfers between investment properties and property, plant and equipment arose from the relocation of the Group's corporate head office from City House to Republic Plaza in Singapore (see note 4).

As at 31 December 2019, investment properties of the Group with a total carrying amount of $1,382,003,000 (2018: $871,781,000) were mortgaged to certain financial institutions to secure credit facilities (refer to note 22 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, direct comparison 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 assessment undertaken in 2019, the Group reversed impairment losses of $2,414,000 on one hotel in Germany and one hotel in Maldives, both of which are held by the Group's non wholly-owned subsidiary, CDL Hospitality Trust (CDLHT). The reversal of impairment loss was recognised in "other operating expenses". No impairment loss was recognised or reversed in 2018.

Fair value hierarchy

The fair value disclosure for the investment properties of $8,780,086,000 (2018: $7,919,056,000) has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

Determination of fair value

For a majority of investment properties located in Singapore, the fair values are 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.

5 INVESTMENT PROPERTIES (CONT'D)

Determination of fair value (cont'd)

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 2019 and 2018. 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. The direct comparison method involves an analysis of comparable sales of similar properties and adjusting the transacted prices to those reflective of the investment properties of the Group. The income capitalisation method capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates.

6 ASSETS HELD FOR SALE

Assets held for sale and the liabilities directly associated with the assets held for sale relate to the following proposed divestments:

(a) An indirect subsidiary of the Group, M&C, has entered into a sale and purchase agreement to sell a hotel, Millennium Hotel Cincinnati (which is in the hotel operation segment), to a third party for a consideration of US$36.0 million. The sale was completed on 14 February 2020.

(b) CDLHT will divest one of its properties, Novotel Singapore Clarke Quay (which is in the hotel operation segment), to a consortium in which the Group has a 50% interest for a consideration of $375.9 million. The divestment is expected to be completed in 2020.

(c) Following the acquisition of Sceptre Hospitality Resources LLC (SHR) (which is in other segment) (see note 39), the Group received an offer from a third party and committed to dispose of its entire 75.1% interest in SHR for a sale consideration of US$47.6 million (approximately $64.5 million). The sale was completed on 6 March 2020.

	2019 $
Assets held for sale	
Property, plant and equipment	**186,538**
Goodwill	**19,516**
Other non-current assets	**28**
Trade and other receivables	**3,864**
Cash and cash equivalents	**1,429**
	211,375
Liabilities directly associated with the assets held for sale	
Trade and other payables	**(3,539)**
Other liabilities	**(4,041)**
	(7,580)

7 INVESTMENTS IN AND BALANCES WITH SUBSIDIARIES

	Note	Company 2019 $'000	2018 $'000
Investments in subsidiaries			
Unquoted shares, at cost		**2,056,870**	2,138,687
Impairment losses		**(31,936)**	(70,818)
		2,024,934	2,067,869
Balances with subsidiaries			
Amounts owing by subsidiaries:			
- trade		**18,383**	15,918
- non-trade, interest-free		**4,467,988**	3,294,001
- non-trade, interest-bearing		**6,028,660**	4,595,557
		10,515,031	7,905,476
Impairment losses		**(104,804)**	(104,804)
		10,410,227	7,800,672
Receivable:			
- Within 1 year	15	**5,281,144**	4,194,054
- After 1 year	11	**5,129,083**	3,606,618
		10,410,227	7,800,672
Amounts owing to subsidiaries:			
- trade		**4,566**	2,110
- non-trade, interest-free		**2,210,578**	2,092,806
- non-trade, interest-bearing		**458,029**	272,262
		2,673,173	2,367,178
Repayable:			
- Within 1 year	30	**2,673,173**	2,367,178

The Company assessed the carrying amount of its investments in subsidiaries for indicators of impairment. Based on the assessment, in 2018, the Company recognised an impairment loss of $20,148,000 on its investments in two wholly-owned subsidiaries. The recoverable amounts of the subsidiaries were estimated taking into consideration the fair values of the underlying assets and the liabilities of the companies. The fair value measurement was categorised as a Level 3 in the fair value hierarchy 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 4.35% (2018: 0.20% to 4.95%) per annum and at rates ranging from 2.58% to 3.25% (2018: 2.63% 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.

The non-trade amounts owing by subsidiaries receivable after one year are loans to subsidiaries 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.

7 INVESTMENTS IN AND BALANCES WITH SUBSIDIARIES (CONT'D)

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	
	2019 $'000	2018 $'000
At 1 January	**175,622**	155,326
Impairment loss made	**–**	20,296
Impairment loss utilised	**(38,882)**	–
At 31 December	**136,740**	175,622

Further details regarding the Group's subsidiaries are set out in note 43.

8 INVESTMENTS IN AND BALANCES WITH ASSOCIATES

		Group		Company	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Investments in associates		**562,876**	427,852	**–**	–
Balances with associates					
Amounts owing by associates:					
- trade		**1,105**	899	**11**	13
- non-trade, interest-bearing		**137,691**	–	**–**	–
		138,796	899	**11**	13
Receivable:					
- Within 1 year	15	**1,105**	899	**11**	13
- After 1 year	11	**137,691**	–	**–**	–
		138,796	899	**11**	13
Amount owing to an associate payable within 1 year:					
- non-trade, interest-free	30	**2,628**	–	**–**	–

The non-trade amounts owing by associates are unsecured. In respect of interest-bearing amounts owing by associates, interest at rates ranging from 2.00% to 3.88% (2018: Nil) per annum was charged by the Group. The non-trade amounts owing by associates after one year are loans to associates for which settlement is neither planned nor likely to occur in the foreseeable future.

The non-trade amount owing to an associate is unsecured, interest-free and repayable on demand.

8 INVESTMENTS IN AND BALANCES WITH ASSOCIATES (CONT'D)

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 $493.8 million (2018: $396.5 million) and the fair value based on the published price quotation (Level 1 in the fair value hierarchy) was $396.8 million (2018: $297.7 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 2019. 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	
	2019 **$'000**	**2018** **$'000**
Carrying amount of interests in individually immaterial associates	**562,876**	427,852
Group's share of:		
- profit from continuing operations	**98,539**	38,831
- other comprehensive income	**(11,530)**	(8,639)
- total comprehensive income	**87,009**	30,192

Financial guarantees

Two wholly-owned subsidiaries of the Group entered into deeds of guarantee in favour of Sunbright Holdings Limited (Sunbright), an associate of the Group, on 15 December 2014. As at 31 December 2018, the maximum exposure of the Group under the deeds of guarantee was approximately $25.9 million.

Following the Group's acquisition of the remaining interests in the Profit Participation Securities (PPS) that relates to the non-residential properties (Non-Residential Component) in April 2019 (see note 39(I)(b)), the deed of guarantee in relation to Non-Residential Component was discharged. The deed of guarantee in relation to the residential component was amended on 28 November 2019 (Restated Deed of Guarantee). The maximum exposure of the Group under the Restated Deed of Guarantee at the reporting date is approximately $59.9 million (2018: $15.5 million).

Management do not consider it probable that the claim will be made against the Group under the financial guarantee.

9 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES

	Note	Group		Company	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
Investments in joint ventures					
Investments in joint ventures		**1,192,456**	1,307,639	**37,360**	37,360
Balances with joint ventures					
Amounts owing by joint ventures:					
- trade		**2,738**	1,315	**37**	12
- non-trade, interest-bearing		**441,261**	265,490	**10,525**	10,368
- non-trade, interest-free		**262,764**	350,228	**221,590**	217,886
		706,763	617,033	**232,152**	228,266
Impairment losses		**(4,431)**	(13,559)	**(5,050)**	(14,909)
		702,332	603,474	**227,102**	213,357
Receivable:					
- Within 1 year	15	**496,335**	603,474	**227,102**	213,357
- After 1 year	11	**205,997**	–	**–**	–
		702,332	603,474	**227,102**	213,357
Amounts owing to joint ventures payable within 1 year:					
- trade		**31**	–	**–**	–
- non-trade, interest-free		**60,460**	22,727	**22,727**	22,727
	30	**60,491**	22,727	**22,727**	22,727

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 1.37% to 7.50% (2018: 1.38% to 7.50%) per annum and 1.50% (2018: 1.50%) per annum were charged by the Group and the Company, respectively.

The non-trade amount owing by a joint venture after one year is a loan to joint venture for which settlement is neither planned nor likely to occur in the foreseeable future.

The non-trade amounts presented as receivable or repayable within one year are receivable or repayable on demand.

Included in the carrying amount of the Group's investments in joint ventures is goodwill amounting to $29.6 million (2018: $14.0 million) relating to the Group's interests in three (2018: two) joint ventures.

9 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (CONT'D)

The movements in impairment losses in respect of balances with joint ventures are as follows:

	Group Lifetime ECL		Company Lifetime ECL	
	2019 **$'000**	**2018** **$'000**	**2019** **$'000**	**2018** **$'000**
At 1 January	**13,559**	13,181	**14,909**	14,372
Impairment loss (reversed)/recognised	**–**	–	**(9,859)**	537
Impairment loss utilised	**(9,128)**	–	**–**	–
Translation differences	**–**	378	**–**	–
At 31 December	**4,431**	13,559	**5,050**	14,909

Impairment loss (reversed)/recognised were included in "other operating expenses".

Immaterial joint ventures

The Group has interests in a number of individually immaterial joint ventures. The following table summarises, in aggregate, the share of profit and other comprehensive income of these immaterial joint ventures that are accounted for using the equity method:

	Group	
	2019 **$'000**	**2018** **$'000**
Carrying amount of interests in individually immaterial joint ventures	**1,192,456**	1,307,639
Group's share of:		
- profit from continuing operations/total comprehensive income	**97,768**	26,072

The Group's share of the joint ventures' commitments is as follows:

	Group	
	2019 **$'000**	**2018** **$'000**
Commitments		
Development expenditure contracted but not provided for in the financial statements	**277,385**	209,229
Capital expenditure contracted but not provided for in the financial statements	**47,822**	7,050
Non-cancellable operating lease payable	**–**	73,704
Non-cancellable operating lease receivable	**90,121**	56,885

10 FINANCIAL ASSETS

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Non-current investments				
Unquoted debt investments mandatorily at FVTPL				
- non-related companies	**174,237**	345,655	**–**	–
Unquoted debt investment at amortised cost				
- a non-related company	**311,604**	–	**–**	–
Unquoted equity investments at FVOCI				
- fellow subsidiaries	**350,561**	327,544	**350,561**	327,544
- non-related companies	**41,834**	1,469	**–**	–
Unquoted equity investments mandatorily at FVTPL				
- other related parties	**33,257**	24,955	**–**	–
- non-related companies	**25,829**	18,593	**–**	–
	451,481	372,561	**350,561**	327,544
Quoted equity investments at FVOCI				
- fellow subsidiaries	**28,944**	27,638	**24,339**	23,240
- an associate	**53,423**	67,666	**–**	–
- non-related companies	**10,507**	9,673	**–**	–
Quoted equity investments mandatorily at FVTPL				
- an associate	**6,933**	–	**–**	–
- non-related companies	**23,163**	44,069	**1,064**	2,047
	122,970	149,046	**25,403**	25,287
Other financial asset mandatorily at FVTPL	**–**	17,214	**–**	–
Total non-current financial assets	**1,060,292**	884,476	**375,964**	352,831
Current investments				
Quoted equity investments mandatorily at FVTPL				
- non-related companies	**12,456**	14,203	**–**	–
Unquoted debt investments mandatorily at FVTPL				
- a joint venture	**9,675**	–	**–**	–
- a non-related company	**540,550**	–	**–**	–
Total current financial assets	**562,681**	14,203	**–**	–
Total financial assets	**1,622,973**	898,679	**375,964**	352,831

10 FINANCIAL ASSETS (CONT'D)

Unquoted debt investments mandatorily at FVTPL with total carrying amount of $692,543,000 (2018: $274,146,000) bear interest at 2.46% to 10.00% (2018: 2.46% to 5.00%) per annum and mature within 1 to 4 (2018: 2 to 5) years.

Included in the unquoted debt investments mandatorily at FVTPL were the following:

a) $142,318,000 (2018: $139,967,000) 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) $31,919,000 (2018: $28,040,000) relating to the Group's investment in property-linked notes issued for the development of two luxury retirement villages in New South Wales.

c) $9,675,000 (2018: $Nil) relating to the convertible loan granted to a joint venture.

d) $540,550,000 (2018: $Nil) relating to a loan granted to Sincere Property Group, a real estate developer in China in which the Group intends to take an equity stake when the relevant conditions, including regulatory approvals, are met.

e) $134,179,000 as at 31 December 2018 relating to the Group's investment in junior fixed rate bonds issued by In-V Asset Holdings Pte. Ltd. (In-V) for the office investment platform as detailed in footnote (b) in note 44. The bonds were redeemed during the current year.

f) $16,078,000 (US$11.9 million) as at 31 December 2018 relating to convertible loans granted by the Group to a third party that held 49% of the common units and voting interest in SHR. During the year, the Group exercised its rights to convert these loans into 24.1% of the common units in SHR (see note 39).

Unquoted debt investment at amortised cost with carrying amount of $311,604,000 (US$230 million) (2018: $Nil) relates to the Group's investment in a US$ bond issued by Sincere Property Group. The bond bears interest at 10% (2018: Nil) per annum and matures within 3 (2018: Nil) years.

Equity investments designated at FVOCI

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.

10 FINANCIAL ASSETS (CONT'D)

	Group		Company	
	Fair value at 31 December 2019 $'000	Dividend income recognised during 2019 $'000	Fair value at 31 December 2019 $'000	Dividend income recognised during 2019 $'000
Unquoted investment in a fellow subsidiary:				
- Hong Leong Holdings Limited	350,561	2,025	350,561	2,025
Unquoted investment in a non-related company:				
- Singapore-Suzhou Township Development Pte. Ltd.	41,834	135	–	–
Quoted investment in a fellow subsidiary:				
- Hong Leong Finance Limited	28,944	1,632	24,339	1,372
Quoted investment in an associate:				
- First Sponsor Group Limited (perpetual convertible capital securities)	53,423	–	–	–

	Group		Company	
	Fair value at 31 December 2018 $'000	Dividend income recognised during 2018 $'000	Fair value at 31 December 2018 $'000	Dividend income recognised during 2018 $'000
Unquoted investment in a fellow subsidiary:				
- Hong Leong Holdings Limited	327,544	3,375	327,544	3,375
Quoted investment in a fellow subsidiary:				
- Hong Leong Finance Limited	27,638	1,523	23,240	1,281
Quoted investment in an associate:				
- First Sponsor Group Limited (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 of during 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Information about the Group's and the Company's exposures to credit and market risks, and fair value measurement, is included in note 41.

11 OTHER NON-CURRENT ASSETS

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Amounts owing by subsidiaries	7	**–**	–	**5,129,083**	3,606,618
Amounts owing by associates	8	**137,691**	–	**–**	–
Amount owing by a joint venture	9	**205,997**	–	**–**	–
Deposits		**3,641**	8,610	**–**	–
Other receivables		**9,236**	2,825	**–**	–
Derivative financial assets		**11,638**	17,666	**5,475**	13,706
Restricted bank deposits	17	**284,691**	222,979	**–**	–
		652,894	252,080	**5,134,558**	3,620,324
Prepayments		**371**	365	**–**	–
Intangible assets		**1,416**	1,643	**–**	–
Deferred tax assets	29	**23,051**	56,408	**–**	–
		677,732	310,496	**5,134,558**	3,620,324

12 DEVELOPMENT PROPERTIES

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Properties under development, for which revenue is to be recognised over time	**1,897,466**	2,236,646	**–**	–
Properties under development, for which revenue is to be recognised at a point in time	**2,131,048**	2,115,096	**–**	–
Completed units	**1,152,162**	1,383,051	**180,247**	180,290
	5,180,676	5,734,793	**180,247**	180,290
Allowance for foreseeable losses	**(26,512)**	(33,406)	**–**	–
	5,154,164	5,701,387	**180,247**	180,290
Share of joint operations				
Completed units	**1,478**	2,523	**1,488**	2,543
Total development properties	**5,155,642**	5,703,910	**181,735**	182,833

12 DEVELOPMENT PROPERTIES (CONT'D)

(i) Allowance for foreseeable losses

Movements in allowance for foreseeable losses are as follows:

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
At 1 January		**33,406**	14,674	**–**	–
Allowance (reversed)/made	32	**(6,524)**	19,256	**–**	–
Allowance utilised		**(160)**	(299)	**–**	–
Translation differences on consolidation		**(210)**	(225)	**–**	–
At 31 December		**26,512**	33,406	**–**	–

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/(reversed) for foreseeable losses is included in "cost of sales".

(ii) Development properties of the Group recognised as cost of sales, excluding allowance for foreseeable losses, amounted to $733,940,000 (2018: $1,253,582,000) for the year.

(iii) Development properties of the Group with carrying amounts of $1,763,006,000 (2018: $1,768,641,000) are mortgaged to financial institutions to secure credit facilities (refer to note 22).

13 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, $29,279,000 (2018: $12,001,000) of commission fees paid were capitalised as contract costs.

Capitalised commission fees are amortised when the related revenue is recognised. During the year, $14,612,000 (2018: $12,585,000) was amortised. There is no impairment loss in relation to such costs capitalised.

14 CONTRACT ASSETS/(LIABILITIES)

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Contract assets	**242,048**	107,241	**–**	42,921
Contract liabilities	**(209,503)**	(104,007)	**–**	–

14 CONTRACT ASSETS/(LIABILITIES) (CONT'D)

Significant changes in the contract assets and the contract liabilities balances during the year are as follows:

	Group	
	2019 $'000	2018 $'000
Contract liabilities at the beginning of the year recognised as revenue during the year	**85,318**	346,087
Increases due to cash received, excluding amounts recognised as revenue during the year	**(193,375)**	(94,784)
Contract assets reclassified to trade receivables	**(107,241)**	(308,427)
Changes in measurement of progress	**242,048**	107,241

15 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade receivables		**171,570**	137,168	**719**	5,458
Impairment losses		**(14,301)**	(8,036)	**(7)**	(105)
		157,269	129,132	**712**	5,353
Other receivables		**61,060**	105,244	**4,045**	2,053
Impairment losses		**(5,291)**	(5,697)	**(1,129)**	(1,130)
		55,769	99,547	**2,916**	923
Accrued rent receivables		**29,617**	29,418	**1,823**	1,760
Deposits		**7,672**	6,750	**349**	789
Amounts owing by:					
- subsidiaries	7	**–**	–	**5,281,144**	4,194,054
- associates	8	**1,105**	899	**11**	13
- joint ventures	9	**496,335**	603,474	**227,102**	213,357
- fellow subsidiaries	16	**247**	601	**81**	535
		748,014	869,821	**5,514,138**	4,416,784
Prepayments		**67,066**	76,568	**1,315**	714
Derivative financial assets		**6,994**	9,101	**6,172**	8,883
		822,074	955,490	**5,521,625**	4,426,381

16 AMOUNTS OWING BY AND TO FELLOW SUBSIDIARIES

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Amounts owing by fellow subsidiaries:					
- trade	15	**247**	601	**81**	535
Amounts owing to fellow subsidiaries:					
- trade		**108**	15	**–**	15
- non-trade, interest-bearing		**225,451**	233,028	**–**	–
	30	**225,559**	233,043	**–**	15

Fellow subsidiaries are subsidiaries of the immediate holding company. 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 was charged at 2.00% (2018: 2.00%) per annum.

17 CASH AND CASH EQUIVALENTS

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Fixed deposits		**1,999,127**	1,384,123	**1,175,716**	431,883
Cash at banks and in hand*		**798,525**	905,124	**93,519**	295,490
Cash and cash equivalents in the statements of financial position		**2,797,652**	2,289,247	**1,269,235**	727,373
Restricted deposits included in other non-current assets	11	**284,691**	222,979		
Cash and cash equivalents included in assets held for sale		**1,429**	–		
	18	**3,083,772**	2,512,226		
Restricted deposits		**(288,807)**	(348,515)		
Restricted cash		**(5,395)**	(1,338)		
Bank overdrafts	21	**(1)**	–		
Cash and cash equivalents in the consolidated statement of cash flows		**2,789,569**	2,162,373		

* Includes cash pool overdrafts

As at 31 December 2019, cash and cash equivalents of $123,955,000 (2018: $80,643,000) and $Nil (2018: $39,659,000) 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 for the Group and Company ranges from 0.05% to 6.70% (2018: 0.10% to 4.00%) and 0.90% to 3.20% (2018: 0.40% to 4.00%) per annum respectively during the year.

17 CASH AND CASH EQUIVALENTS (CONT'D)

As at 31 December 2019, cash and cash equivalents of the Group included an amount of $7,069,000 (2018: $14,729,000) which was held in escrow accounts for payments to third party investors.

	Note	Group 2019 $'000	Group 2018 $'000
Restricted deposits:			
- Current		**4,116**	125,536
- Non-current	11	**284,691**	222,979
		288,807	348,515

Restricted deposits comprise deposits pledged to financial institutions as collateral for credit facilities granted (see note 22) and guarantees given in connection with the Group's continuing involvement in various Profit Participation Securities (notes 10 and 44).

18 SHARE CAPITAL

	Company 2019 Number of shares	Company 2019 $'000	Company 2018 Number of shares	Company 2018 $'000
Issued and fully paid ordinary share capital with no par value:				
At 1 January	**906,901,330**	**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**	906,901,330	1,661,179
Issued and fully paid non-redeemable convertible non-cumulative preference share capital with no par value:				
At 1 January and 31 December	**330,874,257**	**330,218**	330,874,257	330,218
		1,991,397		1,991,397

At the reporting date, the Company held 2,400,000 (2018: 2,400,000) 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 (2018: 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.

18 SHARE CAPITAL (CONT'D)

Preference share capital (cont'd)

As at 31 December 2019, a maximum number of 44,998,898 (2018: 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).

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	2019 $'000	2018 $'000
Gross borrowings		**9,934,857**	6,342,646
Cash and bank balances (including restricted deposits classified as other non-current assets and cash and cash equivalents included in assets held for sale)	17	**(3,083,772)**	(2,512,226)
Net debt		**6,851,085**	3,830,420
Total capital employed		**11,266,556**	12,273,940
Net debt equity ratio		**0.61**	0.31

No changes were made to the above objectives, policies and processes during the years ended 31 December 2019 and 2018.

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.

18 SHARE CAPITAL (CONT'D)

Capital management policy (cont'd)

For this financial year, H-REIT has a credit rating of BBB- (2018: BBB-) from Fitch Ratings. The Aggregate Leverage of H-REIT as at 31 December 2019 was 34.3% (2018: 34.2%) 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.

19 RESERVES

	Group		Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Capital reserve	**280,402**	185,990	**63,743**	63,743
Fair value reserve	**40,932**	(21,036)	**(4,905)**	(29,020)
Hedging reserve	**(3,690)**	135	**199**	–
Other reserves	**23,482**	22,262	**–**	–
Share option reserve	**15,279**	15,258	**–**	–
Foreign currency translation reserve	**(165,181)**	(119,583)	**–**	–
Accumulated profits	**8,337,629**	7,966,274	**4,556,849**	4,671,387
	8,528,853	8,049,300	**4,615,886**	4,706,110

The capital reserve comprises mainly:

(a) negative goodwill on the consolidation of subsidiaries which arose prior to 1 January 2017 under the previous accounting standards adopted;

(b) issue expenses; and

(c) reserves arising from the Group's acquisition of non-controlling interests in subsidiaries.

The fair value reserve comprises the cumulative net change in the fair value of equity instruments designated at FVOCI.

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 reserves comprise 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 and a joint venture.

The foreign currency translation reserve comprises mainly:

(a) foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Company;

(b) the gain or loss on financial instruments used to hedge the Group's net investment in foreign operations that are determined to be effective hedges; and

(c) exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

20 EQUITY COMPENSATION BENEFITS

By a subsidiary

Millennium & Copthorne Hotels Limited (formerly known as Millennium & Copthorne Hotels plc) (M&C)

Prior to the Delisting, M&C operated four different share option schemes for the benefit of eligible employees.

(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 permitted 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 was the United Kingdom Inland Revenue approved scheme and operates in the UK solely under which the M&C Group employees were eligible to participate in a 3 or 5 year savings contract.

(b) No payment was required for the grant of an option.

(c) The options may be exercised upon maturity provided that the monies agreed under the savings contract were fully paid and the participant continues to be employed by M&C. The M&C Sharesave Scheme provided 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.

(d) M&C could grant options up to the value of a savings contract at maturity. Participants could not 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 to replace 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 was to be imposed was to be taken on a grant-by-grant basis. Under the terms of the 2006 LTIP and the 2016 LTIP, M&C was 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 was 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.

20 EQUITY COMPENSATION BENEFITS (CONT'D)

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

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 were subject to EPS growth targets and half were subject to Total Shareholder Return (TSR) targets. The revised performance targets were 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 were subject to EPS growth targets, 30% were subject to TSR target measures. The TSR element was 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 regard to the awards made in 2015, the weightings associated with each metric were amended so that EPS reflected 60% of the award and TSR, was 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 those 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 vested in March 2019.

In 2018, M&C's Remuneration Committee amended the performance measures so that 60% of the awards were subject to EPS growth targets, 20% of the awards were 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).

(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 were subject to malus and clawback provisions. No shares could be issued or treasury shares transferred to satisfy any award.

20 EQUITY COMPENSATION BENEFITS (CONT'D)

(v) 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 were below board level would be eligible to be granted awards but executive directors of M&C would be excluded from participating. The plan instead provided 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 were 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 regard to 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.

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 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
2018									
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
		208,732	59,164	(30,731)	(27,821)	–	209,344	3,464	

20 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 2019	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options outstanding as at 31 December 2019	Options exercisable as at 31 December 2019	Exercise period
2019								
19.04.2013	4.4800	2,008	–	–	(2,008)	–	–	01.08.2018 – 31.01.2019
06.05.2014	4.4600	941	–	(672)	(269)	–	–	01.08.2019 – 31.01.2020
14.04.2015	4.6900	1,456	–	(383)	(1,073)	–	–	01.08.2018 – 31.01.2019
14.04.2015	4.6900	4,732	–	(3,547)	(1,185)	–	–	01.08.2020 – 31.01.2021
12.04.2016	3.3000	101,374	–	(99,794)	(1,580)	–	–	01.08.2019 – 31.01.2020
12.04.2016	3.3000	909	–	(606)	(303)	–	–	01.08.2021 – 31.01.2022
11.04.2017	3.6600	37,704	–	(24,218)	(13,486)	–	–	01.08.2020 – 31.01.2021
11.04.2017	3.6600	2,458	–	(382)	(2,076)	–	–	01.08.2022 – 31.01.2023
05.06.2018	4.3600	56,180	–	(21,654)	(34,526)	–	–	01.08.2021 – 31.01.2022
05.06.2018	4.3600	1,582	–	(238)	(1,344)	–	–	01.08.2023 – 31.01.2024
09.04.2019	3.7500	–	93,436	(9,886)	(83,550)	–	–	01.08.2022 – 31.01.2023
09.04.2019	3.7500	–	1,040	(53)	(987)	–	–	01.08.2024 – 31.01.2025
		209,344	94,476	(161,433)	(142,387)	–	–	

20 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 vested during the year	Awards forfeited during the year	Balance at end of year	Vesting date
2018						
04.04.2014	219,362	–	–	(182,601)	36,761	03.08.2018
03.08.2015	11,867	–	–	(11,867)	–	10.09.2018
10.09.2015	185,643	–	–	(148,515)	37,128	29.03.2019
29.03.2016	–	178,299	–	(178,299)	–	27.06.2021
	416,872	178,299	–	(521,282)	73,889	
2019						
03.08.2015	36,761	–	–	(36,761)	–	03.08.2018
29.03.2016	37,128	–	(4,401)	(32,727)	–	29.03.2019
	73,889	–	(4,401)	(69,488)	–	

In 2018, the LTIP and Sharesave awards, which were subject to an EPS performance condition, were valued using the Black-Scholes valuation method. The LTIP awards which were subject to a share price related performance condition (i.e. TSR) were valued using the Monte Carlo valuation method. The option pricing model involved 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.

There were no options outstanding at 31 December 2019. For options exercised during 2018, the weighted average share price at the date of exercise of share options was £4.60. The options outstanding as at 31 December 2018 had an exercise price in the range of £3.30 to £4.69 and a weighted average contractual life of 1.88 years.

20 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
2018								
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
	135,795	57,358	(57,416)	(31,042)	104,695			
2019								
08.09.2015	1,530	–	(1,530)	–	–	5.55	5.55	08.09.2018
13.05.2016	17,009	–	(15,346)	(1,467)	196	4.40	4.40	13.05.2017/18/19
12.08.2016	1,188	–	(1,188)	–	–	4.21	4.21	12.08.2017/18/19
09.11.2016	488	–	(488)	–	–	4.40	4.40	09.11.2017/18/19
14.06.2017	27,122	–	(20,030)	(3,755)	3,337	4.62	4.62	14.06.2018/19/20
14.12.2018	57,358	–	(25,409)	(8,048)	23,901	4.68	4.48 to 4.61	14.12.2019/20/21
13.08.2019	–	35,724	(2,800)	(1,110)	31,814	6.80	6.85	13.08.2020/21/22
	104,695	35,724	(66,791)	(14,380)	59,248			

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 2019 was £6.80 (2018: £4.68).

Following the Delisting, the shares awarded under the ABP will be cash settled at a fixed price of £6.85 in line with the final cash offer by the Company to acquire the remaining interest in M&C at £6.85.

20 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 £	Fair value £	Vesting date
2018								
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
	81,302	65,649	(22,365)	–	124,586			
2019								
29.03.2016	16,310	–	(16,310)	–	–	4.13	3.94 to 4.07	29.03.2017/18/19
15.08.2017	42,627	–	(25,694)	(13,570)	3,363	4.65	4.42 to 4.57	15.08.2018/19/20
04.12.2018	65,649	–	(20,103)	(33,874)	11,672	4.66	4.47 to 4.60	04.12.2019/20/21
09.08.2019	–	30,151	(1,577)	(12,790)	15,784	6.80	6.85	09.08.2020/21/22
	124,586	30,151	(63,684)	(60,234)	30,819			

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 £6.80 (2018: £4.66).

Following the Delisting, the shares awarded under the ESP will be cash settled at a fixed price of £6.85 in line with the final cash offer by the Company to acquire the remaining interest in M&C at £6.85.

20 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
2018										
Executive Share Plan	04.12.2018	–	16,412	4.66	–	4.60	1.00	–	1.39%	–
Executive Share Plan	04.12.2018	–	16,412	4.66	–	4.53	2.00	–	1.39%	–
Executive Share Plan	04.12.2018	–	32,825	4.66	–	4.47	3.00	–	1.39%	–
Sharesave Scheme (3 year)	05.06.2018	–	57,582	5.32	4.36	1.35	3.16	26.0%	1.22%	0.75%
Sharesave Scheme (5 year)	05.06.2018	–	1,582	5.32	4.36	1.54	5.16	26.0%	1.22%	0.97%
Deferred Share Awards	14.12.2018	–	14,340	4.68	–	4.61	1.00	–	1.39%	–
Deferred Share Awards	14.12.2018	–	14,340	4.68	–	4.55	2.00	–	1.39%	–
Deferred Share Awards	14.12.2018	–	28,678	4.68	–	4.48	3.00	–	1.39%	–
2019										
Executive Share Plan	09.08.2019	–	7,538	6.80	–	6.85	1.00	–	–	–
Executive Share Plan	09.08.2019	–	7,538	6.80	–	6.85	2.00	–	–	–
Executive Share Plan	09.08.2019	–	15,075	6.80	–	6.85	3.00	–	–	–
Sharesave Scheme (3 year)	09.04.2019	–	93,436	4.44	3.75	1.11	3.31	26.0%	0.95%	0.72%
Sharesave Scheme (5 year)	09.04.2019	–	1,040	4.44	3.75	1.28	5.31	26.0%	0.95%	0.82%
Deferred Share Awards	13.08.2019	–	8,931	6.80	–	6.85	1.00	–	–	–
Deferred Share Awards	13.08.2019	–	8,931	6.80	–	6.85	2.00	–	–	–
Deferred Share Awards	13.08.2019	–	17,862	6.80	–	6.85	3.00	–	–	–

21 INTEREST-BEARING BORROWINGS

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Term loans	22	**6,885,922**	4,118,089	**3,591,776**	1,229,209
Finance lease creditors		**–**	272	**–**	–
Bonds and notes	23	**2,279,281**	1,776,640	**1,463,606**	1,063,767
Bank loans	24	**545,947**	432,251	**497,298**	337,534
Bank overdrafts	17	**1**	–	**–**	–
		9,711,151	6,327,252	**5,552,680**	2,630,510
Non-current		**7,673,152**	5,068,840	**4,211,386**	2,192,985
Current		**2,037,999**	1,258,412	**1,341,294**	437,525
		9,711,151	6,327,252	**5,552,680**	2,630,510

Market and liquidity risks

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risks is included in note 41.

22 TERM LOANS

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Secured		**1,443,429**	1,403,835	**–**	–
Unsecured		**5,442,493**	2,714,254	**3,591,776**	1,229,209
	21	**6,885,922**	4,118,089	**3,591,776**	1,229,209

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 12);
- 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 $112.6 million (2018: $135.0 million).

The Group's secured term loans bore interest at rates ranging from 1.93% to 6.42% (2018: 1.64% to 5.43%) per annum during the year.

The Group's unsecured term loans bore interest at rates ranging from 0.35% to 4.03% (2018: 0.34% to 5.34%) per annum during the year. The Company's unsecured term loans bore interest at rates ranging from 1.35% to 4.03% (2018: 1.15% to 5.34%) per annum during the year.

23 BONDS AND NOTES

	Note	Group		Company	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
Secured		**630,393**	339,102	**–**	–
Unsecured		**1,648,888**	1,437,538	**1,463,606**	1,063,767
	21	**2,279,281**	1,776,640	**1,463,606**	1,063,767

Secured bonds and notes comprise the following:

(i) A $39 million (2018: $39 million) bond issued by an indirectly owned subsidiary of CDLHT in 2015. The bond bore interest at a rate of 0.66% (2018: 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 (2018: $130 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% (2018: 0.16% to 0.58%) per annum during the year.

The bondholders, under Article 128 of the Japan Asset Liquidation Law, are under a statutory lien to receive payment of their claims under the bonds prior to other creditors out of the assets of the TMK. The order of priority of such statutory lien shall be immediately after the general statutory liens under the Japan Civil Code.

Unless previously redeemed or purchased and cancelled, the bond is redeemable at its principal amount on its maturity date in March 2020;

(iii) $400 million (2018: $100 million) medium term note (MTN) which comprise 1 series (2018: 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 2.96% (2018: 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 May 2024 (2018: April 2019);

(iv) $1 million (2018: $9 million) 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% (2018: 0.37%) 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; and

(v) $62 million (2018: $62 million) bond issued by a subsidiary, which holds a Japan development property through a TMK structure, in 2018. The bond bore interest at rates ranging from 0.35% to 0.38% (2018: 0.36%) 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.

23 BONDS AND NOTES (CONT'D)

Unsecured bonds and notes comprise the following:

(i) $1,465 million (2018: $1,065 million) medium term notes (MTNs) which comprise 12 series (2018: 9 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 2.80% to 3.90% (2018: 2.45% 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 April 2020 to June 2026 (2018: March 2019 to June 2026);

(ii) $136 million (2018: $274 million) MTNs which comprise 1 series (2018: 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 a rate of 3.98% (2018: 2.37% to 3.98%) per annum during the year.

Unless previously redeemed or purchased and cancelled, the MTNs are redeemable at their principal amounts in August 2021 (2018: July 2019 to August 2021);

(iii) $50 million (2018: $100 million) Islamic Trust Certificates (Certificates) which comprise 1 series (2018: 2 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 a coupon rate at 2.75% (2018: 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 in April 2020 (2018: June 2019 to April 2020).

24 BANK LOANS

	Note	Group		Company	
		2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Bank loans repayable within 1 year					
- secured		**3,182**	–	**–**	–
- unsecured		**542,765**	432,251	**497,298**	337,534
	21	**545,947**	432,251	**497,298**	337,534

The Group's secured bank loans bore interest at rates ranging from 3.02% to 4.50% during the year.

The Group's and the Company's unsecured bank loans bore interest at rates ranging from 0.20% to 4.35% (2018: 0.20% to 4.95%) per annum during the year.

25 EMPLOYEE BENEFITS

	Group		Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Net liability for:				
- defined benefit obligations	**27,814**	25,483	**–**	–
- short-term accumulating compensated absences	**26,883**	26,025	**2,364**	2,562
- long service leave	**1,460**	1,446	**–**	–
	56,157	52,954	**2,364**	2,562
Non-current	**28,662**	26,392	**–**	–
Current	**27,495**	26,562	**2,364**	2,562
	56,157	52,954	**2,364**	2,562

	Group	
	2019 $'000	**2018 $'000**
Net liability for defined benefit obligations		
Present value of unfunded obligations	**9,266**	10,400
Present value of funded obligations	**149,146**	134,020
Fair value of plan assets	**(130,598)**	(118,937)
Liability for defined benefit obligations	**27,814**	25,483

25 EMPLOYEE BENEFITS (CONT'D)

	Group 2019 $'000	2018 $'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at 1 January	**144,420**	164,122
Remeasurements:		
- Experience adjustment	**(358)**	(14)
- Actuarial gain from changes in demographic assumptions	**(3,755)**	(808)
- Actuarial loss/(gain) from changes in financial assumptions	**18,344**	(15,662)
Benefits paid	**(7,277)**	(6,863)
Interest cost	**3,881**	3,936
Current service costs	**1,624**	1,821
Past service costs	**205**	2,066
Translation differences on consolidation	**1,328**	(4,178)
Defined benefit obligations at 31 December	**158,412**	144,420
Changes in the fair value of plan assets		
Fair value of plan assets at 1 January	**118,937**	130,445
Return on plan assets, excluding interest income	**11,594**	(8,191)
Contributions by employees	**471**	–
Contributions by employer	**2,757**	3,879
Benefits paid	**(7,277)**	(6,857)
Interest income	**3,156**	3,099
Translation differences on consolidation	**960**	(3,438)
Fair value of plan assets at 31 December	**130,598**	118,937

The fair values of plan assets in each category are as follows:

	Group 2019 $'000	2018 $'000
Equity	**44,046**	34,796
Bonds	**16,131**	14,709
Cash	**70,421**	69,432
Fair value of plan assets	**130,598**	118,937
Expenses recognised in profit or loss		
Current service costs	**1,624**	1,821
Past service costs	**205**	2,066
Net interest costs	**725**	837
Defined benefit obligation expenses	**2,554**	4,724

25 EMPLOYEE BENEFITS (CONT'D)

The expenses are recognised in the following line items in profit or loss:

	Note	Group	
		2019 **$'000**	**2018** **$'000**
Cost of sales		**1,032**	1,073
Administrative expenses		**1,324**	3,411
Other operating expenses		**198**	240
Defined benefit obligation expenses	32	**2,554**	4,724

The life expectancies underlying the value of the accrued liabilities for the UK Plan, based on retirement age of 65, are as follows:

	2019 **Years**	**2018** **Years**
Males	**22**	22
Females	**24**	24

The weighted average duration of the defined benefit obligations as at 31 December 2019 was 18 years (2018: 18 years).

The Group expects £2 million (approximately $4 million) contributions to be paid to the defined benefit plans in 2020.

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 2019. The contributions of the Group during the year were about 11% (2018: 11%) 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.

25 EMPLOYEE BENEFITS (CONT'D)

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 2019. 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.

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 2019. The contributions of the Group were no less than 6% (2018: 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:

	2019 UK	**2019 South Korea**	**2019 Taiwan**	**2018 UK**	**2018 South Korea**	**2018 Taiwan**
Inflation rate	**3.0%**	**2.0%**	**–**	3.5%	2.0%	–
Discount rate	**1.9%**	**2.0%**	**0.8%**	2.9%	2.5%	1.0%
Rate of salary increase	**3.5%**	**3.0%**	**3.0%**	4.0%	3.0%	3.0%
Rate of pension increases	**2.9%**	**–**	**–**	3.3%	–	–
Rate of revaluation	**2.2%**	**–**	**–**	2.5%	–	–

The methodology for computing the discount rate is 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.

25 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	
	1 percent increase $'000	1 percent decrease $'000
Group		
2019		
Discount rate	**(23,038)**	**23,259**
Rate of salary increase	**2,695**	**(2,490)**
2018		
Discount rate	(20,707)	24,616
Rate of salary increase	2,684	(2,482)

26 LEASE LIABILITIES

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Lease liabilities	**207,200**	–	**25,772**	–
Non-current	**189,448**	–	**20,003**	–
Current	**17,752**	–	**5,769**	–
	207,200	–	**25,772**	–

The incremental borrowing rates of the Group's and the Company's lease liabilities ranges from 0.90% to 14.55% (2018: Nil) per annum during the year.

Information about the Group's and the Company's exposure to foreign currency and liquidity risk is included in note 41.

27 OTHER LIABILITIES

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred income	**17,634**	171,246	**–**	–
Rental deposits	**69,411**	60,247	**9,912**	8,134
Non-current retention sums payable	**20,524**	8,463	**–**	713
Derivative financial liabilities	**4,722**	4,981	**–**	–
Miscellaneous (principally deposits received and payables)	**18,534**	17,305	**–**	–
	130,825	262,242	**9,912**	8,847

Deferred income includes the following:

(i) $7,030,000 (2018: $7,030,000) relating to the deferred gain on the sale of cash flows as disclosed in footnote (a) of note 44;

(ii) $Nil (2018: $153,853,000) relating to the deferred gain on the sale of leasehold interests in certain investment properties to associates as disclosed in footnote (b) of note 44; and

(iii) $6,635,000 (2018: $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 10). 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.

28 PROVISIONS

	Beijing indemnity $'000	Capital expenditure $'000	Legal fees $'000	Cash flow support $'000	Bond interest support $'000	Interest support $'000	Total $'000
Group							
At 1 January 2019	16,448	686	2,562	9,179	57	43,858	72,790
Provision (written back)/made	–	(70)	2,349	–	(57)	–	2,222
Provision utilised	–	–	–	(5,700)	–	(14,367)	(20,067)
Unwinding of discount	–	–	–	–	–	564	564
Translation differences on consolidation	(191)	(5)	(33)	–	–	–	(229)
At 31 December 2019	16,257	611	4,878	3,479	–	30,055	55,280
Non-current							26,809
Current							28,471
							55,280

28 PROVISIONS (CONT'D)

	Beijing indemnity $'000	Capital expenditure $'000	Legal fees $'000	Cash flow support $'000	Bond interest support $'000	Interest support $'000	Total $'000
Group							
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 provisions made in relation to disputes in several hotels.

The provision for cash flows support relates to the Group's obligation to 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 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 44).

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 10).

29 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 2018 $'000	Recognised in profit or loss (note 33) $'000	Recognised in the statement of comprehensive income (note 33) $'000	Recognised directly in equity $'000	Acquisition of subsidiaries (note 39) $'000	Translation differences on consolidation $'000	At 31 December 2018 $'000
Group							
Deferred tax liabilities							
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
	299,561	(41,947)	–	–	25	1,255	258,894
Deferred tax assets							
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)
	(178,224)	(24,390)	1,345	310	(340)	(225)	(201,524)
Total	121,337	(66,337)	1,345	310	(315)	1,030	57,370

29 DEFERRED TAX LIABILITIES (CONT'D)

	At 1 January 2019 $'000	Recognised in profit or loss (note 33) $'000	Recognised in the statement of comprehensive income (note 33) $'000	Recognised directly in equity $'000	Acquisition of subsidiaries (note 39) $'000	Translation differences on consolidation $'000	At 31 December 2019 $'000
Group							
Deferred tax liabilities							
Property, plant and equipment	179,618	(15,199)	–	–	–	(2,124)	162,295
Investment properties	32,834	2,121	–	–	296	99	35,350
Development properties	5,150	18,264	–	–	–	–	23,414
Unremitted earnings	30,981	6,725	–	–	–	(4)	37,702
Others	10,311	8,011	–	–	72	(35)	18,359
	258,894	19,922	–	–	368	(2,064)	277,120
Deferred tax assets							
Property, plant and equipment	(29,568)	29,567	–	–	(54)	(1)	(56)
Tax losses	(107,286)	(15,382)	–	–	–	(2,830)	(125,498)
Development properties	(43,482)	864	–	–	–	701	(41,917)
Employee benefits	(9,759)	–	(3)	–	–	(102)	(9,864)
Others	(11,429)	(3,664)	–	–	–	(151)	(15,244)
	(201,524)	11,385	(3)	–	(54)	(2,383)	(192,579)
Total	57,370	31,307	(3)	–	314	(4,447)	84,541

29 DEFERRED TAX LIABILITIES (CONT'D)

	At 1 January 2018 $'000	Recognised in profit or loss $'000	At 31 December 2018 $'000	Recognised in profit or loss $'000	At 31 December 2019 $'000
Company					
Deferred tax liabilities					
Property, plant and equipment	567	196	763	422	1,185
Investment properties	11,553	(351)	11,202	(416)	10,786
Development properties	36,904	(36,904)	–	–	–
Unremitted earnings	3,737	10,345	14,082	(2)	14,080
	52,761	(26,714)	26,047	4	26,051
Deferred tax assets					
Development properties	–	(2,835)	(2,835)	47	(2,788)
Others	(4,213)	(1,438)	(5,651)	3,630	(2,021)
	(4,213)	(4,273)	(8,486)	3,677	(4,809)
Total	48,548	(30,987)	17,561	3,681	21,242

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:

		Group		Company	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred tax assets	11	**23,051**	56,408	**–**	–
Deferred tax liabilities		**(107,592)**	(113,778)	**(21,242)**	(17,561)
		(84,541)	(57,370)	**(21,242)**	(17,561)

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom:

	Group	
	2019 $'000	2018 $'000
Deductible temporary differences	**141,009**	147,169
Tax losses	**321,083**	247,003
	462,092	394,172

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.

29 DEFERRED TAX LIABILITIES (CONT'D)

The tax losses with expiry dates are as follows:

	Group	
	2019 $'000	2018 $'000
Expiry dates		
- Within 1 to 5 years	**107,772**	83,631
- After 5 years	**24,562**	12,914
	132,334	96,545

At 31 December 2019, a deferred tax liability of $33,888,000 (2018: $34,593,000) in respect of temporary differences of $383,582,000 (2018: $356,838,000) 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.

30 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade payables		**165,165**	124,298	**2,779**	3,527
Accruals		**485,709**	562,125	**89,979**	99,475
Deferred income		**61,819**	39,844	**1**	–
Other payables		**82,699**	150,622	**867**	766
Rental and other deposits		**100,769**	113,832	**6,567**	8,572
Retention sums payable		**11,419**	29,541	**713**	8,638
Amounts owing to:					
- subsidiaries	7	**–**	–	**2,673,173**	2,367,178
- associates	8	**2,628**	–	**–**	–
- joint ventures	9	**60,491**	22,727	**22,727**	22,727
- fellow subsidiaries	16	**225,559**	233,043	**–**	15
- other related party		**–**	53	**–**	–
Other financial liability		**–**	17,214	**–**	–
Derivative financial liabilities		**2,649**	37	**2,462**	–
		1,198,907	1,293,336	**2,799,268**	2,510,898

Included in other payables as at 31 December 2018 was an amount of $88,897,000 in respect of the Group's share of losses in a joint venture in excess of its interest in that joint venture. Following the adoption of the Amendments to SFRS(I) 1-28 on 1 January 2019 (note 2.5), the amount was set off against the amount due from the joint venture.

Other financial liability as at 31 December 2018 related to a balance arising from the accounting of the Group's continuing involvement in the third Profit Participation Securities (PPS 3) issued by Summervale. The liability associated with the Group's involvement in PPS 3 has been discharged during the year.

31 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 the provision of laundry services.

	Group	
	2019 **$'000**	**2018** **$'000**
Dividends from investments:		
- fellow subsidiaries		
- quoted equity investments – at FVOCI	**1,632**	1,523
- unquoted equity investments – at FVOCI	**2,025**	3,375
- others		
- quoted equity investments – at FVOCI	**334**	367
- quoted equity investments – mandatorily at FVTPL	**1,434**	738
- unquoted equity investments – at FVOCI	**134**	68
Hotel operations	**1,705,015**	1,679,418
Development properties for which revenue is:		
- recognised over time	**573,708**	167,817
- recognised at a point in time	**563,022**	1,877,492
Rental income from investment properties	**438,143**	358,234
Others	**143,278**	133,531
	3,428,725	4,222,563

As at 31 December 2019, the Group has property development income of $855,009,000 (2018: $431,263,000) which is expected to be recognised over the next four years (2018: four years) as construction of the development properties progresses.

The Group has 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.

31 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							
	Property development		Hotel operations		Others*		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Geographical market								
Singapore	**857,202**	1,538,784	**288,810**	250,055	**141,418**	133,367	**1,287,430**	1,922,206
China	**101,733**	304,376	**43,127**	47,096	**–**	–	**144,860**	351,472
United States	**–**	–	**543,239**	535,937	**1,496**	–	**544,735**	535,937
United Kingdom	**74,108**	6,177	**318,743**	328,714	**–**	–	**392,851**	334,891
Australasia	**93,862**	86,199	**148,659**	153,532	**–**	–	**242,521**	239,731
Rest of Asia (excluding Singapore and China)	**9,825**	109,773	**334,497**	330,552	**364**	164	**344,686**	440,489
Other countries	**–**	–	**27,940**	33,532	**–**	–	**27,940**	33,532
	1,136,730	2,045,309	**1,705,015**	1,679,418	**143,278**	133,531	**2,985,023**	3,858,258
Timing of revenue recognition								
Products and services transferred at a point in time	**563,022**	1,877,492	**1,705,015**	1,679,418	**3,700**	6,957	**2,271,737**	3,563,867
Products and services transferred over time	**573,708**	167,817	**–**	–	**139,578**	126,574	**713,286**	294,391
	1,136,730	2,045,309	**1,705,015**	1,679,418	**143,278**	133,531	**2,985,023**	3,858,258

* Excluding dividend income.

32 PROFIT FOR THE YEAR

The following items have been included in arriving at profit for the year:

	Note	Group 2019 $'000	Group 2018 $'000
Other income			
Insurance claim		**–**	1,198
Gain on remeasurement of previously held interest in an associate which became a subsidiary		**6,608**	–
Management fees and miscellaneous income		**3,614**	2,634
Profit on sale of property, plant and equipment and investment properties		**164,988**	41,735
		175,210	45,567
Staff costs			
Contributions to defined contribution plans		**55,322**	49,382
Equity settled share-based transactions		**–**	636
Increase in liability for defined benefit plans	25	**2,554**	4,724
Increase in liability for short-term accumulating compensated absences		**423**	1,825
Wages and salaries		**832,808**	794,441
		891,107	851,008
Less:			
Staff costs capitalised in:			
- development properties		**(3,722)**	(847)
- property, plant and equipment		**(345)**	–
		887,040	850,161
Other expenses			
Amortisation of intangible assets		**751**	757
Amortisation of lease premium prepayment		**–**	3,789
Audit fees paid to:			
- auditors of the Company		**3,175**	2,827
- other auditors		**3,802**	3,429
Non-audit fees:			
- auditors of the Company		**1,677**	1,464
- other auditors		**1,496**	1,400
Depreciation of:			
- property, plant and equipment	4	**178,525**	141,918
- investment properties	5	**96,711**	72,376
Direct operating expenses arising from investment properties which are not leased		**5**	86
Direct operating expenses arising from rental of investment properties (excluding depreciation)		**125,041**	100,489
Allowance (reversed)/made for foreseeable losses on development properties (net)	12	**(6,524)**	19,256
Provisions made/(written back)	28	**2,222**	(19,865)

32 PROFIT FOR THE YEAR (CONT'D)

	Note	Group 2019 $'000	Group 2018 $'000
Impairment losses recognised/(reversed) on:			
- investment in an associate		**3,000**	–
- property, plant and equipment	4	**60,386**	94,099
- investment properties	5	**(2,414)**	–
- trade and other receivables	41	**6,547**	4,235
Loss on liquidation of subsidiaries		**79**	41
Loss on dilution of an associate		**39**	–
Lease expenses (short-term lease)		**3,275**	–
Lease expenses (low value assets, excluding short-term leases of low value assets)		**942**	–
Operating lease expenses		**–**	20,055
Property, plant and equipment and investment properties written off		**3,469**	4,007
Finance income			
Interest income under the effective interest method:			
- amounts owing by fellow subsidiaries at amortised cost		**36**	3
- amounts owing by associates at amortised cost		**1,161**	–
- amounts owing by joint ventures at amortised cost		**8,921**	3,043
- unquoted debt investment at amortised cost		**15,993**	–
- cash and cash equivalents		**43,093**	44,575
- others		**10,055**	9,177
Fair value gains on financial derivatives designated at FVTPL (net)		**11,936**	6,091
Fair value gains on financial assets mandatorily measured at FVTPL		**17,572**	–
		108,767	62,889
Finance income capitalised in development properties		**(240)**	(64)
Total finance income		**108,527**	62,825
Finance costs			
Amortisation of transaction costs capitalised		**7,960**	5,493
Interest expense:			
- term loans and bank loans		**131,175**	76,015
- bonds and notes		**63,508**	54,796
- amounts owing by fellow subsidiaries		**4,484**	3,892
- financial derivatives at FVTPL		**1,380**	1,213
- lease liabilities		**8,420**	–
- others		**26**	372
Fair value losses on financial assets mandatorily measured at FVTPL		**–**	5,004
Net exchange loss		**14,034**	18,242
Unwinding of discount on non-current liabilities		**575**	1,723
		231,562	166,750
Finance costs capitalised in:			
- development properties*		**(22,433)**	(9,599)
- property, plant and equipment		**(4,438)**	(386)
Total finance costs		**204,691**	156,765
Net finance costs		**96,164**	93,940

* 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.

32 PROFIT FOR THE YEAR (CONT'D)

	Group 2019 $'000	2018 $'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	**70,230**	48,235
- total finance costs on financial liabilities	**172,340**	124,873

During the year, net finance costs of the Group have been capitalised at rates ranging from 0.35% to 5.00% (2018: 0.25% to 2.45%) per annum for development properties and 1.50% to 5.61% (2018: 2.73% to 3.05%) per annum for property, plant and equipment.

33 TAX EXPENSE

	Note	Group 2019 $'000	2018 $'000
Current tax expense			
Current year		**111,425**	240,754
Over provision in respect of prior years		**(19,190)**	(18,700)
		92,235	222,054
Deferred tax credit			
Movements in temporary differences		**25,225**	(81,937)
Effect of changes in tax rates and legislation		**181**	194
Under provision in respect of prior years		**5,901**	15,406
	29	**31,307**	(66,337)
Land appreciation tax		**9,678**	57,795
Withholding tax		**7,496**	1,248
Total tax expense		**140,716**	214,760

33 TAX EXPENSE (CONT'D)

Tax recognised in other comprehensive income

	2019 Before tax $'000	2019 Tax expense (note 29) $'000	2019 Net of tax $'000	2018 Before tax $'000	2018 Tax credit (note 29) $'000	2018 Net of tax $'000
Group						
Defined benefit plan remeasurements	**(2,637)**	**3**	**(2,634)**	8,293	(1,345)	6,948
Changes in fair value of equity instruments measured at FVOCI	**66,786**	**–**	**66,786**	(34,427)	–	(34,427)
Effective portion of changes in fair value of cash flow hedges	**(2,997)**	**–**	**(2,997)**	(2,399)	–	(2,399)
Exchange differences on hedges of net investments in foreign operations	**7,526**	**–**	**7,526**	(5,414)	–	(5,414)
Exchange differences on monetary items forming part of net investments in foreign operations	**15,627**	**–**	**15,627**	(3,460)	–	(3,460)
Exchange differences reclassified to profit or loss on liquidation and cessation of business of foreign operations	**58**	**–**	**58**	850	–	850
Share of translation differences of equity-accounted investees	**(11,530)**	**–**	**(11,530)**	(8,639)	–	(8,639)
Translation differences arising on consolidation of foreign operations	**(85,908)**	**–**	**(85,908)**	(41,593)	–	(41,593)
	(13,075)	**3**	**(13,072)**	(86,789)	(1,345)	(88,134)

Reconciliation of effective tax rate

	Group 2019 $'000	Group 2018 $'000
Profit before tax	**754,077**	875,538
Tax using the Singapore tax rate of 17% (2018: 17%)	**128,193**	148,842
Income not subject to tax	**(84,570)**	(35,396)
Expenses not deductible for tax purposes:		
- expenses	**80,078**	30,435
- write-back	**(4,426)**	(3,612)
Effect of changes in tax rates and legislation	**181**	194
Effect of different tax rates in other countries	**7,493**	25,453
Effect of share of results of associates and joint ventures	**5,028**	1,928
Land appreciation tax	**9,678**	57,795
Effect of tax deduction on land appreciation tax	**(2,420)**	(14,450)
Unrecognised deferred tax assets	**14,666**	11,407
Tax effect of losses not allowed to be set off against future taxable profits	**5,506**	8,487
Tax incentives	**(1,525)**	(484)
Utilisation of previously unrecognised deferred tax assets	**(3,877)**	(12,545)
Over provision in respect of prior years	**(13,289)**	(3,294)
	140,716	214,760

34 EARNINGS PER SHARE

Basic earnings per share is calculated based on:

	Group	
	2019 $'000	**2018 $'000**
Profit attributable to owners of the Company	**564,576**	557,330
Less:		
Dividends on non-redeemable convertible non-cumulative preference shares	**(12,904)**	(12,904)
Profit attributable to ordinary shareholders after adjustment of non-redeemable convertible non-cumulative preference dividends	**551,672**	544,426

	Group	
	2019 Number of shares	**2018 Number of shares**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**906,901,330**	909,301,330
Effect of treasury shares held	**–**	(719,726)
Weighted average number of ordinary shares during the year	**906,901,330**	908,581,604
Basic earnings per share	**60.8 cents**	59.9 cents

Diluted earnings per share is based on:

	2019 $'000	**2018 $'000**
Profit attributable to ordinary shareholders after adjustment for non-redeemable convertible non-cumulative preference dividends	**551,672**	544,426
Add:		
Dividends on non-redeemable convertible non-cumulative preference shares	**12,904**	12,904
Net profit used for computing diluted earnings per share	**564,576**	557,330

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.

34 EARNINGS PER SHARE (CONT'D)

The effect of the potential ordinary shares on the weighted average number of ordinary shares in issue is as follows:

	Group	
	2019 Number of shares	**2018 Number of shares**
Weighted average number of ordinary shares issued used in the calculation of basic earnings per share	**906,901,330**	908,581,604
Potential ordinary shares issuable under non-redeemable convertible non-cumulative preference shares	**44,998,898**	44,998,898
Weighted average number of ordinary shares issued and potential shares assuming full conversion of preference shares	**951,900,228**	953,580,502
Diluted earnings per share	**59.3 cents**	58.4 cents

35 DIVIDENDS

	Company	
	2019 $'000	**2018 $'000**
Final tax exempt (one-tier) ordinary dividend paid of 8.0 cents (2018: 8.0 cents) per ordinary share in respect of the previous financial year	**72,552**	72,744
Special final tax exempt (one-tier) ordinary dividend paid of 6.0 cents (2018: 6.0 cents) per ordinary share in respect of the previous financial year	**54,414**	54,558
Special interim tax exempt (one-tier) ordinary dividend paid of 6.0 cents (2018: 6.0 cents) per ordinary share in respect of the current financial year	**54,414**	54,527
Non-cumulative tax exempt (one-tier) preference dividend paid of 1.94 cents (2018: 1.94 cents) per preference share	**6,434**	6,434
Non-cumulative tax exempt (one-tier) preference dividend paid of 1.96 cents (2018: 1.96 cents) per preference share	**6,470**	6,470
	194,284	194,733

After the respective reporting dates, the directors proposed the following ordinary dividends, which have not been provided for:

	Company	
	2019 $'000	**2018 $'000**
Final tax exempt (one-tier) ordinary dividend of 8.0 cents (2018: 8.0 cents) per ordinary share	**72,552**	72,552
Special final tax exempt (one-tier) ordinary dividend of 6.0 cents (2018: 6.0 cents) per ordinary share	**54,414**	54,414
	126,966	126,966

36 LEASES

Leases as lessee (SFRS(I) 16)

The Group leases hotel properties and office facilities. The leases of hotel properties and office facilities run for periods ranging from 2 to 136 years, with options to renew after lease expiry dates. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The hotel properties leases were entered into many years ago as combined leases of land and buildings. Previously, these leases and the office facilities leases were classified as operating leases under SFRS(I) 1-17.

The Group leases IT equipment and motor vehicles under a number of leases, which were classified as finance leases under SFRS(I) 1-17.

Amounts recognised in profit or loss

	$'000
2019 – Lease under SFRS(I) 16	
Interest on lease liabilities	8,420
Income from sub-leasing right-of-use assets presented in 'revenue'	1,738
Expenses relating to short-term leases	3,275
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	942
2018 – Operating lease under SFRS(I) 1-17	
Lease expense	20,055

Amounts recognised in statement of cash flows

	2019 $'000
Payment of lease liabilities	**16,923**
Interest expenses	**8,420**
Total cash outflow for leases	**25,343**

36 LEASES (CONT'D)

Leases as lessee (cont'd)

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $1.2 million.

Leases as lessor

The Group leases out its investment property consisting of its owned properties as well as leased properties (see note 5). All leases are classified as operating leases from a lessor perspective.

Operating lease

The Group and the Company lease out some of their investment properties and development properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 5 sets out information about the operating leases of investment properties.

Rental income from investment properties and property subleases recognised by the Group during 2019 was $423,093,000 (2018: $344,072,000).

The following table sets out a maturity analysis of lease rental receivables, showing the undiscounted lease payments to be received after the reporting date.

	Group $'000	Company $'000
2019 – Operating leases under SFRS(I) 16		
Less than one year	304,368	52,392
One to two years	220,921	38,634
Two to three years	154,703	23,977
Three to four years	111,971	12,740
Four to five years	136,484	6,084
More than five years	347,499	678
Total	1,275,946	134,505
2018 – Operating leases under SFRS(I) 1-17		
Less than one year	272,928	47,661
Between one year to five years	583,922	65,438
More than five years	289,887	1,882
Total	1,146,737	114,981

Contingent rents, generally determined based on a percentage of tenants' revenue, of $7,208,000 (2018: $7,202,000) has been recognised as revenue by the Group, in profit or loss during the year.

36 LEASES (CONT'D)

Leases as lessor (cont'd)

Included in the non-cancellable operating lease rental receivables above are commitments with related parties which are set out below.

	Group		Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Non-cancellable operating lease rentals receivable from:				
- joint ventures	**44,583**	49,751	**–**	–
- a fellow subsidiary	**600**	923	**600**	923
- an associate	**–**	43	**–**	–
- an associate of the ultimate holding company	**–**	186	**–**	–
- subsidiaries	**–**	–	**6,176**	5,965
	45,183	50,903	**6,776**	6,888

37 COMMITMENTS

The Group and the Company have the following commitments as at the reporting date:

	Group		Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Development expenditure contracted but not provided for in the financial statements	**612,732**	414,749	**–**	–
Capital expenditure contracted but not provided for in the financial statements	**90,184**	135,213	**–**	591
Commitments in respect of purchase of properties for which deposits have been paid	**14,120**	42,603	**–**	–
Commitments in respect of investments in associates	**83,705**	37,867	**–**	–
Commitment in respect of an investment in a real estate developer in China*	**532,125**	–	**–**	–
Commitments in respect of capital contribution to investments in financial assets in:				
- related parties	**77,337**	86,520	**–**	–
- third parties	**15,463**	8,847	**–**	–

* The commitment represents the consideration payable for a 24% effective equity stake in Sincere Property Group (note 10), net of a loan already extended to Sincere Property Group.

37 COMMITMENTS (CONT'D)

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 2018 $'000	Company 2018 $'000
Within 1 year	33,281	6,403
After 1 year but within 5 years	85,489	8,713
After 5 years	200,382	–
	319,152	15,116

At 31 December 2018, 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 respectively.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short term and low-value leases, see note 2.5 and note 36 for further information.

(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).

On transition to SFRS (I) 16, lease liabilities and a corresponding right-of-use asset were recognised in the financial statements based on present value of the minimum lease payments.

38 RELATED PARTIES

Other than as disclosed elsewhere in the financial statements, the transactions with related parties based on terms agreed between the parties are as follows:

	Group	
	2019 $'000	**2018 $'000**
Insurance premium paid and payable to an associate of the ultimate holding company	**(1,440)**	(1,118)
Management services fees received and receivable from:		
- fellow subsidiaries	**1,188**	1,209
- associates	**803**	2,672
- joint ventures	**8,751**	6,394
	10,742	10,275

38 RELATED PARTIES (CONT'D)

	Group 2019 $'000	Group 2018 $'000
Maintenance services fees received and receivable from:		
- fellow subsidiaries	**279**	304
- associates	**337**	2,699
- joint ventures	**2,167**	3,834
	2,783	6,837
Rental and rental-related income received and receivable from:		
- fellow subsidiaries	**322**	320
- an associate	**5,349**	575
- an associate of the ultimate holding company	**188**	217
- joint ventures	**79**	78
	5,938	1,190
Management services fees paid and payable to a fellow subsidiary	**(2,167)**	(1,007)
Rental and rental-related expenses paid and payable to:		
- associates	**–**	(972)
- a joint venture	**(1,727)**	(1,724)
	(1,727)	(2,696)
Purchase of property, plant and equipment from an associate	**(711)**	–
Compensation paid and payable to key management personnel:		
- short-term employee benefits	**31,885**	34,234
- other long-term benefits	**559**	487
	32,444	34,721

During the year, certain key management personnel (including close family members) had entered into and subsequently exercised option to purchase agreements with a joint venture of the Group to purchase residential properties with total sales value amounting to $14,131,900 (2018: $Nil). Revenue from the sales will be recognised by the Group progressively based on percentage of completion of the residential project.

39 ACQUISITION OF AND LOSS OF CONTROL IN SUBSIDIARIES, AND CHANGES IN INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL

(I) Acquisition of subsidiaries

2019

(a) In February 2019, the Group through its two indirect wholly-owned subsidiaries known as Highline Holdings Limited (Highline) and Whitehall Holdings Limited (Whitehall), acquired all units in ART Resi Unit Trust, which was subsequently renamed Highline Resi Unit Trust (Unit Trust) and 100% of the shares and voting interest in ART PRS Leeds GP Ltd, which was subsequently renamed Highline Investment GP Limited (Highline GP), for a total consideration of $27.5 million (£15.4 million). The Unit Trust, together with Highline GP, hold a 100% interest in ART Investments 2 Limited Partnership (which was subsequently renamed Highline Investments LP) which in turn owns a freehold site located at Monk Bridge in Leeds, United Kingdom.

The acquisition was accounted for as an acquisition of assets.

(b) In April 2019, the Group through its indirect wholly-owned subsidiary, Astoria Holdings Limited, acquired the remaining 34.25% of the PPS that relates to the non-residential properties owned by Sunbright, comprising W Hotel and Quayside Isle (Non-Residential Component) for a total consideration of S$77.9 million. Following the acquisition, the Group's effective interest in the Non-Residential Component increased from 65.75% to 100%. The Non-Residential Component was previously accounted for by the Group as an investment in associate, see note 44(a) for further information.

The acquisition provides the Group with the opportunity to enhance and create more value for its hotel operations as the properties are located on Sentosa Island which is poised to undertake new tourism attractions and improvements to its connectivity and attractiveness.

The acquisition was accounted for as a business combination.

From the date of acquisition to 31 December 2019, the Non-Residential Component contributed revenue of $38.8 million and loss before tax of $1.8 million to the Group's results. If the acquisition had occurred on 1 January 2019, management estimate the Group's revenue for the year would have been $3,441 million, with no significant change to the Group's share of profit before tax.

(c) On 22 October 2019, the Group through its indirect wholly-owned subsidiary, City Sceptre Holdings Limited, acquired 51% of the common units in Sceptre Hospitality Resources (SHR) for a total consideration of S$4.5 million (US$3.3 million) (Acquisition). On 28 November 2019, pursuant to the exercise of the conversion rights embedded in the convertible loans granted by the Group to a third party (Conversion), the convertible loans were converted into 24.1% of the common units in SHR.

As a consequence of the Conversion and the Acquisition, the Group owned 75.1% of the common units in SHR which became a subsidiary of the Group. The acquisition provides the Group with the opportunity to enhance its capability in providing customised solutions for the hospitality industry.

The acquisition was accounted for as a business combination.

The contribution of SHR to the Group's revenue and profit before tax for the period from the date of acquisition to 31 December 2019, and for the year had it been acquired on 1 January 2019, is insignificant.

As at 31 December 2019, the Group was committed to divest its investment in SHR, following an offer received from a third party. Accordingly, the assets and liabilities of SHR have been classified as "assets held for sale" and "liabilities directly associated with the assets held for sale" (see note 6).

(d) In November 2019, the Group through its two indirect wholly-owned subsidiaries known as CDL China (Shanghai) Consulting Co., Ltd. (CDL China) and Bridge North Limited (Bridge North), acquired 100% of the shares and voting interest in Chongqing Jungao Enterprise Management Co., Ltd. (Chongqing Jungao) and Shanghai Yulan Real Estate Development Co., Ltd (Shanghai Yulan) respectively for a total consideration of approximately $195 million (RMB1,005 million). Shanghai Yulan owns a commercial property known as Shanghai Hongqiao Sincere Centre (Phase 2) located in Shanghai's Hongqiao Central Business District.

The acquisition was accounted for as an acquisition of assets.

39 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)

<u>**2019 (cont'd)**</u>

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition dates.

	Note	Business combinations $'000	Acquisition of assets $'000	Recognised amounts $'000
Property, plant and equipment	4	320,586	7	320,593
Investment properties	5	75,000	371,772	446,772
Deferred tax assets	29	–	54	54
Other non-current assets		3,944	–	3,944
Development properties		–	23,956	23,956
Consumable stocks		156	–	156
Trade and other receivables		9,989	7,317	17,306
Cash at bank		14,905	44,046	58,951
Trade and other payables		(6,157)	(27,867)	(34,024)
Contract liabilities		(8,830)	–	(8,830)
Employee benefits		(289)	–	(289)
Provision for tax		(618)	(371)	(989)
Other non-current liabilities		(3,245)	(27,966)	(31,211)
Interest-bearing borrowings		(299,559)	(167,831)	(467,390)
Deferred tax liabilities	29	(72)	(296)	(368)
Non-controlling interests		(1,095)	45	(1,050)
Net identifiable assets acquired		104,715	222,866	327,581
Cash flows relating to the acquisitions				
Total consideration		99,349	222,866	322,215
Less: Cash acquired		(14,905)	(44,046)	(58,951)
Less: Consideration set off against convertible loans held		(21,448)	–	(21,448)
Add: Consideration paid for prior year's acquisition		–	2,482	2,482
Total net cash outflow		62,996	181,302	244,298

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired as part of business combinations were as follows:

Assets acquired	Valuation technique
Property, plant and equipment and investment properties	*Comparative and discounted cash flow methods*: The comparative method involved the analysis of comparable sales of similar assets and adjusting the sale prices to that reflective of the commercial properties. The discounted cash flow method involved forecasting the commercial properties' income stream for 10 years and discounting the income stream at 6.75%.
Interest-bearing borrowings	The fair value of term loans is estimated as the present value of future principal and interest cash flows, discounted at market rate of interest at acquisition date.

39 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)

2019 (cont'd)

Goodwill

Goodwill arising from the acquisitions of the Non-Residential Component and SHR has been recognised as follows:

	Non-Residential Component $'000	SHR $'000	Total $'000
Total consideration transferred	77,901	21,448	99,349
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	–	1,095	1,095
Fair value of the Group's existing 65.75% interest in the associate	23,512	–	23,512
Fair value of identifiable net assets	(101,413)	(4,397)	(105,810)
Goodwill	–	18,146	18,146

The remeasurement to fair value of the Group's existing 65.75% interest in the Non-Residential Component resulted in a gain of $6,608,000 which has been recognised in "other income" in the Group's profit or loss.

The goodwill arising from the acquisition of SHR is attributable mainly to synergies expected to be achieved from integrating the subsidiary into the Group's existing hotel operations. None of the goodwill recognised is expected to be deductible for tax purposes. The goodwill arising from the acquisition of SHR has been classified as "assets held for sale" as at 31 December 2019 (see note 6).

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 (£177 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 (£384 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 Firenze - M Gallery by Sofitel and the fixture, furniture and equipment therein.

39 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)

(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.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition dates.

	Note	Recognised amounts $'000
Property, plant and equipment	4	60
Investment properties (including capitalised transaction costs)		1,302,835
Deferred tax assets	29	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	29	(25)
Non-controlling interests		(2,302)
Net identifiable assets acquired		1,136,011
Shareholders' loan assumed		226,927
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

39 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

There were the following changes in interests in subsidiaries without loss of control during the year:

2019

(a) The Group's indirect wholly-owned subsidiary, Agapier Investments Limited, acquired the remaining interests in M&C for a cash consideration of £778.9 million (approximately $1.33 billion), increasing its effective interest from 65% to 100%.

(b) A subsidiary of M&C, M&C REIT Management Limited (M&C REIT), being a REIT manager for CDLHT, received 6,799,933 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.

(c) A subsidiary of M&C, M&C Business Trust Management Limited (MBTM), being a trustee manager for HBT, received 318,401 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.

(d) The Group's indirect wholly-owned subsidiary, CBM Solutions Pte Ltd, acquired the remaining interest in Ingensys Pte. Ltd. for a cash consideration of $2,000,000, increasing its effective interest from 70% to 100%.

2018

(a) M&C REIT 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.

(b) MBTM 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.

(c) 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.

(d) 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.

(e) 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%.

(f) 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.

The following summarises the effect of changes in the Group's ownership interests in the above subsidiaries:

	2019 $'000	2018 $'000
Consideration paid for acquisition of non-controlling interests	**(1,330,014)**	(1,208)
Net decrease in equity attributable to non-controlling interests	**1,424,756**	5,046
Net increase in equity attributable to owners of the Company	**94,742**	3,838
Represented by:		
Increase in capital reserve	**94,742**	3,838

40 RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities						
	Interest-bearing borrowings (note 21) $'000	Interest payable* $'000	Other liabilities** $'000	Non-trade amounts owing to fellow subsidiaries* $'000	Non-trade amounts owing to associates* $'000	Non-trade amounts owing to joint ventures* $'000	Lease liabilities (note 26) $'000
Balance at 1 January 2018	5,021,682	23,456	24,302	123,838	–	22,727	–
Financing cash flows	1,189,903	(127,817)	(2,222)	105,298	–	–	–
Non-cash changes							
Changes arising from acquisition in subsidiaries	117,432	375	–	–	–	–	–
Effect of changes in foreign exchange rates	(8,400)	(3,143)	999	–	–	–	–
Liability-related							
Interest expense/capitalised	–	132,396	–	3,892	–	–	–
Others	6,635	–	–	–	–	–	–
Total non-cash changes	115,667	129,628	999	3,892	–	–	–
Balance at 31 December 2018	6,327,252	25,267	23,079	233,028	–	22,727	–
Balance at 1 January 2019	6,327,252	25,267	23,079	233,028	–	22,727	–
Financing cash flows	2,879,886	(178,680)	(926)	(12,061)	2,628	38,549	(25,442)
Non-cash changes							
Changes arising from acquisition in subsidiaries	467,390	461	–	–	–	–	–
Effect of changes in foreign exchange rates	26,836	(3,727)	(441)	–	–	(816)	(564)
Liability-related							
New leases	–	–	–	–	–	–	227,122
Interest expense/capitalised	–	196,089	–	4,484	–	–	8,420
Others	9,787	(1,273)	2,768	–	–	–	(2,336)
Total non-cash changes	504,013	191,550	2,327	4,484	–	(816)	232,642
Balance at 31 December 2019	9,711,151	38,137	24,480	225,451	2,628	60,460	207,200

* Included in "trade and other payables"
** Included in "trade and other payables" and "other liabilities"

41 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, the loan granted to and the bond subscribed from Sincere Property Group (note 10) amounting to $852 million (2018: $Nil), represent 14% of the Group's financial assets. In addition, the amounts owing by subsidiaries and joint ventures represent 87% of the Company's financial assets. Except as disclosed, there is no significant concentration of credit risk for the Group and the Company. The carrying amounts of financial assets and contract assets represent the Group's 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:

	2019 $'000	2018 $'000
Impairment loss on trade and other receivables	**6,547**	4,235

41 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. For trade receivables and contract assets relating to sale of development properties, if a purchaser defaults on payments, the Group may enforce payments via legal proceedings or if the purchaser is assessed to be insolvent, the Group may take possession of the units, retain a portion of the sales consideration, and resell the property.

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 trade and other receivables and contract assets at the reporting date by business segment is set out below:

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Property development	**724,455**	672,247	**3,946,075**	3,189,141
Hotel operations	**142,414**	114,105	**159,479**	162,144
Investment properties	**90,702**	142,983	**288,582**	310,819
Others	**32,491**	47,727	**1,120,002**	806,484
	990,062	977,062	**5,514,138**	4,468,588

Expected credit loss assessment

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 (2018: 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 2019 and 31 December 2018 is insignificant.

41 FINANCIAL INSTRUMENTS (CONT'D)

(i) Credit risk (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at reporting date:

	Group		Company	
	Gross carrying amount $'000	**Impairment loss allowance $'000**	**Gross carrying amount $'000**	**Impairment loss allowance $'000**
2019				
Current (not past due)	96,052	91	–	–
1 – 30 days past due	29,953	28	609	–
31 – 60 days past due	9,129	37	22	–
61 – 90 days past due	4,286	143	3	–
More than 90 days past due	32,150	14,002	85	7
	171,570	14,301	719	7
2018				
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

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 Lifetime ECL $'000**	**Company Lifetime ECL $'000**
At 1 January 2018		11,482	1,550
Impairment loss recognised/(reversed)	32	4,235	(277)
Impairment loss utilised		(2,002)	(38)
Translation differences		18	–
At 31 December 2018		13,733	1,235
At 1 January 2019		13,733	1,235
Impairment loss in respect of subsidiary disposed		99	–
Impairment loss recognised/(reversed)	32	6,547	(83)
Impairment loss utilised		(699)	(15)
Transfer to assets held for sale		(23)	–
Translation differences		(65)	(1)
At 31 December 2019		19,592	1,136

Impairment losses recognised were included in "other operating expenses".

There is no impairment loss on contract assets.

41 FINANCIAL INSTRUMENTS (CONT'D)

(i) Credit risk (cont'd)

Non-trade amounts due from subsidiaries, associates and joint ventures

The Company held non-trade receivables from its subsidiaries, associates and joint ventures which were lent to subsidiaries, associates and joint ventures to meet their funding requirements. Impairment on these balances has been measured on the 12-month and lifetime expected loss basis. The amount of the allowance on these balances is set out in note 7 and 9.

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 Carrying amount	
	2019 $'000	**2018 $'000**
China	**861,829**	–
Singapore	**142,318**	274,146
Australia	**31,919**	28,040
United States	**–**	16,078
Vietnam	**–**	27,391
	1,036,066	345,655

There is no impairment recognised on the debt investments as at 31 December 2019 and 31 December 2018.

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 $554,933,000 (2018: $614,868,000) and $604,663,000 (2018: $210,520,000) respectively. The Company has cross-currency swaps and forward exchange contracts with a total notional amount of $397,559,000 (2018: $441,255,000) and $578,613,000 (2018: $181,820,000) respectively.

Cash and cash equivalents

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 as at 31 December 2019 and 31 December 2018 was negligible.

(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.

41 FINANCIAL INSTRUMENTS (CONT'D)

(ii) Liquidity risk (cont'd)

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 37).

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 amount $'000	Contractual cash flows $'000	Within 1 year $'000	After 1 year but within 5 years $'000	After 5 years $'000
Group					
31 December 2019					
Non-derivative financial liabilities					
Interest-bearing borrowings	9,711,151	(10,291,138)	(2,217,281)	(7,849,768)	(224,089)
Lease liabilities	207,200	(387,251)	(22,913)	(50,224)	(314,114)
Trade and other payables*	1,134,439	(1,138,990)	(1,138,990)	–	–
Other liabilities*	108,469	(108,469)	–	(86,477)	(21,992)
	11,161,259	(11,925,848)	(3,379,184)	(7,986,469)	(560,195)
Derivative financial instruments					
Forward exchange contracts (gross-settled):	2,649				
- Outflow		(462,539)	(462,539)	–	–
- Inflow		458,852	458,852	–	–
Interest rate swaps (net-settled)	4,722	(4,431)	(2,830)	(1,601)	–
	7,371	(8,118)	(6,517)	(1,601)	–
Forward exchange contracts (gross-settled):	(1,817)				
- Outflow		(143,625)	(143,625)	–	–
- Inflow		144,953	144,953	–	–
Cross-currency swaps (gross-settled):	(16,616)				
- Outflow		(615,314)	(217,403)	(397,911)	–
- Inflow		637,522	225,617	411,905	–
Interest rate swaps (net-settled)	(199)	184	125	59	–
	(18,632)	23,720	9,667	14,053	–
	(11,261)	15,602	3,150	12,452	
	11,149,998	(11,910,246)	(3,376,034)	(7,974,017)	(560,195)

* Excluding derivatives (shown separately) and deferred income

41 FINANCIAL INSTRUMENTS (CONT'D)

(ii) Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	After 1 year but within 5 years $'000	After 5 years $'000
Group					
31 December 2018					
Non-derivative financial liabilities					
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)
	7,666,722	(8,098,924)	(2,636,592)	(4,969,410)	(492,922)
Derivative financial instruments					
Forward exchange contracts (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)	–
	5,018	(960)	600	(1,560)	–
Forward exchange contracts (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	–
	(26,767)	37,832	12,669	25,163	–
	(21,749)	36,872	13,269	23,603	–
	7,644,973	(8,062,052)	(2,623,323)	(4,945,807)	(492,922)

* Excluding derivatives (shown separately) and deferred income

41 FINANCIAL INSTRUMENTS (CONT'D)

(ii) Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	After 1 year but within 5 years $'000	After 5 years $'000
Company					
31 December 2019					
Non-derivative financial liabilities					
Interest-bearing borrowings	5,552,680	(5,843,475)	(1,427,121)	(4,258,531)	(157,823)
Lease liabilities	25,772	(27,332)	(6,403)	(20,929)	–
Trade and other payables*	2,799,267	(2,799,718)	(2,799,718)	–	–
Other liabilities	9,912	(9,912)	–	(9,785)	(127)
	8,387,631	(8,680,437)	(4,233,242)	(4,289,245)	(157,950)
Derivative financial instruments					
Forward exchange contracts (gross-settled):	2,462				
- Outflow		(456,660)	(456,660)	–	–
- Inflow		453,124	453,124	–	–
	2,462	(3,536)	(3,536)	–	–
Cross-currency swaps (gross-settled):	(10,453)				
- Outflow		(394,677)	(148,582)	(246,095)	–
- Inflow		401,421	153,782	247,639	–
Forward exchange contracts (gross-settled):	(995)				
- Outflow		(124,109)	(124,109)	–	–
- Inflow		125,489	125,489	–	–
Interest rate swaps (net-settled)	(199)	184	125	59	–
	(11,647)	8,308	6,705	1,603	–
	(9,185)	4,772	3,169	1,603	–
	8,378,446	(8,675,665)	(4,230,073)	(4,287,642)	(157,950)
31 December 2018					
Non-derivative financial liabilities					
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)
Derivative financial instruments					
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)

* Excluding derivatives (shown separately) and deferred income

41 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 of variable rate borrowings is considered to outweigh the benefits of their flexibility, 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. As at the end of the financial year, the Group has interest rate swap agreements with notional amount totalling $573,151,000 (2018: $450,000,000) whereby it receives variable rate equal to SOR/LIBOR and pays fixed rates of between 0.54% and 2.15% (2018: 2.08% and 2.15%) 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.

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.

41 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Interest rate risk (cont'd)

	Group		Company	
	31 December 2019 $'000	31 December 2018 $'000	31 December 2019 $'000	31 December 2018 $'000
100 bp increase				
(Reduction)/Increase in profit before tax	(57,987)	(39,333)	(13,302)	272

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.

41 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 Dollar $'000	Singapore Dollar $'000
Group		
31 December 2019		
Other non-current assets	–	–
Financial assets	325,800	–
Trade and other receivables*	847	1,214
Cash and cash equivalents (net of cash pool overdrafts)	30,911	1,234
Amounts owing by/(to) subsidiaries (net)***	350,016	(190,436)
Interest-bearing borrowings	(1,118,374)	–
Trade and other payables**	(8,369)	319
Net statement of financial position exposure	(419,169)	(187,669)
Forward exchange contracts	(290)	18,363
Cross-currency swaps	226,594	–
Net exposure	(192,865)	(169,306)
31 December 2018		
Financial assets	41,124	–
Trade and other receivables*	364	799
Cash and cash equivalents (net of cash pool overdrafts)	49,739	4,626
Amounts owing by/(to) subsidiaries (net)***	261,231	(223,254)
Interest-bearing borrowings	(718,695)	–
Trade and other payables**	(5,190)	(331)
Net statement of financial position exposure	(371,427)	(218,160)
Forward exchange contracts	(577)	18,363
Cross-currency swaps	173,613	–
Net exposure	(198,391)	(199,797)

* Excluding prepayments and derivative financial assets
** Excluding deferred income and derivative financial liabilities
*** Excluding amounts owing by/(to) subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future

	Hong Kong Dollar $'000	Australian Dollar $'000	Sterling Pound $'000	Renminbi $'000	Japanese Yen $'000	Euro $'000	Others $'000
	–	–	–	–	–	48,220	–
	–	–	–	582,384	–	–	–
	–	139	76	2,078	–	–	390
	400	55,006	879	53,645	40	3,201	2,570
	26,187	71,649	3,289,563	357,929	148,495	60,547	2,104
	(19,855)	(40,858)	(3,059,454)	(294,484)	(51,474)	(236,340)	–
	(85)	(39)	(3,063)	(434)	(3)	(4)	(12)
	6,647	85,897	228,001	701,118	97,058	(124,376)	5,052
	–	(1,878)	(650)	(456,660)	(84,753)	(40,822)	(3,200)
	–	–	(295,562)	(14,356)	(26,596)	(208,094)	–
	6,647	84,019	(68,211)	230,102	(14,291)	(373,292)	1,852
	–	–	–	–	–	–	–
	–	–	–	1,988	–	48,839	362
	371	55,850	2,777	138,149	1,657	2,852	3,492
	27,142	43,114	(202,722)	(63,405)	(121,158)	53,587	3,795
	(20,580)	(12,400)	(1,370,373)	(19,143)	(92,272)	(235,177)	–
	(64)	(20)	(1,365)	(509)	(24)	–	(12)
	6,869	86,544	(1,571,683)	57,080	(211,797)	(129,899)	7,637
	–	(1,978)	(175,968)	–	(802)	–	(3,499)
	–	–	(292,505)	(14,786)	(70,335)	(227,416)	–
	6,869	84,566	(2,040,156)	42,294	(282,934)	(357,315)	4,138

41 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Foreign currency risk (cont'd)

	United States Dollar $'000
Company	
31 December 2019	
Trade and other receivables*	–
Cash and cash equivalents	1
Amounts owing by/(to) subsidiaries (net)	263,362
Interest-bearing borrowings	(172,038)
Trade and other payables**	(361)
Net statement of financial position exposure	90,964
Forward exchange contracts	–
Cross-currency swaps	–
Net exposure	90,964
31 December 2018	
Trade and other receivables*	–
Cash and cash equivalents	535
Amounts owing by/(to) subsidiaries (net)	10,373
Interest-bearing borrowings	(10,590)
Trade and other payables**	(18)
Net statement of financial position exposure	300
Forward exchange contracts	–
Cross-currency swaps	–
Net exposure	300

* Excluding prepayments and derivative financial assets
** Excluding deferred income and derivative financial liabilities

Hong Kong Dollar $'000	Japanese Yen $'000	Sterling Pound $'000	Renminbi $'000	Australian Dollar $'000	Euro $'000	Others $'000
–	–	16	–	–	–	56
15	–	68	4,397	–	–	237
22,900	124,103	3,148,532	872,670	57,123	98,536	(5)
(19,855)	(10,994)	(2,847,206)	(294,484)	(40,858)	(8,043)	–
(67)	(3)	(3,033)	(403)	(39)	(4)	(12)
2,993	113,106	298,377	582,180	16,226	90,489	276
–	(83,859)	–	(456,660)	–	(40,047)	–
–	(26,596)	(295,562)	(14,356)	–	(50,720)	–
2,993	2,651	2,815	111,164	16,226	(278)	276
–	–	–	5	–	–	56
21	–	–	10,046	–	–	267
23,116	121,853	1,729,396	131,031	28,964	52,412	(5)
(20,580)	(51,663)	(1,254,538)	(19,143)	(12,400)	–	–
(13)	(24)	(854)	(96)	(20)	–	(14)
2,544	70,166	474,004	121,843	16,544	52,412	304
–	–	(174,110)	–	–	–	–
–	(70,335)	(292,505)	(14,786)	–	(52,724)	–
2,544	(169)	7,389	107,057	16,544	(312)	304

41 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.

	2019		2018	
	Profit before tax $'000	**Equity $'000**	**Profit before tax $'000**	**Equity $'000**
Group				
United States Dollar	**11,762**	**(21,406)**	3,444	(13,364)
Singapore Dollar	**(9,383)**	**918**	(10,909)	918
Hong Kong Dollar	**332**	**–**	344	–
Australian Dollar	**4,200**	**–**	4,229	–
Sterling Pound	**7,190**	**(10,599)**	(96,217)	(5,788)
Renminbi	**10,132**	**1,374**	2,855	(739)
Japanese Yen	**1,309**	**(2,023)**	(12,117)	(2,029)
Euro	**(7,805)**	**(10,860)**	(11,794)	(8,514)
Company				
United States Dollar	**4,548**	**–**	15	–
Hong Kong Dollar	**150**	**–**	127	–
Japanese Yen	**133**	**–**	(8)	–
Sterling Pound	**141**	**–**	369	–
Renminbi	**5,558**	**–**	5,353	–
Australian Dollar	**811**	**–**	827	–
Euro	**(14)**	**–**	(16)	–

Equity price risk

The Group and the Company are exposed to equity price changes arising from quoted equity investments at FVOCI and FVTPL. A change in the underlying equity prices of the investments at the reporting date by 5% (2018: 10%) and 5% (2018: 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 5% (2018: 10%) and 5% (2018: 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.

41 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Equity price risk (cont'd)

Equity investments

	Increase by 5% Group $'000	Increase by 5% Company $'000	Decrease by 5% Group $'000	Decrease by 5% Company $'000
2019				
Quoted equity investments at FVOCI and FVTPL				
Equity	4,643	1,217	(4,643)	(1,217)
Profit before tax	2,127	53	(2,127)	(53)
Unquoted equity investments at FVOCI and FVTPL				
Equity	19,620	17,528	(19,620)	(17,528)
Profit before tax	2,955	–	(2,955)	–

	Increase by 10% Group $'000	Increase by 5% Company $'000	Decrease by 10% Group $'000	Decrease by 5% Company $'000
2018				
Quoted equity investments at FVOCI and FVTPL				
Equity	10,498	1,162	(10,498)	(1,162)
Profit before tax	5,827	102	(5,827)	(102)
Unquoted equity investments at FVOCI and FVTPL				
Equity	32,901	16,377	(32,901)	(16,377)
Profit before tax	4,355	–	(4,355)	–

(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.

41 FINANCIAL INSTRUMENTS (CONT'D)

(iv) Hedge accounting (cont'd)

At 31 December 2019, 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
Group			
<u>**Cash flow hedges**</u>			
Foreign exchange risk			
– Forward exchange contract to hedge foreign currency borrowings	$18,362,000	743	Trade and other receivables
<u>**Net investment hedges**</u>			
Foreign exchange risk			
– Borrowings to hedge net investments in foreign operations	$694,987,000 equivalent	(694,987)	Interest-bearing borrowings
– Cross-currency swaps to hedge net investments in foreign operations	RMB74,190,000	197	Other non-current assets

Net investments in certain foreign subsidiaries whose functional currencies are denominated in United States Dollar, Euro, Renminbi, Japanese Yen and Sterling Pound

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 or loss $'000	Hedged foreign exchange rate	Year of maturity
121	–	Not applicable	–	KRW/SGD 823.15	2020
7,069	(245)	Finance costs	–	Not applicable	2020 to 2024
457	–	Not applicable	–	SGD/RMB 5.09	2021

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
(7,526)	20,741	–

41 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
Group			
Cash flow hedges			
Foreign exchange risk			
- Forward exchange contract to hedge foreign currency borrowings	$18,362,000	23	Trade and other receivables
- Cross-currency swaps to hedge foreign currency borrowings	EUR 45,000,000	(1,337)	Other liabilities
Net investment hedges			
Foreign exchange risk			
- Borrowings to hedge net investments in foreign operations	$494,315,000 equivalent	(494,315)	Interest-bearing borrowings
- Cross-currency swaps to hedge net investments in foreign operations	RMB74,190,000	219	Trade and other receivables

Net investments in certain foreign subsidiaries whose functional currencies are denominated in United States Dollar, Euro, Renminbi, Japanese Yen and Sterling Pound

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 or loss $'000	Hedged foreign exchange rate	Year of maturity
(54)	–	Not applicable	–	KRW/SGD 816.96	2019
(2,345)	–	Not applicable	–	USD/EUR 0.891	2020
(5,833)	(4,141)	Finance costs	3,411	Not applicable	2019 to 2022
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
5,414	28,267	–

41 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. Trade and other receivables and trade and other payables classified as held for sale are not included in the table below (see note 6). Further, for the current year, the fair value disclosure of lease liabilities is also not required.

	Note	Mandatorily at FVTPL - others $'000	FVOCI – equity investments $'000
Group			
31 December 2019			
Financial assets measured at fair value			
Unquoted debt investments – mandatorily at FVTPL	10	724,462	–
Unquoted equity investments – at FVOCI	10	–	392,395
Unquoted equity investments – mandatorily at FVTPL	10	59,086	–
Quoted equity investments – at FVOCI	10	–	92,874
Quoted equity investments – mandatorily at FVTPL	10	42,552	–
Derivative financial assets		–	–
		826,100	485,269
Financial assets not measured at fair value			
Unquoted debt investments – amortised costs	10	–	–
Other non-current assets^	11	–	–
Trade and other receivables#	15	–	–
Cash and cash equivalents	17	–	–
		–	–
Financial liabilities measured at fair value			
Derivative financial liabilities		–	–
Financial liabilities not measured at fair value			
Interest-bearing borrowings	21	–	–
Other liabilities*	27	–	–
Trade and other payables*	30	–	–
		–	–

^ Excluding derivative financial assets, prepayments, intangible assets and deferred tax assets
# Excluding prepayments and derivative financial assets
* Excluding deferred income and derivative financial liabilities

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
–	–	–	724,462	–	142,318	582,144	724,462
–	–	–	392,395	–	–	392,395	392,395
–	–	–	59,086	–	–	59,086	59,086
–	–	–	92,874	92,874	–	–	92,874
–	–	–	42,552	42,552	–	–	42,552
18,632	–	–	18,632	–	18,632	–	18,632
18,632	–	–	1,330,001				
–	311,604	–	311,604	–	303,740	–	303,740
–	641,256	–	641,256				
–	748,014	–	748,014				
–	2,797,652	–	2,797,652				
–	4,498,526	–	4,498,526				
7,371	–	–	7,371	–	7,371	–	7,371
–	–	9,711,151	9,711,151	–	9,764,627	–	9,764,627
–	–	108,469	108,469				
–	–	1,134,439	1,134,439				
–	–	10,954,059	10,954,059				

41 FINANCIAL INSTRUMENTS (CONT'D)

(v) Accounting classifications and fair values (cont'd)

	Note	Mandatorily at FVTPL - others $'000	FVOCI – equity investments $'000
Group			
31 December 2018			
Financial assets measured at fair value			
Unquoted debt investments – mandatorily at FVTPL	10	345,655	–
Unquoted equity investments – at FVOCI	10	–	329,013
Unquoted equity investments – mandatorily at FVTPL	10	43,548	–
Quoted equity investments – at FVOCI	10	–	104,977
Quoted equity investments – mandatorily at FVTPL	10	58,272	–
Other financial asset – mandatorily at FVTPL	10	17,214	–
Derivative financial assets		–	–
		464,689	433,990
Financial assets not measured at fair value			
Other non-current assets^	11	–	–
Trade and other receivables#	15	–	–
Cash and cash equivalents	17	–	–
		–	–
Financial liabilities measured at fair value			
Derivative financial liabilities		–	–
Financial liabilities not measured at fair value			
Interest-bearing borrowings	21	–	–
Other liabilities*	27	–	–
Trade and other payables*	30	–	–
		–	–

^ Excluding derivative financial assets, prepayments, intangible assets and deferred tax assets
# Excluding prepayments and derivative financial assets
* Excluding deferred income and derivative financial liabilities

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
–	–	–	345,655	–	274,146	71,509	345,655
–	–	–	329,013	–	–	329,013	329,013
–	–	–	43,548	–	–	43,548	43,548
–	–	–	104,977	104,977	–	–	104,977
–	–	–	58,272	58,272	–	–	58,272
–	–	–	17,214	–	–	17,214	17,214
26,767	–	–	26,767	–	26,767	–	26,767
26,767	–	–	925,446				
–	234,414	–	234,414				
–	869,821	–	869,821				
–	2,289,247	–	2,289,247				
–	3,393,482	–	3,393,482				
5,018	–	–	5,018	–	5,018	–	5,018
–	–	6,327,252	6,327,252	–	6,342,815	–	6,342,815
–	–	86,015	86,015				
–	–	1,253,455	1,253,455				
–	–	7,666,722	7,666,722				

41 FINANCIAL INSTRUMENTS (CONT'D)

(v) Accounting classifications and fair values (cont'd)

	Note	Mandatorily at FVTPL – others $'000	Fair value – hedging instruments $'000	Amortised cost $'000
Company				
31 December 2019				
Financial assets measured at fair value				
Unquoted equity investments – at FVOCI	10	–	–	–
Quoted equity investments – at FVOCI	10	–	–	–
Quoted equity investments – mandatorily at FVTPL	10	1,064	–	–
Derivative financial assets		–	11,647	–
		1,064	11,647	–
Financial assets not measured at fair value				
Other non-current assets^	11	–	–	5,129,083
Trade and other receivables#	15	–	–	5,514,138
Cash and cash equivalents	17	–	–	1,269,235
		–	–	11,912,456
Financial liabilities measured at fair value				
Derivative financial liabilities	30	–	2,462	–
Financial liabilities not measured at fair value				
Interest-bearing borrowings	21	–	–	–
Other liabilities	27	–	–	–
Trade and other payables*	30	–	–	–
		–	–	–

^ Excluding derivative financial assets
# Excluding prepayments and derivative financial assets
* Excluding deferred income and derivative financial liabilities

FVOCI – equity investments $'000	Other financial liabilities $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
350,561	–	350,561	–	–	350,561	350,561
24,339	–	24,339	24,339	–	–	24,339
–	–	1,064	1,064	–	–	1,064
–	–	11,647	–	11,647	–	11,647
374,900	–	387,611				
–	–	5,129,083				
–	–	5,514,138				
–	–	1,269,235				
–	–	11,912,456				
–	–	2,462	–	2,462	–	2,462
–	5,552,680	5,552,680	–	5,587,884	–	5,587,884
–	9,912	9,912				
–	2,796,805	2,796,805				
–	8,359,397	8,359,397				

41 FINANCIAL INSTRUMENTS (CONT'D)

(v) Accounting classifications and fair values (cont'd)

	Note	Mandatorily at FVTPL – others $'000	Fair value – hedging instruments $'000	Amortised cost $'000
Company				
31 December 2018				
Financial assets measured at fair value				
Unquoted equity investments – at FVOCI	10	–	–	–
Quoted equity investments – at FVOCI	10	–	–	–
Quoted equity investments – mandatorily at FVTPL	10	2,047	–	–
Derivative financial assets		–	22,589	–
		2,047	22,589	–
Financial assets not measured at fair value				
Other non-current assets^	11	–	–	3,606,618
Trade and other receivables#	15	–	–	4,416,784
Cash and cash equivalents	17	–	–	727,373
		–	–	8,750,775
Financial liabilities not measured at fair value				
Interest-bearing borrowings	21	–	–	–
Other liabilities	27	–	–	–
Trade and other payables*	30	–	–	–
		–	–	–

^ Excluding derivative financial assets
# Excluding prepayments and derivative financial assets
* Excluding deferred income

	FVOCI – equity investments $'000	Other financial liabilities $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
	327,544	–	327,544	–	–	327,544	327,544
	23,240	–	23,240	23,240	–	–	23,240
	–	–	2,047	2,047	–	–	2,047
	–	–	22,589	–	22,589	–	22,589
	350,784	–	375,420				
	–	–	3,606,618				
	–	–	4,416,784				
	–	–	727,373				
	–	–	8,750,775				
	–	2,630,510	2,630,510	–	2,646,658	–	2,646,658
	–	8,847	8,847				
	–	2,510,898	2,510,898				
	–	5,150,255	5,150,255				

41 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	Discounted cash flows: The valuation model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate.	Discount rate: 2019: 0% to 6.2% 2018: 5.4% to 8.3%	The estimated fair value would increase/(decrease) if the discount rate was lower (higher).
Unquoted debt investments – mandatorily at FVTPL	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: 2019: 25.2% 2018: 25%	The estimated fair value would increase/(decrease) if the discount rate was lower (higher).
Unquoted equity investments – at FVOCI Unquoted equity investments – mandatorily at FVTPL	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: 2019: 0% to 30% 2018: 0% to 30%	The estimated fair value would increase/(decrease) if the discount rate was lower (higher).

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

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.

41 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.

Unquoted debt investment at amortised cost

The fair value of unquoted debt investment at amortised cost determined for disclosure purposes are calculated based on the present value of future principal and interest cash flows, discounted at market rate of interest at the reporting date.

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 equity investments at FVOCI $'000	Unquoted equity investments mandatorily at FVTPL $'000	Unquoted debt investments mandatorily at FVTPL $'000	Other financial asset mandatorily at FVTPL $'000	Unquoted equity investments at FVOCI $'000
At 1 January 2019	329,013	43,548	71,509	17,214	327,544
Additions	–	22,287	571,184	–	–
Release of obligations	–	–	–	(17,214)	–
Distribution of income	–	(1,944)	(41,257)	–	–
Conversion of exchange rights	–	–	(25,170)	–	–
Return of capital	–	(5,219)	–	–	–
Reclassification to investment in joint venture	–	–	(27,391)	–	–
Total loss recognised in profit or loss					
- finance expense	–	1,039	34,148	–	–
Total loss for the period included in other comprehensive income					–
- net change in fair value of equity investments at FVOCI	63,382	–	–	–	23,017
Translation differences on consolidation	–	(625)	(879)	–	–
At 31 December 2019	392,395	59,086	582,144	–	350,561

41 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)

Level 3 fair values (cont'd)

	Group				Company
	Unquoted equity investments at FVOCI $'000	Unquoted equity investments mandatorily at FVTPL $'000	Unquoted debt investments mandatorily at FVTPL $'000	Other financial asset mandatorily at FVTPL $'000	Unquoted equity investments at FVOCI $'000
At 1 January 2018	370,222	49,741	30,186	27,999	368,888
Additions	–	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 2018	329,013	43,548	71,509	17,214	327,544

42 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*
- Investment 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 2019 and 2018.

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 $'000	Hotel operations $'000	Investment properties $'000	Total $'000	Others $'000	Total $'000
2019						
Total revenue (including inter-segment revenue)	1,136,730	1,725,067	532,518	3,394,315	198,572	3,592,887
Inter-segment revenue	–	(20,052)	(94,375)	(114,427)	(49,735)	(164,162)
External revenue	1,136,730	1,705,015	438,143	3,279,888	148,837	3,428,725
Profit from operating activities	277,154	60,698	311,630	649,482	4,452	653,934
Share of after-tax profit/(loss) of associates and joint ventures	153,643	(16,758)	45,790	182,675	13,632	196,307
Finance income	38,125	8,815	10,657	57,597	50,930	108,527
Finance costs	(90,847)	(59,331)	(35,171)	(185,349)	(19,342)	(204,691)
Net finance (costs)/income	(52,722)	(50,516)	(24,514)	(127,752)	31,588	(96,164)
Reportable segment profit/(loss) before tax	378,075	(6,576)*	332,906	704,405	49,672	754,077
Depreciation and amortisation	3,657	134,366	117,109	255,132	20,855	275,987

* Hotel operations for 2019 comprise revenue and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) attributable to hotel rooms owned by the Group amounting to $1,154.2 million and $144.4 million respectively.

42 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development $'000	Hotel operations $'000	Investment properties $'000	Total $'000	Others $'000	Total $'000
2019						
Other material non-cash items						
Impairment losses (made)/ reversed on property, plant and equipment and investment properties (net)	–	(58,236)	2,414	(55,822)	(2,150)	(57,972)
Allowance reversed for foreseeable losses on development properties	6,524	–	–	6,524	–	6,524
Investments in associates and joint ventures	514,202	484,084	407,371	1,405,657	349,675	1,755,332
Other segment assets	8,043,989	5,448,600	6,154,976	19,647,565	1,774,309	21,421,874
Reportable segment assets	8,558,191	5,932,684	6,562,347	21,053,222	2,123,984	23,177,206
Deferred tax assets						23,051
Total assets						23,200,257
Reportable segment liabilities	5,679,210	2,135,931	2,584,539	10,399,680	1,176,923	11,576,603
Deferred tax liabilities						107,592
Provision for taxation						249,506
Total liabilities						11,933,701
Additions to non-current assets*	42,279	179,726	160,858	382,863	153,552	536,415

* Non-current assets include property, plant and equipment, investment properties, investments in associates and joint ventures, and intangible assets.

42 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development $'000	Hotel operations $'000	Investment properties $'000	Total $'000	Others $'000	Total $'000
2018						
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	211,687	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.

	Property development $'000	Hotel operations $'000	Investment properties $'000	Total $'000	Others $'000	Total $'000
2018						
Other material non-cash items						
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.

42 OPERATING SEGMENTS (CONT'D)

Geographical segments

	Singapore $'000	United States $'000	United Kingdom $'000	China $'000	Other countries $'000	Total $'000
2019						
Revenue	1,549,193	553,875	454,053	153,600	718,004	3,428,725
Non-current assets*	3,916,338	1,439,832	2,227,368	1,308,409	2,737,800	11,629,747
Reportable segment assets	10,969,975	1,660,205	3,363,035	3,001,504	4,182,487	23,177,206
2018						
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

* Include property, plant and equipment, investment properties, lease premium prepayment, investments in associates and joint ventures, prepayment (non-current portion) and intangible assets.

43 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES

The following are the Group's significant investments in subsidiaries:

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
	Direct/Indirect subsidiaries of the Company				
*	Allinvest Holding Pte Ltd	Property owner and investment holding	Singapore	**100**	100
*	Aston Properties Pte Ltd	Property owner, developer and investment holding	Singapore	**100**	100
*	Adelanto Investments Pte. Ltd.	Investment holding	Singapore	**100**	100
*	Aquarius Properties Pte. Ltd.	Property owner and developer	Singapore	**80**	80
^	Beaumont Properties Limited	Property owner and developer	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

43 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2019 %	2018 %
*	CBM Pte. Ltd.	Provision of building maintenance, security, cleaning and related services to commercial and residential buildings	Singapore	**100**	100
*	CBM Parking Pte. Ltd.	Provision of car park operation, management, civil, construction and electrical works related to parking systems and related services	Singapore	**100**	100
*	CBM International Pte. Ltd.	Investment holding and provision of consultancy services	Singapore	**100**	100
*	CBM Security Pte. Ltd.	Provision of security services, consultancy services related to security matters, supply of equipment, security escort services and facilities management services	Singapore	**100**	100
*	CBM Solutions Pte. Ltd.	Provision of consultancy and facilities management services	Singapore	**100**	100
**	CBM (Taiwan) Co., Ltd.	Carpark management services	Taiwan	**100**	100
*	CDL Land Pte Ltd	Property owner and developer	Singapore	**100**	100
*	CDL Management Services Pte. Ltd.	Provision of project and property management and consultancy services	Singapore	**100**	100
*	CDL Properties Ltd	Property owner and investment holding	Singapore	**100**	100
*	CDL Regulus Pte. Ltd.	Property owner and developer	Singapore	**100**	100
*	CDL Pegasus Pte. Ltd.	Property owner and developer	Singapore	**100**	100
*	Central Mall Pte Ltd	Property owner	Singapore	**100**	100
*	Centro Property Holding Pte. Ltd.	Property owner	Singapore	**100**	100
*	Cideco Pte. Ltd.	Property owner	Singapore	**100**	100
*	City Condominiums Pte Ltd	Property owner, developer and investment holding	Singapore	**100**	100
*	City Developments Realty Limited	Investment in shares and investment holding	Singapore	**100**	100
*	City Serviced Offices Pte. Ltd.	Operating serviced offices	Singapore	**100**	100
*	City Sunshine Holdings Pte. Ltd.	Property owner and developer	Singapore	**100**	100
*	Citydev Nahdah Pte. Ltd.	To issue Islamic trust certificates and to act as trustee for the certificate holders	Singapore	**100**	100
*	Citydev Real Estate (Singapore) Pte Ltd	Property owner	Singapore	**100**	100
*	CDL Real Estate Asset Managers Pte. Ltd.	Asset Management	Singapore	**100**	-

43 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2019 %	2018 %
*	City REIT Management Pte. Ltd.	Investment holding	Singapore	**100**	-
*	City Strategic Equity Pte. Ltd.	Investment holding	Singapore	**100**	-
*	City Lux Pte. Ltd.	Investment holding	Singapore	**100**	-
*	City Boost Pte. Ltd.	Investment holding	Singapore	**100**	-
*	Cityview Place Holdings Pte. Ltd.	Property owner and developer	Singapore	**100#**	-
*	Crescent View Developments Pte. Ltd.	Property owner and developer	Singapore	**60**	60
^	Darien Properties Investment Limited	Property owner and developer	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 and developer	Jersey	**100**	100
*	Glades Properties Pte. Ltd.	Property owner, developer and investment holding	Singapore	**100**	100
*	Gemini One Pte. Ltd.	Hotel operator	Singapore	**100**	-
^^	Gemini One Trust	Property owner and developer	Singapore	**100**	-
*	Grange 100 Pte. Ltd.	Property owner	Singapore	**100**	100
*	Guan Realty (Private) Limited	Property owner and developer	Singapore	**100**	100
^	Hoko Mina Pty Ltd	Property owner and developer	Australia	**100**	-
*	Hong Leong Properties Pte. Limited	Property owner	Singapore	**100**	100
**	Highline Investments LP	Property owner	United Kingdom	**100**	-
**	Iconique Tokutei Mokuteki Kaisha	Asset management	Japan	**100**	100
*	Ingensys Pte. Ltd.	Systems integration activities	Singapore	**100**	70
^	Jayland Properties Limited	Property owner and developer	Jersey	**100**	100
^	Landco Properties Limited	Property owner	Jersey	**100**	100
*	Land Equity Development Pte Ltd	Property owner	Singapore	**100**	100
**	Lingo Enterprises Limited	Property holding and property investment	Singapore/ Hong Kong	**100**	100
^	Melvale Holdings Limited	Investment holding and property developer	Jersey	**100**	100
**	Millennium & Copthorne Hotels Limited (formerly known as Millennium & Copthorne Hotels plc)	Investment holding	United Kingdom	**100**	65
**	125 OBS Limited Partnership	Property holding	United Kingdom	**100**	100

43 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
*	Novel Developments Pte. Ltd.	Property owner and developer	Singapore	**100**	100
*	Pavo Properties Pte. Ltd.	Property owner and developer	Singapore	**60**	60
**	Phuket Square Co., Ltd.	Retail and hotel business	Thailand	**49##**	49##
^	Pinenorth Properties Limited	Property owner and developer	Jersey	**100**	100
*	Redvale Investments Pte. Ltd.	Asset/portfolio management	Singapore	**100**	100
^	Reselton Properties Limited	Property owner and developer	Jersey	**100**	100
*	Republic Plaza City Club (Singapore) Pte Ltd	Owner and operator of clubs	Singapore	**100**	100
**	Shanghai Anting Waratah Real Estate Development Co., Ltd.	Property owner	People's Republic of China	**100**	100
**	Shanghai Fusion Enterprise Management Co., Ltd.	Property owner	People's Republic of China	**100**	100
**	Shanghai Galaxy Enterprise Management Co., Ltd.	Property owner	People's Republic of China	**100**	100
***	Shanghai Jingwen Zhaoxiang Real Estate Limited	Property owner and developer	People's Republic of China	**100**	100
***	Shanghai Meidao Investment Co., Ltd.	Property owner and developer	People's Republic of China	**100**	100
**	Shanghai Rainbow Enterprise Management Co., Ltd.	Property owner	People's Republic of China	**100**	100
**	Shanghai Star Enterprise Management Co., Ltd.	Property owner	People's Republic of China	**100**	100
**	Shanghai Yulan Real Estate Development Co., Ltd.	Property owner and developer	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**	90
*	Systematic Laundry & Uniform Services Pte. Ltd.	Laundry and dry cleaning services	Singapore	**90**	90
**	Tempus Platinum Investments Tokutei Mokuteki Kaisha	Property owner and developer	Japan	**100**	100
**	The Aldgate House Unit Trust	Property investment	Jersey	**100**	100
^	Trentworth Properties Limited	Property owner and developer	Jersey	**100**	100
*	Trentwell Management Pte. Ltd.	Asset management and consultancy services	Singapore	**100**	100
^	Wideachieve Holdings Limited	Investment holding	British Virgin Islands	**100**	100

43 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
	Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels Limited (formerly known as Millennium & Copthorne Hotels plc)				
**	Anchorage-Lakefront Limited Partnership	Hotel owner	USA	**100**	65
^	Archyield Limited	Hotel owner and operator	United Kingdom	**100**	65
**	Avon Wynfield LLC	Hotel owner	USA	**100**	65
**	Beijing Fortune Hotel Co., Ltd.	Hotel owner and operator	People's Republic of China	**70**	46
**	Bostonian Hotel Limited Partnership	Hotel owner	USA	**100**	65
**	Buffalo RHM Operating LLC	Hotel owner	USA	**100**	65
*	CDL Hospitality Trusts	See ### below	Singapore	**37**	24
**	CDL (New York) LLC	Hotel owner	USA	**100**	65
^	CDL Hotels (Chelsea) Limited	Hotel owner and operator	United Kingdom	**100**	65
**	CDL Hotels (Korea) Ltd.	Hotel owner and operator	Republic of Korea	**100**	65
**	CDL Hotels (Malaysia) Sdn. Bhd.	Hotel owner and operator	Malaysia	**100**	65
^	CDL Hotels (UK) Limited	Hotel owner and operator	United Kingdom	**100**	65
**	CDL Hotels USA, Inc.	Hotel investment holding company	USA	**100**	65
**	CDL Investments New Zealand Limited	Investment and property management company	New Zealand	**50**	33
**	CDL West 45th Street LLC	Hotel owner	USA	**100**	65
**	Chicago Hotel Holdings, Inc.	Hotel ownership	USA	**100**	65
*	City Hotels Pte. Ltd.	Hotel operator and investment holding company	Singapore	**100**	65
**	Copthorne Aberdeen Limited	Hotel management	United Kingdom	**83**	54
^	Copthorne Hotel (Birmingham) Limited	Hotel owner and operator	United Kingdom	**100**	65
^	Copthorne Hotel (Cardiff) Limited	Hotel owner and operator	United Kingdom	**100**	65
^	Copthorne Hotel (Effingham Park) Limited	Hotel owner and operator	United Kingdom	**100**	65
^	Copthorne Hotel (Gatwick) Limited	Hotel owner and operator	United Kingdom	**100**	65
^	Copthorne Hotel (Manchester) Limited	Hotel owner and operator	United Kingdom	**100**	65
^	Copthorne Hotel (Merry Hill) Limited	Hotel owner and operator	United Kingdom	**100**	65
**	Copthorne Hotel (Newcastle) Limited	Hotel owner and operator	United Kingdom	**96**	62
^	Copthorne Hotel (Plymouth) Limited	Hotel owner and operator	United Kingdom	**100**	65
^	Copthorne Hotel (Slough) Limited	Hotel owner and operator	United Kingdom	**100**	65
**	Copthorne Hotel Holdings Limited	Investment holding company	United Kingdom	**100**	65

43 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
**	Copthorne Hotels Limited	Hotel investment holding company	United Kingdom	**100**	65
**	Copthorne Orchid Penang Sdn. Bhd.	Hotel owner	Malaysia	**100**	65
**	Durham Operating Partnership L.P.	Hotel ownership	USA	**100**	65
**	Gateway Regal Holdings LLC	Hotel owner and operator	USA	**100**	65
**	Grand Plaza Hotel Corporation	Hotel owner and operator and investment holding company	Philippines	**66**	43
*	Harbour View Hotel Pte Ltd	Hotel operator	Singapore	**100**	65
**	Hong Leong Ginza TMK	Property owner	Japan	**100**	76
**	Hong Leong Hotel Development Limited	Hotel owner and operator	Taiwan	**84**	55
*	Hospitality Holdings Pte. Ltd.	Investment holding company	Singapore	**100**	65
^	Hotel Liverpool Limited	Property letting	United Kingdom	**100**	65
^	Hotel Liverpool Management Limited	Operating company	United Kingdom	**100**	65
*	King's Tanglin Shopping Pte. Ltd.	Property owner	Singapore	**100**	65
**	Lakeside Operating Partnership L.P.	Hotel ownership	USA	**100**	65
^	London Britannia Hotel Limited	Hotel owner and operator	United Kingdom	**100**	65
^	London Tara Hotel Limited	Hotel owner and operator	United Kingdom	**100**	65
**	M&C Crescent Interests, LLC	Property owner	USA	**100**	65
**	M&C Hotel Interests, Inc.	Hotel management services company	USA	**100**	65
**	M&C Hotels France SAS	Hotel owner	France	**100**	65
**	M&C New York (Times Square) EAT II LLC	Hotel owner	USA	**100**	65
**	M&C New York (Times Square), LLC	Investment holding	USA	**100**	65
*	M&C REIT Management Limited	REIT investment management services	Singapore	**100**	65
****	Millennium & Copthorne Hotels Management (Shanghai) Limited	Provision of hotel management and consultancy services	People's Republic of China	**100**	65
**	Millennium & Copthorne Hotels New Zealand Limited	Hotel investment holding company	New Zealand	**76**	49
*	Millennium & Copthorne International Limited	Hotels and resorts management	Singapore	**100**	65
**	Millennium CDG Paris SAS	Hotel operator	France	**100**	65
**	Millennium Hotels Italy Holdings S.r.l	Holding company	Italy	**100**	65
**	Millennium Hotels Palace Management S.r.l	Hotel operator	Italy	**100**	65
**	Millennium Hotels Property S.r.l	Hotel owner and operator	Italy	**100**	65

43 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2019 %	2018 %
^	Millennium Hotels (West London) Limited	Property letting	United Kingdom	**100**	65
^	Millennium Hotels (West London) Management Limited	Hotel operator	United Kingdom	**100**	65
**	Millennium Opera Paris SAS	Hotel operator	France	**100**	65
**	PT. Millennium Sirih Jakarta Hotel	Hotel owner	Indonesia	**100**	65
*	Republic Hotels & Resorts Limited	Hotel operator and investment holding company	Singapore	**100**	65
*	Republic Iconic Hotel Pte. Ltd.	Hotel operator	Singapore	**100**	65
**	RHH Operating LLC	Hotel owner	USA	**100**	65
**	RHM Aurora LLC	Hotel ownership	USA	**100**	65
**	RHM Management LLC	Hotel ownership	USA	**100**	65
**	RHM Ranch LLC	Hotel owner	USA	**100**	65
**	RHM-88, LLC	Hotel owner and operator	USA	**100**	65
**	Sunnyvale Partners Ltd.	Hotel ownership	USA	**100**	65
**	Trimark Hotel Corporation	Hotel owner and operator	USA	**100**	65
**	WHB Biltmore LLC	Hotel owner and operator	USA	**100**	65

* Audited by KPMG LLP Singapore

** Audited by other member firms of KPMG International

*** 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

^^ Auditors have not been appointed as at 31 December 2019

\# Relates to non-residential component. Please refer to note (a) under note 44 of the financial statements.

\## Phuket Square Co., Ltd is considered a subsidiary of the Group as the Group is exposed to variable returns from the company and has the ability to affect those returns through the management's 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 H-REIT and HBT, management has determined that the Group has control over H-REIT and HBT. The activities of H-REIT and HBT are managed by the Group's subsidiaries, M&C REIT Management Limited (H-REIT Manager) and M&C Business Trust Management Limited (HBT Trustee-Manager) respectively. H-REIT Manager has decision-making authority over H-REIT, subject to oversight by the trustee of H-REIT. HBT Trustee-Manager has dual responsibility of safeguarding the interests of the HBT unitholders and decision-making authority over HBT. The Group's overall exposure to variable returns, both from H-REIT Manager's and HBT Trustee-Manager's remuneration and the interests in H-REIT and HBT respectively, is significant and any decisions made by H-REIT Manager and HBT Trustee-Manager affect the Group's overall exposure.

44 ASSOCIATES AND JOINT VENTURES

The following are the Group's significant investments in associates and joint ventures:

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
	Associates				
	Associates of the Company				
*	Cityview Place Holdings Pte. Ltd.	Property owner and developer	Singapore	**33[(a)]**	42[(a)]
*	NovaSims Development Pte. Ltd.	Property developer	Singapore	**40**	–
*	T-Grande Property Holding Pte. Ltd.	Property owner	Singapore	**–[(b)]**	80[(b)]
*	Victorian Property Holding Pte. Ltd.	Property owner	Singapore	**–[(b)]**	80[(b)]
**	Suzhou Dragonrise Pan- Artificial Intelligence High-Tech Fund	Venture capital investment and management	People's Republic of China	**50**	73
***	IREIT Global	REIT investment management services	Singapore	**12.6[(c)]**	–
	Associate of Millennium & Copthorne Hotels Limited (formerly known as Millennium & Copthorne Hotels plc)				
*	First Sponsor Group Limited	Investment holding company	Singapore/ Cayman Islands	**36**	23
	Joint Ventures				
	Joint Ventures of the Company				
^	ACC Smith Street Pty Limited	Trustee	Australia	**50**	–
*	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
****	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[(d)]**	69[(d)]

44 ASSOCIATES AND JOINT VENTURES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
	Joint Ventures				
	Joint Ventures of the Company				
^	FSCT DE Property 1 Real Estate GmbH & Co. KG	Property investment	Germany	**43**	36
*	Granmil Holdings Pte Ltd	Property owner and developer	Singapore	**40**	40
**	Krungthep Rimnam Limited	Hotel business	Thailand	**49**	49
*	Legend Quay Pte. Ltd.	Property owner and developer	Singapore	**50**	–
*	Legend Commercial Trust	Property owner and developer	Singapore	**50**	–
^	Macaulay North Melbourne Pty Ltd	Trustee	Australia	**50**	–
**	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	**24**	22
********	Shanghai CF Enterprise Group Co., Ltd (formerly known as Shanghai Mamahome Co., Ltd.)	Operator of online apartment rental platform	People's Republic of China	**21**	19
*	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[e]**	50.1[e]
*	Siena Residential Development Pte. Ltd.	Property owner and developer	Singapore	**50**	50
*	Siena Commercial Trust	Property owner and developer	Singapore	**50**	50
^	Spencer West Melbourne Pty Ltd	Trustee	Australia	**50**	–
*	Tomlinson Hotel Pte. Ltd.	Hotel owner	Singapore	**33**	33
*	Tripartite Developers Pte. Limited	Property developer	Singapore	**33**	33
***	IREIT Global Group Pte. Ltd.	Property fund management	Singapore	**50[f]**	–
	Joint Venture of Millennium & Copthorne Hotels Limited (formerly known as Millennium & Copthorne Hotels plc)				
^	New Unity Holdings Ltd.	Investment holding company	British Virgin Islands	**50**	33

44 ASSOCIATES AND JOINT VENTURES (CONT'D)

*	Audited by KPMG LLP Singapore
**	Audited by other member firms of KPMG International
***	Audited by Deloitte & Touche LLP
****	Audited by Pan-China Certified Public Accountants LLP, Chongqing Branch
*****	Audited by Ernst & Young LLP
******	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

(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.

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 (2018: $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.

In April 2019, the Group, through its indirect wholly-owned subsidiary, Astoria, acquired the remaining PPS units in the non-residential component of Sunbright, which holds W Hotel and Quayside Isle (Non-Residential Component) (note 39). Following the acquisition, the Group has power over the relevant activities of the Non-Residential Component which became a wholly-owned subsidiary of the Group.

44 ASSOCIATES AND JOINT VENTURES (CONT'D)

(b) These companies were 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 owned 80% of the ordinary shares in the share capital of Golden Crest, it did not have control over Golden Crest and its subsidiaries (collectively Golden Crest Group). The management of the affairs of Golden Crest Group was 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 had the right to appoint 2 out of 5 directors. Accordingly, Golden Crest Group was classified as an associate of the Group.

(c) During 2019, the Group through its indirect wholly-owned subsidiary, City Strategic Equity Pte. Ltd., acquired 12.6% of total issued units in IREIT Global.

Although the Group owns less than 20% of the ownership interest and voting power of the investee, the Group has determined that it has significant influence over IREIT Global because of its board representation in IREIT Global Group Pte. Ltd. (the IREIT Manager), the governing body of IREIT Global, which is a joint venture of the Group. The IREIT Manager has decision-making authority over IREIT Global, subject to oversight by the trustee of the investee. Accordingly, IREIT Global is accounted for as an associate of the Group.

(d) Although the Group holds more than 50% ownership interest in Emerging Markets Affordable Housing Fund Pte. Ltd. (the Fund), pursuant to a contractual agreement between the Group and its joint venture partner in the Fund, joint control is exercised by both parties over the relevant activities of the Fund. Accordingly, the Fund is accounted for as a joint venture of the Group.

(e) 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 relevant activities of South Beach. Accordingly, South Beach is accounted for as a joint venture of the Group.

(f) During 2019, the Group through its indirect wholly-owned subsidiary, City REIT Management Pte. Ltd., acquired 50% of shares and 49.5% of voting interest in the IREIT Manager.

Although the Group holds less than 50% voting interest in the IREIT Manager, pursuant to a contractual agreement between the Group and its joint venture partner in the IREIT Manager, joint control is exercised by both parties over the relevant activities of the IREIT Manager. Accordingly, the IREIT Manager is accounted for as a joint venture of the Group.

The Group does not consider the above associates and joint ventures to be individually material to the Group under the context of SFRS(I) 12 *Disclosure of Interests in Other Entities*.

45 NON-CONTROLLING INTERESTS

The following subsidiary had material non-controlling interests.

Name	Principal place of business/ Country of incorporation	Ownership interests held by non-controlling interests	
		2019 **%**	**2018** **%**
M&C	United Kingdom	–	35

On 27 September 2019, the Group's equity interest in M&C increased from 65% to 100% (see note 39). Accordingly, the financial information relating to M&C below is only for the period from 1 January 2019 to 27 September 2019.

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.

	2019* **$'000**	**2018** **$'000**
Revenue	**1,292,751**	1,794,104
Profit after tax	**76,405**	143,528
Other comprehensive income	**(69,084)**	(45,219)
Total comprehensive income	**7,321**	98,309
Attributable to non-controlling interests:		
- Profit	**47,641**	97,351
- Total comprehensive income	**14,336**	59,957
Non-current assets		5,761,032
Current assets		1,044,694
Non-current liabilities		(1,508,141)
Current liabilities		(976,914)
Net assets		4,320,671
Net assets attributable to non-controlling interests		2,233,720
Cash flows from operating activities		228,422
Cash flows used in investing activities		(165,471)
Cash flows used in financing activities[1]		(39,569)
Net increase in cash and cash equivalents		23,382

[1] Included in cash flows used in financing activities for 2018 was dividend paid to non-controlling interests of $91,204,000.

* Relates to the financial information for the period from 1 January 2019 to 27 September 2019.

AUDITED FINANCIAL STATEMENTS OF CITY DEVELOPMENTS LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The information in this Appendix III has been extracted and reproduced from the audited financial statements of City Developments Limited and its subsidiaries for the financial year ended 31 December 2020 and has not been specifically prepared for inclusion in this Information Memorandum.

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 2020, 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 116 to 272.

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 2020 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.

<u>Accounting for the Group's investment in HCP Chongqing Property Development Co., Ltd</u>

a) Accounting for the acquisition of HCP Chongqing Property Development Co., Ltd ("HCP") and impairment of equity investment in HCP
(Refer to note 9 to the financial statements)

Risk

In April 2020, the Group acquired an equity interest of 63.75% in HCP, an investment holding company which indirectly owns Chongqing Sincere Yuanchuang Industrial Co., Ltd. ("Sincere Property Group"), a real estate developer in China, for an aggregate consideration of approximately $0.9 billion. This acquisition represents a significant transaction for the Group and was accounted for as a business combination and an investment in a joint venture.

There is judgement involved in determining whether the acquisition is a business combination or asset acquisition. Where an acquisition is accounted for as a business combination, the purchase price is allocated to the fair value of the identifiable assets acquired and liabilities assumed, including any contingent liabilities (purchase price allocation or "PPA"). Significant judgement is involved in estimating the fair value of the identifiable assets acquired and liabilities assumed and the resultant goodwill.

INDEPENDENT AUDITORS' REPORT

The Group engaged an independent valuer to determine the fair values of the underlying properties held by HCP and its subsidiaries ("HCP Group"). A significant portion of the purchase price was allocated to HCP Group's underlying property portfolio comprising development properties, property, plant and equipment and investment properties, based on the valuation amounts in the independent valuation reports. The valuation of development properties is critically dependent upon the estimated future selling prices. The valuation of property, plant and equipment and investment properties involves significant judgement in determining both the valuation methods to be used and the key assumptions to be applied. The valuations are sensitive to the key assumptions applied and a change in assumptions may have a significant impact on the valuations.

In addition, included in the assets of HCP Group were amounts due from related parties of HCP Group at the acquisition completion date. The valuation of these amounts due from related parties of HCP Group, which takes into consideration the amounts that will be recoverable from the related parties, involves significant judgement.

Judgement is also involved in estimating the fair value of contingent liabilities (mainly financial guarantees issued to lenders for credit facilities granted to HCP Group's related parties) recognised as part of the PPA, which takes into consideration the probability that the HCP Group will have to fulfil its obligations under the financial guarantees.

The PPA exercise indicated that the Group's cost of investment in HCP of $0.9 billion represents goodwill.

Subsequent to the acquisition, the Group identified indicators of impairment on its equity investment in HCP arising from the challenging macro-economic environment posed by the Coronavirus Disease 2019 ("COVID-19") pandemic, the credit tightening measures imposed on China's real estate sector and the liquidity challenges faced by Sincere Property Group. Accordingly, the Group undertook an assessment of the recoverable amount of the investment in HCP. Judgement is involved in estimating the recoverable amount and any consequential impairment loss on the equity investment in HCP. In estimating the recoverable amount of the investment, the Group had considered the financial position of the HCP Group which took into consideration the fair values of its underlying assets and liabilities.

Taking into account the above considerations and developments and based on the assessment undertaken, the Group impaired the equity investment in HCP fully.

Our response

We reviewed the sale and purchase agreements and related transaction documents to understand the terms of the acquisition to determine if the acquisition is a business combination. Together with our valuation specialist, we discussed with management their basis for identifying the assets and liabilities acquired and valuing the identified assets and liabilities, including contingent liabilities.

In respect of the valuation of the property portfolio, we inspected the valuation reports prepared by the independent valuers. We considered the valuation methodologies used against generally accepted market practices for similar property types. For development properties, we focused our work on projects with slower-than-expected sales or with low or negative margins. We evaluated the estimated future selling prices by comparing to recent transacted prices for the relevant properties and prices of comparable properties located in the same vicinity, where available. For property, plant and equipment and investment properties, we evaluated the key assumptions applied in the valuations by comparing them against historical rates and available industry data, taking into consideration comparability and market factors.

In respect of the valuation of the amounts due from related parties of the HCP Group, we considered the repayment patterns as well as the settlement arrangements agreed between the HCP Group and its related parties.

In respect of the valuation of contingent liabilities, we assessed the basis for the assumptions applied by management in estimating the fair values through enquiries with management, and reviewing their assessment of the probability of the financial guarantees being invoked as well as the supporting calculations for the amounts recognised.

We reviewed the Group's estimate of the recoverable amount of its investment in HCP, taking into consideration the financial position of HCP Group and the other indicators identified by management.

INDEPENDENT AUDITORS' REPORT

Our findings

The judgment exercised by the Group in accounting for the acquisition as a business combination, was supported by the terms in the sales and purchase agreement and related transaction documents and facts and circumstances.

The valuation methodologies used by the independent valuers were in line with generally accepted market practices and the key assumptions and estimates applied in the valuation of the property portfolio were comparable to currently observable market data, taking into account macroeconomic and real estate price trend information, and in the case of development properties, HCP Group's selling plans.

The valuation of the amounts due from related parties of the HCP Group was supported by subsequent repayments and settlement plans. A fair value adjustment was made for the remaining amount where recoverability could not be reasonably ascertained.

The fair values of the contingent liabilities were estimated by the Group taking into consideration the available information on the financial positions of the parties for which financial guarantees were issued and applying a probability of default based on empirical studies.

The impairment of the equity investment in HCP was based on available financial and market information on the HCP Group.

b) Impairment of investment in bonds issued by Sincere Property Group and loans to HCP
(Refer to notes 9 and 10 to the financial statements)

Risk

As at 31 December 2020, the Group has:

(i) an investment in a bond issued by Sincere Property Group, amounting to $0.3 billion (the "Sincere Bond"); and

(ii) loans extended to and interest receivable from HCP Group, amounting to $0.4 billion (the "HCP Loans").

As set out in notes 9 and 10 to the financial statements, the Group assessed that the Sincere Bond and the HCP Loans were credit-impaired, having considered past repayment trends, the debt maturity profile of Sincere Property Group, the default risk on the Sincere Bond and the HCP Loans and the liquidity challenges faced by Sincere Property Group.

In estimating the expected credit losses to be recognised on the investment in the Sincere Bond and HCP Loans, the Group considered the adjusted financial position of Sincere Property Group (taking into account the estimated recoverable amounts of the properties held by Sincere Property Group and its associates and joint ventures and potential additional costs to be incurred on borrowings of Sincere Property Group), the debt profile of Sincere Property Group, the value of collateral that the Group holds and certain amounts owing by the Group to HCP Group.

The Group recorded total expected credit losses of $0.6 billion on the investment in the Sincere Bond and the HCP Loans.

The expected credit losses recognised on the Sincere Bond and the HCP Loans require the Group to make its best estimate of the amounts recoverable from the HCP Group which involves significant judgement and subjectivity. Changes to the estimates applied in deriving the expected credit losses may impact the amount of such losses being recognised.

INDEPENDENT AUDITORS' REPORT

Our response

Together with our valuation specialist, we independently assessed the reasonableness of the expected credit losses recognised on the Sincere Bond and the HCP Loans, taking into consideration the yields on other bonds issued by Sincere Property Group.

We also evaluated the discounts applied on the properties held by Sincere Property Group and its associates and joint ventures in deriving the adjusted financial position of Sincere Property Group by comparing to market data, where available. In addition, we assessed the interest rate assumptions made in relation to potential additional interest costs to be incurred on the borrowings of Sincere Property Group based on the underlying agreements, where appropriate. In respect of the HCP Loans, we also assessed the reasonableness of the fair value of the collateral held by the Group by comparing to the recently transacted price for the collateral.

Our findings

The impairment losses recorded on the Sincere Bond and the HCP Loans did not differ materially from our assessment of the estimated impairment losses, based on the prevailing circumstances and available market data at the date of issuance of the financial statements.

c) Provision for financial guarantee issued
(Refer to notes 9 and 28 to the financial statements)

Risk

During 2020, the Group had issued a financial guarantee of approximately $0.3 billion to a financial institution in connection with a loan taken up by the HCP Group. The Group has considered the probability that the financial guarantee will be invoked and recognised a provision for the full amount of the guarantee, taking into account the available financial information of HCP Group, Sincere Property Group not repaying the principal amounts of certain bonds on their maturities post 31 December 2020, the liquidity challenges faced by Sincere Property Group and legal advice received.

Our response

We evaluated the Group's basis for the provision on the financial guarantee based on the available evidence, including evidence provided by events after the reporting date and legal advice received by the Group.

Our findings

The carrying value of the provision for the financial guarantee is reasonable.

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 assessment for impairment indicators. In identifying such properties, the Group takes into consideration the global economic outlook, market sentiments and trading performance of the properties. The identified properties 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 costs 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.

The valuation reports obtained from the external valuers for certain hotels also highlighted that arising from the COVID-19 pandemic giving rise to an unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. Due to the uncertainty that the pandemic may have on the real estate market, the external valuers have also recommended to keep the valuation of these properties under frequent review.

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 a sample of properties selected for a detailed impairment review, we considered the valuation method used against those applied by valuers for similar property types. We evaluated the key assumptions applied in the internal and external valuations, particularly those assumptions relating to occupancy rates, average room rate growth, discount rates and terminal rates, by comparing them to available industry data, taking into consideration comparability and market factors. Where the assumptions applied are outside the expected range, we held discussions with the valuers to understand the effect of additional factors considered. We also discussed with the valuers how they have considered the impact of the COVID-19 pandemic and market uncertainty in the valuations.

Our findings

The Group has a structured and comprehensive process in identifying hotel assets with impairment indicators. We found that the valuation method used in the valuations was in in line with generally accepted market practices and the key assumptions applied were comparable to currently observable market data, taking into consideration the uncertainty arising from the COVID-19 pandemic.

INDEPENDENT AUDITORS' REPORT

Valuation of development properties
(Refer to note 12 to the financial statements)

Risk

The Group has significant residential development properties held for sale in Singapore, China and the United Kingdom (UK). 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 COVID-19 pandemic has increased uncertainty over the global economic outlook, government policies and market sentiments, which might exert downward pressure on property prices in 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 could exceed the actual selling prices, resulting in unforeseen losses when these properties are sold.

In estimating the future selling prices of unsold development properties, the Group has taken into account real estate price trend information, its sale strategy for the properties and selling prices estimated by external valuers when necessary.

The valuation reports obtained from the external valuers for certain properties have highlighted that as a result of the COVID-19 pandemic, giving rise to an the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. Due to the uncertainty that the pandemic may have on the real estate market, the external valuers have also recommended to keep the valuations of these properties under frequent review.

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, taking into account the prevailing market trends and the Group's selling plans for these properties. We made enquiries of the external valuers to understand the approach adopted in estimating the future selling prices of the development properties.

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, its sales strategy and the selling prices for certain development projects provided by the independent external valuers. 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, which are used in determining the net realisable values and the resultant allowance for foreseeable losses on its development projects, have taken into consideration currently available market data and prevailing market conditions.

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.

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.

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditors' report is Lo Mun Wai.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
7 April 2021

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group		Company	
		2020	**2019**	**2020**	**2019**
		$'000	**$'000**	**$'000**	**$'000**
Non-current assets					
Property, plant and equipment	4	**5,525,684**	5,462,367	**37,439**	43,677
Investment properties	5	**4,568,697**	4,410,261	**424,955**	436,510
Investments in:					
– subsidiaries	7	**–**	–	**2,025,019**	2,024,934
– associates	8	**707,699**	562,876	**–**	–
– joint ventures	9	**1,085,288**	1,192,456	**37,360**	37,360
Financial assets	10	**736,119**	1,060,292	**348,510**	375,964
Other non-current assets, including derivatives	11	**241,186**	677,732	**6,518,288**	5,134,558
		12,864,673	13,365,984	**9,391,571**	8,053,003
Current assets					
Development properties	12	**5,391,055**	5,155,642	**180,247**	181,735
Contract costs	13	**31,643**	26,151	**–**	–
Contract assets	14	**505,231**	242,048	**–**	–
Consumable stocks		**10,511**	16,650	**–**	–
Financial assets	10	**20,048**	562,681	**–**	–
Trade and other receivables, including derivatives	15	**1,681,218**	822,074	**5,830,508**	5,521,625
Cash and cash equivalents	17	**3,126,529**	2,797,652	**1,288,914**	1,269,235
		10,766,235	9,622,898	**7,299,669**	6,972,595
Assets held for sale	6	**45,884**	211,375	**–**	–
		10,812,119	9,834,273	**7,299,669**	6,972,595
Total assets		**23,676,792**	23,200,257	**16,691,240**	15,025,598

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Equity attributable to owners of the Company					
Share capital	18	**1,991,397**	1,991,397	**1,991,397**	1,991,397
Reserves	19	**6,510,811**	8,528,853	**4,458,033**	4,615,886
		8,502,208	10,520,250	**6,449,430**	6,607,283
Non-controlling interests		**740,249**	746,306	**–**	–
Total equity		**9,242,457**	11,266,556	**6,449,430**	6,607,283
Non-current liabilities					
Interest-bearing borrowings	21	**8,756,068**	7,673,152	**5,780,877**	4,211,386
Employee benefits	25	**30,997**	28,662	**–**	–
Lease liabilities	26	**237,854**	189,448	**14,152**	20,003
Other liabilities, including derivatives	27	**243,599**	130,825	**8,290**	9,912
Provisions	28	**24,554**	26,809	**–**	–
Deferred tax liabilities	29	**96,845**	107,592	**15,644**	21,242
		9,389,917	8,156,488	**5,818,963**	4,262,543
Current liabilities					
Trade and other payables, including derivatives	30	**1,348,759**	1,198,907	**2,733,590**	2,799,268
Contract liabilities	14	**267,607**	209,503	**–**	–
Interest-bearing borrowings	21	**2,798,612**	2,037,999	**1,671,717**	1,341,294
Lease liabilities	26	**14,187**	17,752	**5,850**	5,769
Employee benefits	25	**32,044**	27,495	**1,616**	2,364
Provision for taxation		**276,164**	249,506	**10,074**	7,077
Provisions	28	**307,045**	28,471	**–**	–
		5,044,418	3,769,633	**4,422,847**	4,155,772
Liabilities directly associated with the assets held for sale	6	**–**	7,580	**–**	–
		5,044,418	3,777,213	**4,422,847**	4,155,772
Total liabilities		**14,434,335**	11,933,701	**10,241,810**	8,418,315
Total equity and liabilities		**23,676,792**	23,200,257	**16,691,240**	15,025,598

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000
Revenue	31	**2,108,426**	3,428,725
Cost of sales		**(1,279,484)**	(1,790,239)
Gross profit		**828,942**	1,638,486
Other income	32	**171,990**	175,210
Administrative expenses		**(487,852)**	(591,093)
Impairment loss on other receivables	9	**(323,942)**	–
Impairment loss on debt investment	10	**(288,000)**	–
Other operating expenses		**(752,782)**	(568,669)
(Loss)/Profit from operating activities		**(851,644)**	653,934
Finance income		**168,618**	108,527
Finance costs		**(262,009)**	(204,691)
Net finance costs	32	**(93,391)**	(96,164)
Share of after-tax profit of associates		**37,976**	98,539
Share of after-tax (loss)/profit of joint ventures		**(883,752)**	97,768
(Loss)/Profit before tax		**(1,790,811)**	754,077
Tax expense	33	**(87,702)**	(140,716)
(Loss)/Profit for the year	32	**(1,878,513)**	613,361
(Loss)/Profit attributable to owners of the Company:			
– Ordinary shareholders		**(1,930,295)**	551,672
– Preference shareholders		**12,904**	12,904
		(1,917,391)	564,576
Non-controlling interests		**38,878**	48,785
(Loss)/Profit for the year		**(1,878,513)**	613,361
Earnings per share			
– Basic	34	**(212.8) cents**	60.8 cents
– Diluted	34	**(212.8) cents**	59.3 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000
(Loss)/Profit for the year		**(1,878,513)**	613,361
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan remeasurements		**(3,810)**	(2,634)
Net change in fair value of equity investments at FVOCI		**(43,077)**	66,786
		(46,887)	64,152
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		**(2,952)**	(2,997)
Exchange differences on hedges of net investment in foreign operations		**8,665**	7,526
Exchange differences on monetary items forming part of net investments in foreign operations		**14,029**	15,627
Exchange differences reclassified to profit or loss on loss of control/ liquidation and cessation of business of foreign operations		**2,032**	58
Share of translation differences of equity-accounted investees		**13,192**	(11,530)
Translation differences arising on consolidation of foreign operations		**62,320**	(85,908)
		97,286	(77,224)
Total other comprehensive income for the year, net of tax	33	**50,399**	(13,072)
Total comprehensive income for the year		**(1,828,114)**	600,289
Total comprehensive income attributable to:			
Owners of the Company		**(1,882,242)**	579,159
Non-controlling interests		**54,128**	21,130
Total comprehensive income for the year		**(1,828,114)**	600,289

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Hedging reserve $'000
Group					
At 1 January 2020		1,991,397	280,402	40,932	(3,690)
Total comprehensive income for the year					
(Loss)/Profit for the year		–	–	–	–
Other comprehensive income					
Defined benefit plan remeasurements		–	–	–	–
Changes in fair value of equity investments at FVOCI		–	–	(43,077)	–
Effective portion of changes in fair value of cash flow hedges		–	–	–	(2,952)
Exchange differences on hedges of net investment in foreign operations		–	–	–	–
Exchange differences on monetary items forming part of net investments in foreign operations		–	–	–	–
Exchange differences reclassified to profit or loss on cessation of business of foreign operations		–	–	–	–
Share of translation differences of equity-accounted investees		–	(403)	–	–
Translation differences arising on consolidation of foreign operations		–	–	–	–
Total other comprehensive income		–	(403)	(43,077)	(2,952)
Total comprehensive income for the year		–	(403)	(43,077)	(2,952)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Capital distribution to non-controlling interests (net)		–	–	–	–
Dividends paid to owners of the Company	35	–	–	–	–
Dividends paid to non-controlling interests		–	–	–	–
Transfer to statutory reserve		–	–	–	–
Share-based payment transactions		–	–	–	–
Total contributions by and distributions to owners		–	–	–	–
Changes in ownership interests in subsidiaries					
Changes in interests in subsidiaries with loss of control		–	–	–	–
Changes in interests in subsidiaries without loss of control	39	–	4,031	–	–
Total changes in ownership interests in subsidiaries		–	4,031	–	–
Total transactions with owners		–	4,031	–	–
Transfer on conversion of convertible securities held in an associate to investment in associate		–	–	(276)	–
At 31 December 2020		1,991,397	284,030	(2,421)	(6,642)

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

Other reserves $'000	Share option reserve $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
23,482	15,279	(165,181)	8,337,629	10,520,250	746,306	11,266,556
–	–	–	(1,917,391)	(1,917,391)	38,878	(1,878,513)
–	–	–	(3,904)	(3,904)	94	(3,810)
–	–	–	–	(43,077)	–	(43,077)
–	–	–	–	(2,952)	–	(2,952)
–	–	11,544	–	11,544	(2,879)	8,665
–	–	10,037	–	10,037	3,992	14,029
–	–	2,032	–	2,032	–	2,032
–	–	13,595	–	13,192	–	13,192
–	–	48,277	–	48,277	14,043	62,320
–	–	85,485	(3,904)	35,149	15,250	50,399
–	–	85,485	(1,921,295)	(1,882,242)	54,128	(1,828,114)
–	–	–	–	–	(6,799)	(6,799)
–	–	–	(139,870)	(139,870)	–	(139,870)
–	–	–	–	–	(51,464)	(51,464)
445	–	–	(445)	–	–	–
–	39	–	–	39	–	39
445	39	–	(140,315)	(139,831)	(58,263)	(198,094)
–	–	–	–	–	2,109	2,109
–	–	–	–	4,031	(4,031)	–
–	–	–	–	4,031	(1,922)	2,109
445	39	–	(140,315)	(135,800)	(60,185)	(195,985)
–	–	–	276	–	–	–
23,927	15,318	(79,696)	6,276,295	8,502,208	740,249	9,242,457

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Hedging reserve $'000
Group					
At 1 January 2019		1,991,397	185,990	(21,036)	135
Total comprehensive income for the year					
Profit for the year		–	–	–	–
Other comprehensive income					
Defined benefit plan remeasurements		–	–	–	–
Changes in fair value of equity investments at FVOCI		–	–	66,828	–
Effective portion of changes in fair value of cash flow hedges		–	–	–	(3,825)
Exchange differences on hedges of net investment in foreign operations		–	–	–	–
Exchange differences on monetary items forming part of net investments in foreign operations		–	–	–	–
Exchange differences reclassified to profit or loss on cessation of business of foreign operations		–	–	–	–
Share of translation differences of equity-accounted investees		–	(245)	–	–
Translation differences arising on consolidation of foreign operations		–	–	–	–
Total other comprehensive income		–	(245)	66,828	(3,825)
Total comprehensive income for the year		–	(245)	66,828	(3,825)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Capital distribution to non-controlling interests (net)		–	–	–	–
Dividends paid to owners of the Company	35	–	–	–	–
Dividends paid to non-controlling interests		–	–	–	–
Issue expenses of a subsidiary		–	(85)	–	–
Transfer to statutory reserve		–	–	–	–
Share-based payment transactions		–	–	–	–
Total contributions by and distributions to owners		–	(85)	–	–
Changes in ownership interests in subsidiaries					
Acquisition of subsidiaries with non-controlling interests	39	–	–	–	–
Changes in interests in subsidiaries without loss of control	39	–	94,742	–	–
Total changes in ownership interests in subsidiaries		–	94,742	–	–
Total transactions with owners		–	94,657	–	–
Transfer on conversion of convertible securities held in an associate to investment in associate		–	–	(4,860)	–
At 31 December 2019		1,991,397	280,402	40,932	(3,690)

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

	Other reserves $'000	Share option reserve $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
	22,262	15,258	(119,583)	7,966,274	10,040,697	2,233,243	12,273,940
	–	–	–	564,576	564,576	48,785	613,361
	–	–	–	(2,577)	(2,577)	(57)	(2,634)
	–	–	–	–	66,828	(42)	66,786
	–	–	–	–	(3,825)	828	(2,997)
	–	–	10,950	–	10,950	(3,424)	7,526
	–	–	17,416	–	17,416	(1,789)	15,627
	–	–	9	–	9	49	58
	–	–	(7,506)	–	(7,751)	(3,779)	(11,530)
	–	–	(66,467)	–	(66,467)	(19,441)	(85,908)
	–	–	(45,598)	(2,577)	14,583	(27,655)	(13,072)
	–	–	(45,598)	561,999	579,159	21,130	600,289
	–	–	–	–	–	(9,369)	(9,369)
	–	–	–	(194,284)	(194,284)	–	(194,284)
	–	–	–	–	–	(74,847)	(74,847)
	–	–	–	–	(85)	(145)	(230)
	1,220	–	–	(1,220)	–	–	–
	–	21	–	–	21	–	21
	1,220	21	–	(195,504)	(194,348)	(84,361)	(278,709)
	–	–	–	–	–	1,050	1,050
	–	–	–	–	94,742	(1,424,756)	(1,330,014)
	–	–	–	–	94,742	(1,423,706)	(1,328,964)
	1,220	21	–	(195,504)	(99,606)	(1,508,067)	(1,607,673)
	–	–	–	4,860	–	–	–
	23,482	15,279	(165,181)	8,337,629	10,520,250	746,306	11,266,556

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Group	
	2020	**2019**
	$'000	**$'000**
Cash flows from operating activities		
(Loss)/Profit for the year	**(1,878,513)**	613,361
Adjustments for:		
Depreciation and amortisation	**287,129**	275,987
Dividend income	**(4,784)**	(5,559)
Finance income	**(139,517)**	(107,633)
Finance costs	**262,009**	190,657
Gain on remeasurement of previously held interest in an associate which became a subsidiary	**–**	(6,608)
(Gain on loss of control in subsidiaries)/Loss on liquidation of subsidiaries and dilution of an associate (net)	**(32,166)**	118
Impairment loss on investment in an associate	**–**	3,000
Impairment loss on other receivables	**323,942**	–
Impairment loss on debt investment	**288,000**	–
Impairment losses on investment properties and property, plant and equipment (net)	**99,552**	57,972
Profit on sale of property, plant and equipment and investment properties (net)	**(133,401)**	(164,988)
Property, plant and equipment, investment properties and intangible assets written off	**11,897**	3,469
Provision for financial guarantee	**283,000**	–
Share of after-tax profit of associates	**(37,976)**	(98,539)
Share of after-tax loss/(profit) of joint ventures	**883,752**	(97,768)
Tax expense	**87,702**	140,716
	300,626	804,185
Changes in working capital:		
Development properties	**(210,681)**	382,624
Contract costs	**(5,492)**	(13,995)
Contract assets	**(263,183)**	(134,807)
Consumable stocks and trade and other receivables	**(1,240)**	15,745
Trade and other payables and provisions	**(157,948)**	(77,463)
Contract liabilities	**55,818**	103,711
Employee benefits	**2,177**	303
Cash (used in)/generated from operations	**(279,923)**	1,080,303
Tax paid	**(76,224)**	(243,915)
Net cash (used in)/from operating activities*	**(356,147)**	836,388

* The net cash outflow for operating activities in 2020 was attributable to the payment for the acquisition of land site (including stamp duty) at Irwell Bank Road amounting to $670 million.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)	39	**–**	(244,298)
Advances granted to a real estate developer in China		**–**	(552,200)
Dividends received:			
– an associate		**24,180**	63,035
– joint ventures		**13,004**	35,628
– financial investments		**4,784**	5,559
Increase in investments in associates		**(63,351)**	(64,917)
(Increase)/Decrease in investments in joint ventures		**(813,027)**	167,031
Increase in amounts owing by equity-accounted investees (non-trade)		**(295,763)**	(297,083)
Interest received		**49,544**	77,388
Payments for intangible assets		**(355)**	(524)
Payments for capital expenditure on investment properties		**(126,227)**	(88,920)
Payments for purchase of property, plant and equipment		**(267,244)**	(218,405)
Purchase of investment properties		**(66,492)**	(41,760)
Proceeds from sale of property, plant and equipment and investment properties		**421,500**	14,157
Proceeds from loss of control in subsidiaries	39	**109,090**	–
Purchase of financial assets (net)		**(35,836)**	(408,728)
Proceeds from distributions from investments in financial assets		**5,146**	180,920
Settlement of financial derivatives		**(34,994)**	22,873
Net cash used in investing activities		**(1,076,041)**	(1,350,244)
Cash flows from financing activities			
Acquisition of non-controlling interests	39	**–**	(1,330,014)
Capital distribution to non-controlling interests (net)		**(7,922)**	(9,829)
Dividends paid		**(190,211)**	(268,671)
Payment of lease liabilities and finance lease payables		**(21,059)**	(17,022)
Interest paid (including amounts capitalised in property, plant and equipment and development properties)		**(218,329)**	(187,100)
Net increase in amounts owing to related parties (non-trade)		**274,573**	29,116
Net proceeds from revolving credit facilities and short-term bank borrowings		**2,319**	1,183,133
Decrease in deposits pledged to financial institutions		**13,104**	58,251
Increase in restricted cash		**(665)**	(4,093)
Cash flows used in financing activities carried forward		**(148,190)**	(546,229)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000
Cash flows used in financing activities brought forward		**(148,190)**	(546,229)
Payment of financing transaction costs		**(11,855)**	(11,632)
Payment of issue expenses by a subsidiary		**–**	(230)
Proceeds from bank borrowings		**1,561,958**	2,059,709
Repayment of bank borrowings		**(300,515)**	(856,975)
Proceeds from issuance of bonds and notes		**898,990**	900,000
Repayment of bonds and notes		**(436,795)**	(395,275)
Net cash from financing activities		**1,563,593**	1,149,368
Net increase in cash and cash equivalents		**131,405**	635,512
Cash and cash equivalents at beginning of the year		**2,789,569**	2,162,373
Effect of exchange rate changes on balances held in foreign currencies		**34,135**	(8,316)
Cash and cash equivalents at end of the year	17	**2,955,109**	2,789,569

Significant non-cash transaction

Dividends amounting to $1,123,000 (2019: $460,000) 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

Year ended 31 December 2020

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 7 April 2021.

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 2020 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)s, 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. The changes to significant accounting policies are described in note 2.5.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the following notes:

Note 3.1(i)	Accounting for acquisitions as business combinations or asset acquisitions
Notes 3.1(iv), 43 and 44	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 3.19	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 7	Measurement of recoverable amounts of investments in subsidiaries and expected credit losses on balances with subsidiaries
Note 9	Measurement of recoverable amounts of investments in joint ventures and expected credit losses on balances with joint ventures
Notes 9 and 28	Estimate of provision for financial guarantee
Note 10	Measurement of expected credit losses on financial assets – unquoted debt investment at amortised cost
Note 12	Measurement of realisable amounts of development properties
Note 25	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 reports 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.

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).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

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 9	Acquisition of joint venture
Note 25	Share-based payment arrangements
Note 39	Acquisition of subsidiaries
Note 41	Financial instruments

2.5 Changes in accounting polices

New standards and amendments

The Group has applied the following amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2020:

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)

In addition to the above, the Group has early adopted the following amendments to standards which are effective for annual periods beginning after 1 January 2020 with earlier application permitted:

- *COVID-19-Related Rent Concessions* (Amendment to SFRS(I) 16)
- *Classification of Liabilities as Current or Non-current* (Amendments to SFRS(I) 1-1)

COVID-19-Related Rent Concessions Amendment to SFRS(I) 16 was issued on 28 May 2020 and introduces an optional practical expedient for leases in which the Group is a lessee – i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Group has applied the amendment retrospectively. The amendment has no impact on accumulated profits at 1 January 2020.

Under existing SFRS(I) 1-1 requirements, the Group classifies a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, Amendments to SFRS(I) 1-1 has removed the requirement for a right to be unconditional and instead, requires that a right to defer settlement to have substance and exist at the end of the reporting period. With these amendments, it is now clarified that a right to defer exists only if the Group complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date. The Group classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period.

The application of these amendments to standards and interpretations did not have a material effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

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 have been applied consistently by Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

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.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

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) (cont'd)

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% (2019: 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% (2019: 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies (cont'd)

(i) Foreign currency transactions (cont'd)

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);
- 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 hedges are 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. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

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

Freehold and leasehold land and buildings	
• Core component of hotel buildings	– 50 years, or lease term if shorter
• Surface, finishes and services of hotel buildings	– 30 years, or lease term if shorter
• Leasehold land	– 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 and right-of-use assets in respect of leases where the Group is a lessee.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (cont'd)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

COVID-19-related rent concessions

The Group has early adopted *COVID-19-Related Rent Concessions* – Amendment to SFRS(I) 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

As a lessor

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

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SFRS(I) 9 to the net investment in the lease (see note 3.11(i)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

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

Non-derivative financial assets (cont'd)

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 or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 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 (cont'd)

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

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

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

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

Financial assets at 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

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

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.

(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 either substantially all of the risks and rewards of ownership of the financial asset are transferred, or 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.

Transferred assets are not derecognised when 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

(vi) Derivative financial instruments and hedge accounting

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.

Hedges directly affected by interest rate benchmark reform

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the hedging instrument(s), the Group assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

The Group will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument (i) to a hedged item or hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the respective item or instrument or (ii) when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will no longer apply the specific policy when the uncertainty arising from interest rate benchmark reform about the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

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

Cash flow hedges (cont'd)

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, respectively.

(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.

3.7 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

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 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.

3.9 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.

3.10 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.

3.11 Impairment

(i) Non-derivative financial assets and contract assets

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

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

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

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment (cont'd)

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

Simplified approach

The Group applies the simplified approach to provide for ECL for all trade receivables (including lease 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment (cont'd)

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

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.

(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 costs, 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 of disposal. 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. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment (cont'd)

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

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

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

3.12 Non-current assets held for sale

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

3.13 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Employee benefits (cont'd)

(ii) Defined benefit plans (cont'd)

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 defined contribution and defined benefit 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 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.

3.15 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 guarantees 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.

3.16 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Revenue recognition (cont'd)

(i) Development properties for sale (cont'd)

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 3.9.

(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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Government grants

Government grants are initially recognised as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

3.18 Finance income and costs

The Group's finance income and costs include:

- interest income on amounts owing by fellow subsidiaries, associates, joint ventures, debt investment and funds invested;
- interest expense on borrowings, financial derivatives and lease liabilities;
- the fair value gains or losses on financial derivatives;
- the net gains or losses on financial assets at FVTPL;
- the foreign currency gains or losses on financial assets and financial liabilities;
- hedge ineffectiveness recognised in profit or loss; and
- unwinding of discount on non-current liabilities.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Tax (cont'd)

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.

3.20 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.

3.21 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.

3.22 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted. Except as disclosed in note 2.5, the Group has not early adopted the new or amended standards in preparing these financial statements.

The Group is in the process of assessing the impact of the new standards and amendments to standards on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

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	Right-of-use assets $'000	Total $'000
Group								
Cost								
At 1 January 2019		4,225,527	1,370,894	25,415	1,737,825	105,548	260,970	7,726,179
Acquisition of subsidiaries	39	–	313,856	–	6,737	–	–	320,593
Additions		11,784	9,358	5,888	114,951	82,760	22,694	247,435
Disposal/Written off		(388)	–	–	(40,760)	–	(195)	(41,343)
Reclassifications		19,951	59,178	9,511	48,000	(136,640)	–	–
Transfer from development properties		–	–	72,014	–	–	–	72,014
Transfer to assets held for sale		(78,774)	(90,301)	–	(80,557)	(12,132)	(2,616)	(264,380)
Translation differences on consolidation		(22,565)	(650)	(2,062)	(5,748)	280	(3,389)	(34,134)
At 31 December 2019		4,155,535	1,662,335	110,766	1,780,448	39,816	277,464	8,026,364
At 1 January 2020		4,155,535	1,662,335	110,766	1,780,448	39,816	277,464	8,026,364
Additions		5,385	3,301	185,697	63,883	15,439	61,174	334,879
Disposal/Written off		(26,844)	–	–	(4,069)	–	(797)	(31,710)
Reclassifications		9,182	(1,769)	(607)	19,686	(26,492)	–	–
Transfer to assets held for sale		(89,109)	–	–	(18,959)	(647)	–	(108,715)
Translation differences on consolidation		35,709	8,596	3,355	23,645	532	6,499	78,336
At 31 December 2020		4,089,858	1,672,463	299,211	1,864,634	28,648	344,340	8,299,154
Accumulated depreciation and impairment losses								
At 1 January 2019		980,086	344,776	3,693	1,123,354	–	–	2,451,909
Charge for the year		27,264	24,044	–	106,459	–	20,758	178,525
Disposal/Written off		(26)	–	–	(36,576)	–	(195)	(36,797)
Reclassifications		(167)	167	–	–	–	–	–
Transfer to assets held for sale		(6,100)	(16,488)	–	(57,162)	–	(38)	(79,788)
Impairment losses		38,357	9,871	–	11,551	–	607	60,386
Translation differences on consolidation		(3,605)	(431)	24	(5,329)	–	(897)	(10,238)
At 31 December 2019		1,035,809	361,939	3,717	1,142,297	–	20,235	2,563,997
At 1 January 2020		1,035,809	361,939	3,717	1,142,297	–	20,235	2,563,997
Charge for the year		27,877	25,891	–	107,280	–	22,164	183,212
Disposal/Written off		(15,238)	–	–	(3,418)	–	(742)	(19,398)
Reclassifications		(13,764)	13,805	–	(41)	–	–	–
Transfer to assets held for sale		(53,506)	–	–	(10,305)	–	–	(63,811)
Impairment losses		82,168	22,733	–	5,677	–	752	111,330
Reversal of impairment losses		(23,813)	–	–	–	–	–	(23,813)
Translation differences on consolidation		6,288	(3,148)	(75)	17,769	–	1,119	21,953
At 31 December 2020		1,045,821	421,220	3,642	1,259,259	–	43,528	2,773,470
Carrying amounts								
At 1 January 2019		3,245,441	1,026,118	21,722	614,471	105,548	260,970	5,274,270
At 31 December 2019		3,119,726	1,300,396	107,049	638,151	39,816	257,229	5,462,367
At 31 December 2020		3,044,037	1,251,243	295,569	605,375	28,648	300,812	5,525,684

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land $'000	Furniture, fittings and equipment $'000	Right-of-use assets $'000	Total $'000
Company				
Cost				
At 1 January 2019	2,570	29,599	32,293	64,462
Additions	–	7,255	–	7,255
Disposal/Written off	–	(2,443)	–	(2,443)
At 31 December 2019	2,570	34,411	32,293	69,274
At 1 January 2020	2,570	34,411	32,293	69,274
Additions	–	3,615	–	3,615
Disposal/Written off	–	(429)	–	(429)
At 31 December 2020	2,570	37,597	32,293	72,460
Accumulated depreciation				
At 1 January 2019	–	18,175	–	18,175
Charge for the year	–	3,725	6,132	9,857
Disposal/Written off	–	(2,435)	–	(2,435)
At 31 December 2019	–	19,465	6,132	25,597
Charge for the year	–	3,716	6,132	9,848
Disposal/Written off	–	(424)	–	(424)
At 31 December 2020	–	22,757	12,264	35,021
Carrying amounts				
At 1 January 2019	2,570	11,424	32,293	46,287
At 31 December 2019	2,570	14,946	26,161	43,677
At 31 December 2020	2,570	14,840	20,029	37,439

Right-of-use assets classified within property, plant and equipment

	Leasehold land and buildings $'000	Furniture, fittings, plant and equipment and improvements $'000	Total $'000
Group			
Balance at 1 January 2019	253,725	7,245	260,970
Depreciation charge for the year	(19,323)	(1,435)	(20,758)
Additions to right-of-use assets	22,382	312	22,694
Impairment loss	(607)	–	(607)
Transfer to assets held for sale	(2,578)	–	(2,578)
Translation differences on consolidation	(2,420)	(72)	(2,492)
Balance at 31 December 2019	251,179	6,050	257,229

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Right-of-use assets classified within property, plant and equipment (cont'd)

	Leasehold land and buildings $'000	Furniture, fittings, plant and equipment and improvements $'000	Total $'000
Group			
Balance at 1 January 2020	251,179	6,050	257,229
Depreciation charge for the year	(20,691)	(1,473)	(22,164)
Additions to right-of-use assets	60,884	290	61,174
Impairment loss	(752)	–	(752)
Disposal/Written off	(50)	(5)	(55)
Translation differences on consolidation	5,437	(57)	5,380
Balance at 31 December 2020	296,007	4,805	300,812

	Buildings $'000
Company	
Balance at 1 January 2019	32,293
Depreciation charge for the year	(6,132)
Balance at 31 December 2019	26,161
Balance at 1 January 2020	26,161
Depreciation charge for the year	(6,132)
Balance at 31 December 2020	20,029

(a) Included in property, plant and equipment are certain hotel properties of the Group with carrying amount totalling $518,149,000 (2019: $498,004,000) which are mortgaged to certain financial institutions to secure credit facilities (refer to notes 22 and 23 for more details of the facilities).

(b) The transfer from development properties to property, plant and equipment during 2019 related to reclassification of a hotel in Suzhou, as a hotel management agreement was signed in respect of that property during that year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) 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.

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 future cash flows, taking into consideration the assumptions in respect of revenue growth (principally factoring in room rate and occupancy growth) and major expense items for each hotel. The future cash flows are based on assumptions about competitive growth rates for hotels in that area, as well as the internal business plan for the hotel in the relevant market. These plans and forecasts include management's most recent view of trading prospects for the hotel in the relevant market.

Where appropriate, the Group sought guidance on the fair values of the hotels from independent external valuers with appropriate professional qualifications and recent experience in the location and category of the properties being valued. In relying on the valuation reports, the Group has exercised its judgement and is satisfied that the valuation method and estimates are reflective of current market conditions. The valuation reports obtained from external valuers of certain hotels have highlighted that as a result of the COVID-19 pandemic, giving rise to an unprecedented set of circumstances on which to base a judgement, less certainty and a higher degree of caution, should be attached to their valuations than would normally be the case. Due to the unknown future impact that the pandemic may have on the real estate market, the external valuers have recommended to keep the valuations of these properties under frequent review.

In 2020, the Group recognised a net impairment loss of $87,517,000 on its hotel properties, comprising impairment losses of $111,330,000 on eight hotels in United States of America (US), four hotels in Europe, and two hotels in Asia, net of impairment losses reversed of $23,813,000 in respect of two hotels in US, five hotels in Europe, and a hotel in Asia. The estimated total recoverable amounts of the properties on which impairment losses were recognised during the year were $1,041,634,000 as at 31 December 2020. The impairment losses were a result of the challenging operating performance of these hotels and the subdued outlook for these hotels as a result of the COVID-19 pandemic. The impairment losses reversed during the year mainly arose from the improved trading performances of certain hotel properties since the last external valuations performed. The estimated total recoverable amounts of the hotel properties on which impairment losses were reversed during the year were $365,413,000 as at 31 December 2020.

In 2019, an impairment loss of $58,236,000 was recognised on one hotel in the 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 $593,093,000 as at 31 December 2019. 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.

The fair value measurement was categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Impairment losses recognised or reversed were included in "other operating expenses" in the consolidated statement of profit or loss and the hotel operations segment.

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Year ended 31 December 2020

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The key assumptions used in estimating the recoverable amounts are set out below:

	US	Europe	Asia
Occupancy rate			
2020	37.0% to 96.0%	37.0% to 86.0%	20.0% to 70.0%
2019	90.0% to 92.0%	85.0%	50.0% to 77.0%
Average room rate growth			
2020	1.7% to 19.0%	1.1% to 12.7%	2.0% to 16.5%
2019	3.0% to 7.0%	2.0% to 3.1%	2.4% to 33.4%
Discount rate			
2020	7.5% to 12.8%	7.0% to 11.3%	6.5% to 12.0%
2019	7.3% to 7.8%	8.0%	7.8% to 12.0%
Terminal rates			
2020	5.5% to 11.0%	4.0% to 6.5%	4.5% to 9.0%
2019	5.3% to 5.8%	6.0%	5.8% to 9.0%

The forecasts cover a five to ten years period, and cash flows beyond this period are extrapolated using a growth rate ranging between 1.1% and 5.0% (2019: 1.5% and 3.0%), 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. An increase in occupancy rate and/or average room rate growth in isolation would result in a higher recoverable amount. An increase in discount rate or terminal rate in isolation would result in a lower recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

5 INVESTMENT PROPERTIES

	Note	Group $'000	Company $'000
Cost			
At 1 January 2019		4,797,841	600,812
Acquisition of subsidiaries	39	446,772	–
Additions		136,079	1,127
Disposal/Written off		(1,944)	(1,517)
Transfers from development properties		136,683	–
Translation differences on consolidation		2,681	–
At 31 December 2019		5,518,112	600,422
At 1 January 2020		5,518,112	600,422
Loss of control in subsidiaries		(64,926)	–
Additions		194,854	3,226
Disposal/Written off		(21,692)	–
Transfers from development properties		57,000	–
Translation differences on consolidation		77,610	–
At 31 December 2020		5,760,958	603,648
Accumulated depreciation and impairment losses			
At 1 January 2019		1,012,653	148,595
Charge for the year		96,711	15,317
Reversal of impairment loss		(2,414)	–
Translation differences on consolidation		901	–
At 31 December 2019		1,107,851	163,912
At 1 January 2020		1,107,851	163,912
Charge for the year		107,541	14,781
Loss of control in subsidiaries		(15,160)	–
Disposal/Written off		(21,596)	–
Impairment loss		12,035	–
Translation differences on consolidation		1,590	–
At 31 December 2020		1,192,261	178,693
Carrying amounts			
At 1 January 2019		3,785,188	452,217
At 31 December 2019		4,410,261	436,510
At 31 December 2020		4,568,697	424,955
Fair value			
At 1 January 2019		7,919,056	1,122,087
At 31 December 2019		8,780,086	1,115,949
At 31 December 2020		8,901,489	1,114,435

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

5 INVESTMENT PROPERTIES (CONT'D)

Investment properties comprise commercial, residential, hotel and industrial properties that are leased to external customers. Generally, each of the leases is fixed for a period of 1 to 29 years (2019: 1 to 29 years), and subsequent renewals are negotiated at prevailing market rates and terms.

During the year, the Group's transfers from development properties to investment properties relate to two office buildings in Shanghai which were completed and commenced leasing activities during the year. In 2019, the Group's transfers from development properties to investment properties related to several office buildings in Shanghai which were completed and commenced leasing activities in that year.

As at 31 December 2020, investment properties of the Group with a total carrying amount of $1,464,268,000 (2019: $1,382,003,000) were mortgaged to certain financial institutions to secure credit facilities (refer to notes 22 and 23 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 the fair value less costs to sell approach, and were estimated using discounted cash flow, direct comparison and income capitalisation methods.

Based on the impairment assessment undertaken in 2020, the Group recognised impairment loss of $12,035,000 on one hotel in the Maldives and one hotel in Italy, both of which are held by the Group's non wholly-owned subsidiary, CDL Hospitality Trusts (CDLHT). The impairment loss was a result of the challenging operating performance of these hotels and the subdued outlook for these hotels as a result of the COVID-19 pandemic. The impairment loss was recognised in "other operating expenses" and the investment properties segment. In 2019, the Group reversed impairment loss of $2,414,000 on one hotel in Germany and one hotel in the Maldives, both of which were held by CDLHT. The reversal of impairment loss was recognised in "other operating expenses" in the consolidated statement of profit or loss and the investment properties segment.

The key assumptions used in estimating the recoverable amounts are set out below:

	Maldives	Italy
Occupancy rate		
2020	28.0% to 67.0%	50.0% to 82.0%
2019	–	–
Average room rate growth		
2020	3.7%	2.3%
2019	–	–
Discount rate		
2020	12.0%	6.8%
2019	–	–
Terminal rates		
2020	9.0%	4.9%
2019	–	–

The forecasts cover a five to ten years period, and cash flows beyond this period are extrapolated using a growth rate ranging between 1.8% and 3.0% (2019: Nil), which is based upon the expected trading growth for each hotel and inflation in the country in which the hotel is located.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

5 INVESTMENT PROPERTIES (CONT'D)

Sensitivity analysis

The Group's impairment review is sensitive to changes in the key assumptions used. An increase in occupancy rate and/or average room rate growth in isolation would result in a higher recoverable amount. An increase in discount rate or terminal rate in isolation would result in a lower recoverable amount.

Determination of fair value

The fair value disclosure for the investment properties for the Group and the Company of $8,901,489,000 (2019: $8,780,086,000) and $1,114,435,000 (2019: $1,115,949,000) respectively has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

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. The direct comparison method involves an analysis of comparable sales of similar properties and adjusting the transacted prices to those reflective of the investment properties of the Group. The income capitalisation method capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates.

For a majority of investment properties located in Singapore, the fair values are 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 other 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.

In relying on the valuation reports, the Group has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions. The valuation reports obtained from external valuers of certain hotels have highlighted that as a result of the COVID-19 pandemic, giving rise to an unprecedented set of circumstances on which to base a judgement, less certainty and a higher degree of caution, should be attached to their valuations than would normally be the case. Due to the unknown future impact that the pandemic may have on the real estate market, the external valuers have recommended to keep the valuations of these properties under frequent review.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

6 ASSETS HELD FOR SALE

At 31 December 2020, assets held for sale relate to the following proposed divestments:

(a) An indirect subsidiary of the Group, M&C, entered into sale and purchase agreements to sell the land held at the property of Copthorne Hotel Christchurch and two hotels, Copthorne Orchid Penang and Millennium Harvest House Boulder (which are in the hotel operation segment), to third parties for sales consideration totalling $137.1 million. The sales are expected to be completed in 2021.

(b) M&C exercised its put option to sell its interest in the Copthorne Hotel Birmingham (which is in hotel segment) for a sale consideration of $31.0 million. The sale is expected to be completed in 2021.

At 31 December 2019, assets held for sale and the liabilities directly associated with the assets held for sale related to the following divestments:

(a) M&C entered into a sale and purchase agreement to sell a hotel, Millennium Hotel Cincinnati (which is in the hotel operation segment), to a third party for a consideration of US$36.0 million. The sale was completed on 14 February 2020.

(b) CDLHT would divest one of its properties, Novotel Singapore Clarke Quay (which is in the hotel operation segment), to a consortium in which the Group has a 50% interest for a consideration of $375.9 million. The divestment was completed on 15 July 2020.

(c) Following the acquisition of Sceptre Hospitality Resources LLC (SHR) (which is in other segment) (see note 39), the Group received an offer from a third party and committed to dispose of its entire 75.1% interest in SHR for a sale consideration of US$47.6 million (approximately $64.5 million). The sale was completed on 6 March 2020.

	2020	2019
	$	$
Assets held for sale		
Property, plant and equipment	**45,884**	186,538
Goodwill	**–**	19,516
Other non-current assets	**–**	28
Trade and other receivables	**–**	3,864
Cash and cash equivalents	**–**	1,429
	45,884	211,375
Liabilities directly associated with the assets held for sale		
Trade and other payables	**–**	(3,539)
Other liabilities	**–**	(4,041)
	–	(7,580)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

7 INVESTMENTS IN AND BALANCES WITH SUBSIDIARIES

	Note	Company 2020 $'000	2019 $'000
Investments in subsidiaries			
Unquoted shares, at cost		**2,058,682**	2,056,870
Impairment losses		**(33,663)**	(31,936)
		2,025,019	2,024,934
Balances with subsidiaries			
Amounts owing by subsidiaries:			
– trade		**18,777**	18,383
– non-trade, interest-free		**5,945,358**	4,467,988
– non-trade, interest-bearing		**6,264,642**	6,028,660
		12,228,777	10,515,031
Impairment losses		**(125,600)**	(104,804)
		12,103,177	10,410,227
Receivable:			
– Within 1 year	15	**5,585,340**	5,281,144
– After 1 year	11	**6,517,837**	5,129,083
		12,103,177	10,410,227
Amounts owing to subsidiaries:			
– trade		**3,589**	4,566
– non-trade, interest-free		**2,163,953**	2,210,578
– non-trade, interest-bearing		**451,849**	458,029
		2,619,391	2,673,173
Repayable:			
– Within 1 year	30	**2,619,391**	2,673,173

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 $1,727,000 (2019: $Nil) on its investment in a wholly-owned subsidiary. The recoverable amount of the subsidiary was estimated taking into consideration the fair values of the underlying assets and the liabilities of the company. The fair value measurement was categorised as a Level 3 in the fair value hierarchy 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 0.32% to 3.95% (2019: 0.20% to 4.35%) per annum and at rates ranging from 2.74% to 3.00% (2019: 2.58% 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.

The non-trade amounts owing by subsidiaries receivable after one year are loans to subsidiaries 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

7 INVESTMENTS IN AND BALANCES WITH SUBSIDIARIES (CONT'D)

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	
	2020	2019
	$'000	$'000
At 1 January	**136,740**	175,622
Impairment loss made	**22,523**	–
Impairment loss utilised	**–**	(38,882)
At 31 December	**159,263**	136,740

Further details regarding the Group's subsidiaries are set out in note 43.

8 INVESTMENTS IN AND BALANCES WITH ASSOCIATES

		Group		Company	
	Note	**2020**	2019	**2020**	2019
		$'000	$'000	**$'000**	$'000
Investments in associates		**707,699**	562,876	**–**	–
Balances with associates					
Amounts owing by associates:					
– trade		**28**	1,105	**7**	11
– non-trade, interest-bearing		**1,057**	137,691	**–**	–
– non-trade, interest free		**6,525**	–	**–**	–
		7,610	138,796	**7**	11
Receivable:					
– Within 1 year	15	**7,610**	1,105	**7**	11
– After 1 year	11	**–**	137,691	**–**	–
		7,610	138,796	**7**	11
Amount owing to an associate payable within 1 year:					
– non-trade, interest-free	30	**887**	2,628	**–**	–

The non-trade amounts owing by associates are unsecured. In respect of interest-bearing amounts owing by associates, interest of 6.00% (2019: 2.00% to 3.88%) per annum was charged by the Group. The non-trade amounts owing by associates after one year are loans to associates for which settlement is neither planned nor likely to occur in the foreseeable future.

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8 INVESTMENTS IN AND BALANCES WITH ASSOCIATES (CONT'D)

The non-trade amount owing to an associate is unsecured, interest-free and repayable on demand.

Included in the Group's investments in associates are investments in two associates (2019: two) which are listed on the Mainboard of Singapore Exchange Securities Trading Limited. As at the reporting date, the aggregate carrying amount of these investments were $690.7 million (2019: $550.8 million) and the fair values based on the published price quotation (Level 1 in the fair value hierarchy) was $554.9 million (2019: $460.1 million). In respect of one associate whose carrying and fair values were $575.0 million (2019: $493.8 million) and $427.4 million (2019: $396.8 million) respectively, management had assessed the recoverable amount of the investment and determined that as its net asset value based on the latest available audited financial statements of the associate is higher than the carrying amount as at the reporting date, no impairment loss for this investment is considered 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	
	2020	2019
	$'000	$'000
Carrying amount of interests in individually immaterial associates	**707,699**	562,876
Group's share of:		
– profit from continuing operations	**37,976**	98,539
– other comprehensive income	**13,192**	(11,530)
– total comprehensive income	**51,168**	87,009

Financial guarantees

A wholly-owned subsidiary of the Group had entered into a deed of guarantee in favour of Sunbright Holdings Limited (Sunbright), an associate of the Group, in relation to the residential properties owned by Sunbright. The maximum exposure of the Group under the deed of guarantee at the reporting date is approximately $24.2 million (2019: $40.0 million).

Management do not consider it probable that a claim will be made against the Group under the financial guarantee.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

9 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Investments in joint ventures					
Investments in joint ventures		**1,891,659**	1,192,456	**37,360**	37,360
Impairment loss		**(806,371)**	–	**–**	–
		1,085,288	1,192,456	**37,360**	37,360
Balances with joint ventures					
Amounts owing by joint ventures:					
– trade		**2,943**	2,738	**61**	37
– non-trade, interest-bearing		**986,742**	441,261	**–**	10,525
– non-trade, interest-free		**762,286**	262,764	**234,795**	221,590
		1,751,971	706,763	**234,856**	232,152
Impairment losses		**(328,595)**	(4,431)	**(5,050)**	(5,050)
		1,423,376	702,332	**229,806**	227,102
Receivable:					
– Within 1 year	15	**1,328,040**	496,335	**229,806**	227,102
– After 1 year	11	**95,336**	205,997	**–**	–
		1,423,376	702,332	**229,806**	227,102
Amounts owing to joint ventures payable within 1 year:					
– trade		**331**	31	**–**	–
– non-trade, interest-free		**346,756**	60,460	**22,727**	22,727
	30	**347,087**	60,491	**22,727**	22,727

(a) At the reporting date, included in the carrying amount of the Group's investments in joint ventures is goodwill amounting to $30.4 million (2019: $29.6 million) relating to the Group's interests in four (2019: three) joint ventures. This amount is stated net of the goodwill and the related impairment loss recognised during 2020 associated with the Group's investment in HCP Chongqing Property Development Co., Ltd ("HCP"), as detailed under "Material joint venture" below.

(b) The movement in impairment losses in respect of investments in joint ventures are as follows:

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
At 1 January	–	–	–	–
Impairment loss recognised	806,371	–	–	–
At 31 December	806,371	–	–	–

The impairment loss recognised during 2020 relates to the impairment loss recognised on the investment in HCP. Details are set out under "Material joint venture" below.

Impairment loss recognised was included in "Share of after-tax (loss)/profit of joint ventures" in the consolidated statement of profit or loss.

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Year ended 31 December 2020

9 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (CONT'D)

(c) The non-trade amounts owing by joint ventures are unsecured. In respect of interest-bearing amounts owing by joint ventures, interest at rates ranging from 0.06% to 10.0% (2019: 1.37% to 7.50%) per annum and Nil% (2019: 1.50%) per annum were charged by the Group and the Company, respectively.

The non-trade amount owing by a joint venture after one year is a loan to a joint venture for which settlement is neither planned nor likely to occur in the foreseeable future.

The non-trade amounts presented as receivable within one year are receivable on demand.

Included in the amounts owing by joint ventures is an amount of $359.7 million (net of impairment losses) due from HCP and its subsidiaries ("HCP Group"). Further details are set out under "Investment in and balances with HCP Group – Impairment of amounts owing by HCP Group" below.

(d) The movements in impairment losses in respect of balances with joint ventures are as follows:

	Group Lifetime ECL		Company Lifetime ECL	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
At 1 January	4,431	13,559	5,050	14,909
Impairment loss recognised/ (reversed)	323,942	–	–	(9,859)
Impairment loss utilised	–	(9,128)	–	–
Translation differences	222	–	–	–
At 31 December	328,595	4,431	5,050	5,050

The impairment loss recognised by the Group during 2020 relates to the impairment loss recognised on the amounts owing by HCP Group. Impairment losses recognised were included on the face of consolidated statement of profit or loss. Details are set out under "Material joint venture" below.

(e) The non-trade amounts owing to joint ventures are unsecured and repayable on demand.

Included in the amounts owing to joint ventures is an amount of $264.3 million owing to HCP Group.

Material joint venture

The Group's material joint venture relates to HCP. HCP is an unlisted joint venture in which the Group has joint control via an investor rights agreement and a 63.75% ownership interest. HCP, which is incorporated in Cayman Islands, is an investment holding company that holds an indirect 80.01% equity interest in Chongqing Sincere Yuanchuang Industrial Co., Ltd ("Sincere Property Group"), a real estate developer in the People's Republic of China (PRC). Approximately 13.1% and 48.9% of the shares held by HCP Group in Sincere Property Group are pledged to the Group and other parties, respectively.

This investment offers the Group the opportunity to partner with Sincere Property Group and to acquire a meaningful stake in platform which will allow a sizeable expansion of the Group's footprint in the PRC.

The Group has a call option to acquire an additional 11.25% equity interest in HCP, which is exercisable at the Group's discretion within a 6-month period commencing on 1 July 2022 for a consideration of approximately $157.3 million (RMB774.1 million). As at 31 December 2020, the fair value of this call option is nil.

HCP is structured as a separate vehicle and the Group has residual interest in its net assets. Accordingly, the Group has classified its interest in HCP as a joint venture, which is equity accounted.

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Year ended 31 December 2020

9 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (CONT'D)

Investment in and balances with HCP Group

(a) Accounting for acquisition of HCP Group

In April 2020, the Group acquired an equity interest of 63.75% in HCP for an aggregate consideration of approximately $0.9 billion. The Group accounted for the acquisition of HCP as a business combination, which requires the purchase price to be allocated to the fair value of the identifiable assets acquired and liabilities assumed, including any contingent liabilities (purchase price allocation or "PPA").

The fair values of assets and liabilities, which involve significant judgement and estimates, have been determined as follows:

- The fair values of the underlying properties held by HCP Group were determined based on external independent valuations undertaken.

  A significant portion of the purchase price was allocated to HCP Group's underlying property portfolio comprising development properties, property, plant and equipment and investment properties, based on the valuation amounts in the independent valuation reports. The valuation of development properties is critically dependent upon the estimated future selling prices. The valuation of property, plant and equipment and investment properties involves significant judgement in determining both the valuation methods to be used and the key assumptions to be applied. The valuations are sensitive to the key assumptions applied and a change in assumptions may have a significant impact on the valuations.

- The fair values of the amounts due from related parties of HCP Group were estimated, taking into consideration the repayment patterns and the settlement arrangements agreed between the HCP Group and its related parties.

- The fair values of contingent liabilities relating to financial guarantees issued by HCP Group for credit facilities granted to the related parties of HCP Group involve making estimates of the guarantees being invoked.

- The fair value of a put option granted by HCP Group to a non-controlling shareholder of Sincere Property Group (the "Put Option") for the latter to sell its 19.99% of shares in Sincere Property Group was estimated based on the present value of the exercise price of the put option.

- The fair value of indemnities provided by the joint venture partner and its related parties in relation to the liabilities associated with the Put Option and contingent liabilities arising from the guarantees issued by Sincere Property Group to the joint venture partner and its related parties, was estimated to be nil, having considered the Group's ability to recover these indemnity assets.

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9 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (CONT'D)

Investment in and balances with HCP Group (cont'd)

(a) Accounting for acquisition of HCP Group (cont'd)

Measurement of fair values

The valuation techniques used for measuring the fair values of the underlying significant assets and liabilities were as follows:

Assets acquired and liabilities assumed	Valuation technique
Property, plant and equipment and investment properties	*Direct comparison, discounted cash flow, income capitalisation, cost and residual methods:* The direct comparison method involved the analysis of comparable sales of similar assets and adjusting the sale prices to that reflective of the properties. The discounted cash flow method involved forecasting the properties' income stream and discounting the income stream at the market rate of interest at the acquisition date. The income capitalisation method capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates. The cost method considers the current replacement cost of creating a comparable property. The residual method involves deducting the estimated cost to complete as of valuation date and other relevant costs from gross development value of the proposed development assuming satisfactory completion and accounting for developer profit.
Development properties	*Direct comparison, income capitalisation, cost and residual methods:* The direct comparison method involves the analysis of comparable sales of similar assets and adjusting the sale prices to that reflective of the properties. The income capitalisation method capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates. The cost method considers the current replacement cost of creating a comparable property. The residual method involves deducting the estimated cost to complete as of valuation date and other relevant costs from gross development value of the proposed development assuming satisfactory completion and accounting for developer profit.
Amounts due from related parties	*Discounted cash flow method:* The fair value is estimated as the present value of the expected future payments, discounted at the market rate of interest at the acquisition date.
Interest-bearing borrowings	*Discounted cash flow method:* The fair value is estimated as the present value of future principal and interest cash flows, discounted at the market rates of interest at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

9 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (CONT'D)

Investment in and balances with HCP Group (cont'd)

(a) Accounting for acquisition of HCP Group (cont'd)

Measurement of fair values (cont'd)

Assets acquired and liabilities assumed	Valuation technique
Contingent liabilities – financial guarantees issued	*Probability adjusted expected value method:* The fair value is estimated based on the exposure amount that the HCP Group is obliged to pay in the event of a default by the entity for the financial guarantee is issued, adjusted for the probability of default.
Put Option	*Discounted cash flow method:* The fair value is estimated as the present value of the expected future payments, discounted at the market rate of interest at the acquisition date.

In relying on the valuation reports for the property, plant and equipment, investment properties and development properties, the Group has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions. The valuation reports obtained from external valuer of the properties have highlighted that as a result of the COVID-19 pandemic, giving rise to an unprecedented set of circumstances on which to base a judgement, less certainty and a higher degree of caution, should be attached to the valuations than would normally be the case. Due to the uncertainty that the pandemic may have on the real estate market, the external valuer has recommended to keep the valuations of these properties under frequent review.

The fair value measurements were categorised as Level 3 in the fair value hierarchy based on the inputs in the valuation techniques used.

The PPA exercise indicated that the Group's cost of investment in HCP of $0.9 billion represents goodwill. Impairment of the Group's investment in HCP is set out below.

(b) Impairment of the equity investment in HCP Group

Subsequent to the acquisition, the Group identified indicators of impairment on its equity investment in HCP Group arising from the challenging macro-economic environment posed by the COVID-19 pandemic, the credit tightening measures imposed on China's real estate sector and the liquidity challenges faced by Sincere Property Group. The Group assessed the recoverable amount of the investment using the fair value less costs to sell approach which is based on the financial position of the HCP Group, which took into consideration the fair values of the joint venture's underlying assets and liabilities. Based on the assessment undertaken, the recoverable amount was estimated to be nil. Accordingly, an impairment loss of $806.4 million was recognised, after taking into account the Group's share of HCP Group's loss of $75.8 million recognised. The impairment loss is included as part of "Share of after-tax (loss)/profit of joint ventures" in the consolidated statement of profit or loss, and in the property development ($435.4 million), hotel operations ($48.4 million) and investment properties ($322.6 million) segments.

As the Group's cost of investment in HCP Cayman has been reduced to nil, the Group has discontinued equity accounting for further losses of HCP Group as the Group has no obligation to fund HCP Group's operations or make payments on behalf of HCP Group (other than the financial guarantee that the Group has issued in relation to a loan undertaken by HCP Group for which a provision has been made for the full guarantee amount (refer to "Financial guarantee issued" below).

The fair value measurement was categorised as Level 3 in the fair value hierarchy based on the inputs in the valuation technique used.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

9 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (CONT'D)

Investment in and balances with HCP Group (cont'd)

(b) Impairment of the equity investment in HCP Group (cont'd)

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
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.	NAV	The estimated fair value would increase/(decrease) if the NAV was higher/(lower).

(c) Impairment of amounts owing by HCP Group

As at 31 December 2020, the Group had gross amounts owing by HCP Group of $683.6 million (2019: $Nil) and amounts owing to HCP Group of $264.3 million (2019: $Nil). The Group undertook an impairment assessment of the amounts owing from HCP Group. The Group assessed that the amounts owing by HCP Group were credit-impaired, having considered past repayment trends, the debt maturity profile of Sincere Property Group, the default risk on the amounts owing by Sincere Property Group and the liquidity challenges faced by Sincere Property Group.

At the reporting date, the Group determined the lifetime expected credit losses ("ECL") to be recognised based on the present value of all cash shortfalls (i.e. the difference between the cash flows due from the HCP Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the amounts owing by HCP Group. The ECL takes into account the adjusted financial position of Sincere Property Group (taking into account the estimated recoverable amounts of the properties held by Sincere Property Group and its associates and joint ventures, and potential additional costs to be incurred on borrowings of Sincere Property Group), the debt profile of Sincere Property Group, the value of collateral that the Group holds and certain amounts owing by the Group to HCP Group.

The key parameters applied in estimating the ECL to be recognised include assuming a discount of up to 50% on the properties held by Sincere Property Group and the carrying values of investments in associates and joint ventures and additional costs including potential penalty interest of approximately 30% on borrowings. The discount assumptions used to estimate the difference between the fair value of the underlying properties and the expected sales price under a forced sale scenario are based on market data available. The Group also considered the value of the collateral held, which relates to shares in a property-owing entity which has been pledged by HCP Group to the Group, based on the recently transacted price of the shares.

Based on the assessment undertaken, the Group recognised an impairment loss of $323.9 million on the amounts owing by HCP Group. At the reporting date, the Group had amounts owing by HCP Group of $359.7 million (net of impairment loss recognised) (2019: $Nil) and amounts owing to HCP Group of $264.3 million (2019: $15.0 million).

Changes to circumstances and estimates may impact the amount of expected credit losses recognised on the amounts owing by HCP Group. The expected credit losses on the amounts owing by HCP Group can be sensitive to the assumptions used. An increase in the discount adjustment on the properties held by the Group and the carrying values of investments in associates and joint ventures and additional costs including potential penalty interest on borrowings in isolation would result in a lower recoverable amount. A lower discount adjustment on the properties held by HCP Group and the carrying values of investments in associate and joint ventures and lower additional costs including potential penalty interest on borrowings in isolation would result in a higher recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

9 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (CONT'D)

Investment in and balances with HCP Group (cont'd)

(d) Financial information of HCP Group

	Group	
	2020	**2019**
	$'000	**$'000**
Group's interest in net assets of investee at beginning of the year:	–	–
Investment during the year	882,141	–
Share of after-tax loss		
- share of total comprehensive income	(75,770)	–
- impairment of goodwill	(806,371)	–
	(882,141)	–
Carrying amount of interest in investee at end of the year	–	–

The challenging macro-economic environment posed by the COVID-19 pandemic, the credit tightening measures imposed on China's real estate sector and the ongoing uncertainty have disrupted and negatively impacted HCP Group's operations and performance. Furthermore, weak market conditions have derailed the intended divestment plan for some of HCP Group's properties to reduce its debt, exacerbating the liquidity challenges that it faces. Subsequent to 31 December 2020, the credit ratings of certain of HCP Group's bonds were downgraded and the HCP Group did not repay the principal amounts of certain bonds on their maturities. Arising from these key events and the evolving developments within the HCP up to the date of the Group's issuance of these financial statements, the basis of accounting for HCP Group's key assets and liabilities as at 31 December 2020 would have to be re-assessed. Accordingly, management considers that the financial information of HCP Group as at 31 December 2020 would not faithfully represent HCP Group's financial position and would not be relevant to users of these financial statements. The Group does not have financial information of HCP Group that has been updated for events and circumstances described above.

The main business activities of HCP Group relate to the real estate business derived primarily from Sincere Property Group, which is an issuer of several domestic corporate bonds listed on the Shanghai Stock Exchange. As long as the listed bonds of Sincere Property Group remain outstanding, Sincere Property Group is required to abide by the regulations of China Securities Regulatory Commission (CSRC). Under the regulations of CSRC, any material information in relation to Sincere Property Group needs to be announced by Sincere Property Group in China no later than the announcement of the same elsewhere in the world, failing which Sincere Property Group and its controlling equity holder(s) could be liable under PRC laws. Sincere Property Group, which is required to announce its annual financial statements within 4 months from each financial year end is expected to announce its financial results for year ended 31 December 2020 in late April 2021. Accordingly, before Sincere Property Group announces its 2020 financial information in China, the Group is unable to disclose any financial information of HCP Group.

As a result of the above and the uncertainties surrounding the outcome of the matters highlighted, the summarised financial information of HCP Group as at 31 December 2020 and the Group's unrecognised share of losses, commitments and contingent liabilities in relation to the HCP Group have not been presented in these financial statements.

The evolving developments within the HCP Group may result in additional liabilities (whether actual or contingent). The Group has ring-fenced its financial exposure to its investment in HCP and the Group has no obligation to fund HCP Group's operations or make payments on behalf of HCP Group, except as described in "Financial guarantee issued" below.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

9 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (CONT'D)

Investment in and balances with HCP Group (cont'd)

(e) Financial guarantee issued

During 2020, the Group has issued a financial guarantee of approximately $283.0 million (2019: $Nil) to a financial institution in connection to loan taken by the HCP Group. In addition, the Group has pledged an investment property with a carrying value of $359.8 million as at 31 December 2020 (2019: $Nil) under a second mortgage to the bank.

At the reporting date, the Group has considered that the probability that the financial guarantee will be invoked and recognised a provision for the full amount of the guarantee (see note 28), taking into consideration the available financial information of HCP Group, Sincere Property Group not repaying the principal amounts of certain bonds on their maturities post 31 December 2020, the liquidity challenges faced by Sincere Property Group and legal advice received.

Subsequent to the reporting date, an event of default has been triggered under the terms of the loan agreement. At the date of issuance of these financial statements, the Group is in discussion with the lender on the financial guarantee issued.

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	
	2020	**2019**
	$'000	**$'000**
Carrying amount of interests in individually immaterial joint ventures	**1,085,288**	1,192,456
Group's share of:		
– (loss)/profit from continuing operations/total comprehensive income	**(1,611)**	97,768

The Group's share of the joint ventures' commitments and contingent liabilities (excluding HCP) is as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Commitments		
Development expenditure contracted but not provided for in the financial statements	**325,766**	277,385
Capital expenditure contracted but not provided for in the financial statements	**42,884**	47,822
Non-cancellable operating lease receivable	**84,422**	90,121

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

10 FINANCIAL ASSETS

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Non-current investments				
Unquoted debt investments mandatorily at FVTPL				
– non-related companies	**181,202**	174,237	**–**	–
Unquoted debt investment at amortised cost				
– a non-related company	**305,394**	311,604	**–**	–
Impairment loss	**(288,000)**	–	**–**	–
	17,394	311,604	**–**	–
Unquoted equity investments at FVOCI				
– fellow subsidiaries	**324,877**	350,561	**324,877**	350,561
– non-related companies	**31,852**	41,834	**–**	–
Unquoted equity investments mandatorily at FVTPL				
– other related parties	**47,407**	33,257	**–**	–
– non-related companies	**42,666**	25,829	**–**	–
	446,802	451,481	**324,877**	350,561
Quoted equity investments at FVOCI				
– fellow subsidiaries	**25,897**	28,944	**21,777**	24,339
– an associate	**–**	53,423	**–**	–
– non-related companies	**9,006**	10,507	**–**	–
Quoted equity investments mandatorily at FVTPL				
– an associate	**33,848**	6,933	**–**	–
– non-related companies	**21,970**	23,163	**1,856**	1,064
	90,721	122,970	**23,633**	25,403
Total non-current financial assets	**736,119**	1,060,292	**348,510**	375,964
Current investments				
Quoted equity investments mandatorily at FVTPL				
– non-related companies	**9,324**	12,456	**–**	–
Unquoted debt investments mandatorily at FVTPL				
– a joint venture	**10,724**	9,675	**–**	–
– a non-related company	**–**	540,550	**–**	–
Total current financial assets	**20,048**	562,681	**–**	–
Total financial assets	**756,167**	1,622,973	**348,510**	375,964

(a) Unquoted debt investments mandatorily at FVTPL with total carrying amount of $157,536,000 (2019: $692,543,000) bear interest at 2.46% to 8.00% (2019: 2.46% to 10.00%) per annum and mature within 1 to 3 (2019: 1 to 4) years.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

10 FINANCIAL ASSETS (CONT'D)

(b) Included in the unquoted debt investments mandatorily at FVTPL were the following:

i) $146,812,000 (2019: $142,318,000) 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 (PPS) 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).

ii) $34,390,000 (2019: $31,919,000) relating to the Group's investment in property-linked notes issued for the development of a luxury retirement village in New South Wales.

iii) $10,724,000 (2019: $9,675,000) relating to a convertible loan granted to a joint venture.

iv) $540,550,000 as at 31 December 2019 relating to a loan granted to Sincere Property Group, a real estate developer in China. The loan was repaid during 2020 following the Group's acquisition of a 63.75% equity interest in HCP.

(c) Unquoted debt investment at amortised cost with gross carrying amount of $305,394,000 (US$230 million) (2019: $311,604,000 (US$230 million)) relates to the Group's investment in a US$ bond issued by Sincere Property Group. The bond bears interest at 10% (2019: 10%) per annum and matures within 2 (2019: 3) years. An impairment loss of $288,000,000 (2019: $Nil) was recognised on the bond. The Group has no collateral in respect of this investment.

The movement in the allowance for impairment for debt investments at amortised cost during the year was as follows:

	Lifetime ECL credit -impaired $'000
Balance as at 1 January	–
Impairment loss recognised	288,000
Balance as at 31 December	288,000

The impairment loss recognised was included in the consolidated statement of profit or loss.

The Group undertook an impairment assessment of the investment in the bond. The Group assessed that the investment in the bond was credit-impaired, having considered past repayment trends, the debt maturity profile of Sincere Property Group, the default risk on the amounts owing by Sincere Property Group and the liquidity challenges faced by Sincere Property Group.

At the reporting date, the Group determined the lifetime expected credit losses ("ECL") to be recognised based on the present value of all cash shortfalls (i.e. the difference between the cash flows due from the investment in the bond in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the investment in the bond, which takes into account the adjusted financial position of Sincere Property Group (taking into account the estimated recoverable amounts of the properties held by Sincere Property Group and its associates and joint ventures, and potential additional costs to be incurred on borrowings of Sincere Property Group) and the debt profile of the Sincere Property Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

10 FINANCIAL ASSETS (CONT'D)

The key parameters applied in estimating the ECL to be recognised include assuming a discount of up to 50% on the properties held by Sincere Property Group and the carrying values of investments in associates and joint ventures and additional costs including potential penalty interest of approximately 30% on borrowings. The discount assumptions used to estimate the difference between the fair value of the underlying properties and the expected sales price under a forced sale scenario are based on the market data available.

Based on the assessment undertaken, the Group recognised an impairment loss of $288 million on the investment in the bond. At the reporting date, the carrying value of the bond was $17.4 million (net of impairment loss) (2019: $311.6 million).

Changes to circumstances and estimates may impact the expected credit losses on the investment in the bond recognised. The expected credit losses on the investment in the bond can be sensitive to the assumptions used. An increase in the discount adjustment on the properties held by Sincere Property Group and the carrying value of investments in associates and joint ventures and additional costs including potential penalty interest on borrowings in isolation would result in a lower recoverable amount. A lower discount adjustment on the properties held by Sincere Property Group and the carrying value of investments in associates and joint ventures and lower additional costs including potential penalty interest on borrowings in isolation would result in a higher recoverable amount.

Further details regarding the Group's debt investments are set out in note 41.

(d) Equity investments designated at FVOCI

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.

	Group		Company	
	Fair value at 31 December 2020 $'000	Dividend income recognised during the year $'000	Fair value at 31 December 2020 $'000	Dividend income recognised during the year $'000
Unquoted investment in a fellow subsidiary:				
– Hong Leong Holdings Limited	**324,877**	**1,688**	**324,877**	**1,688**
Unquoted investment in a non-related company:				
– Singapore-Suzhou Township Development Pte. Ltd.	**31,852**	**830**	**–**	**–**
Quoted investment in a fellow subsidiary:				
– Hong Leong Finance Limited	**25,897**	**1,088**	**21,777**	**915**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

10 FINANCIAL ASSETS (CONT'D)

	Group		Company	
	Fair value at 31 December 2019 $'000	Dividend income recognised during 2019 $'000	Fair value at 31 December 2019 $'000	Dividend income recognised during 2019 $'000
Unquoted investment in a fellow subsidiary:				
– Hong Leong Holdings Limited	350,561	2,025	350,561	2,025
Unquoted investment in a non-related company:				
– Singapore-Suzhou Township Development Pte. Ltd.	41,834	135	–	–
Quoted investment in a fellow subsidiary:				
– Hong Leong Finance Limited	28,944	1,632	24,339	1,372
Quoted investment in an associate:				
– First Sponsor Group Limited (perpetual convertible capital securities)	53,423	–	–	–

During 2020, the Group's investment in the perpetual convertible capital securities issued by its associate, First Sponsor Group Limited (FSGL), was converted into ordinary shares of FSGL and recognised as part of the Group's investments in associates.

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 of during 2020 and 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Information about the Group's and the Company's exposures to credit and market risks, and fair value measurement, is included in note 41.

11 OTHER NON-CURRENT ASSETS

		Group		Company	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Amounts owing by subsidiaries	7	**–**	–	**6,517,837**	5,129,083
Amounts owing by associates	8	**–**	137,691	**–**	–
Amount owing by a joint venture	9	**95,336**	205,997	**–**	–
Deposits		**5,196**	3,641	**–**	–
Other receivables		**7,873**	9,236	**–**	–
Derivative financial assets		**451**	11,638	**451**	5,475
Restricted bank deposits	17	**110,620**	284,691	**–**	–
		219,476	652,894	**6,518,288**	5,134,558
Prepayments		**336**	371	**–**	–
Intangible assets		**1,556**	1,416	**–**	–
Deferred tax assets	29	**19,818**	23,051	**–**	–
		241,186	677,732	**6,518,288**	5,134,558

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

12 DEVELOPMENT PROPERTIES

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Properties under development, for which revenue is to be recognised over time	**2,198,310**	1,897,466	**–**	–
Properties under development, for which revenue is to be recognised at a point in time	**1,999,105**	2,131,048	**–**	–
Completed units	**1,255,737**	1,152,162	**180,247**	180,247
	5,453,152	5,180,676	**180,247**	180,247
Allowance for foreseeable losses	**(62,097)**	(26,512)	**–**	–
	5,391,055	5,154,164	**180,247**	180,247
Share of joint operations				
Completed units	**–**	1,478	**–**	1,488
Total development properties	**5,391,055**	5,155,642	**180,247**	181,735

(i) Allowance for foreseeable losses

Movements in allowance for foreseeable losses are as follows:

	Note	Group		Company	
		2020 $'000	2019 $'000	2020 $'000	2019 $'000
At 1 January		**26,512**	33,406	**–**	–
Allowance made/(reversed)	32	**35,014**	(6,524)	**–**	–
Allowance utilised		**–**	(160)	**–**	–
Translation differences on consolidation		**571**	(210)	**–**	–
At 31 December		**62,097**	26,512	**–**	–

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/(reversed) for foreseeable losses is included in "cost of sales".

(ii) Development properties of the Group recognised as cost of sales, excluding allowance for foreseeable losses, amounted to $663,251,000 (2019: $733,940,000) for the year.

(iii) Development properties of the Group with carrying amounts of $1,639,992,000 (2019: $1,763,006,000) are mortgaged to financial institutions to secure credit facilities (refer to note 22).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

13 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, $24,556,000 (2019: $29,279,000) of commission fees paid were capitalised as contract costs.

Capitalised commission fees are amortised when the related revenue is recognised. During the year, $19,100,000 (2019: $14,612,000) was amortised. There is no impairment loss in relation to such costs capitalised.

14 CONTRACT ASSETS/(LIABILITIES)

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Contract assets	**505,231**	242,048	**–**	–
Contract liabilities	**(267,607)**	(209,503)	**–**	–

Significant changes in the contract assets and the contract liabilities balances during the year are as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Contract liabilities at the beginning of the year recognised as revenue during the year	**112,355**	85,318
Increases due to cash received, excluding amounts recognised as revenue during the year	**(170,587)**	(193,375)
Contract assets reclassified to trade receivables	**(242,048)**	(107,241)
Changes in measurement of progress	**505,231**	242,048

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

15 TRADE AND OTHER RECEIVABLES

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Trade receivables		**172,285**	171,570	**2,514**	719
Impairment losses		**(25,212)**	(14,301)	**(716)**	(7)
		147,073	157,269	**1,798**	712
Other receivables		**87,108**	61,060	**2,684**	4,045
Impairment losses		**(5,129)**	(5,291)	**(1,129)**	(1,129)
		81,979	55,769	**1,555**	2,916
Accrued rent receivables		**46,857**	29,617	**1,502**	1,823
Deposits		**6,485**	7,672	**347**	349
Amounts owing by:					
– subsidiaries	7	**–**	–	**5,585,340**	5,281,144
– associates	8	**7,610**	1,105	**7**	11
– joint ventures		**1,656,635**	500,766	**234,856**	232,152
Less: Impairment losses		**(328,595)**	(4,431)	**(5,050)**	(5,050)
	9	**1,328,040**	496,335	**229,806**	227,102
– fellow subsidiaries	16	**534**	247	**9**	81
		1,618,578	748,014	**5,820,364**	5,514,138
Prepayments		**52,632**	67,066	**1,322**	1,315
Grant receivables		**1,887**	–	**701**	–
Derivative financial assets		**8,121**	6,994	**8,121**	6,172
		1,681,218	822,074	**5,830,508**	5,521,625

The grant receivables as at 31 December 2020 relate to property tax rebates and other cash grants as part of the COVID-19 relief measures.

16 AMOUNTS OWING BY AND TO FELLOW SUBSIDIARIES

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Amounts owing by fellow subsidiaries:					
– trade	15	**534**	247	**9**	81
Amounts owing to fellow subsidiaries:					
– trade		**17**	108	**7**	–
– non-trade, interest-bearing		**234,294**	225,451	**–**	–
	30	**234,311**	225,559	**7**	–

Fellow subsidiaries are subsidiaries of the immediate holding company. 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 was charged at 2.00% (2019: 2.00%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

17 CASH AND CASH EQUIVALENTS

		Group		Company	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Fixed deposits		**1,987,111**	1,999,127	**1,153,978**	1,175,716
Cash at banks and in hand*		**1,139,418**	798,525	**134,936**	93,519
Cash and cash equivalents in the statements of financial position		**3,126,529**	2,797,652	**1,288,914**	1,269,235
Restricted deposits included in other non-current assets	11	**110,620**	284,691		
Cash and cash equivalents included in assets held for sale		**–**	1,429		
	18	**3,237,149**	3,083,772		
Restricted deposits		**(276,030)**	(288,807)		
Restricted cash		**(6,010)**	(5,395)		
Bank overdrafts	21	**–**	(1)		
Cash and cash equivalents in the consolidated statement of cash flows		**2,955,109**	2,789,569		

* Includes cash pool overdrafts

As at 31 December 2020, cash and cash equivalents of $180,085,000 (2019: $123,955,000) of the Group 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 for the Group and Company ranges from 0.01% to 6.70% (2019: 0.05% to 6.70%) and 0.02% to 2.63% (2019: 0.90% to 3.20%) per annum respectively during the year.

As at 31 December 2020, cash and cash equivalents of the Group included an amount of $3,535,000 (2019: $7,069,000) which was held in escrow accounts for payments to third party investors.

		Group	
	Note	2020 $'000	2019 $'000
Restricted deposits:			
– Current		**165,410**	4,116
– Non-current	11	**110,620**	284,691
		276,030	288,807

Restricted deposits comprise deposits pledged to financial institutions as collateral for credit facilities granted (see note 22) and guarantees given in connection with the Group's continuing involvement in various Profit Participation Securities (notes 10 and 44) .

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

18 SHARE CAPITAL

	Company			
	2020		2019	
	Number of shares	$'000	Number of shares	$'000
Issued and fully paid ordinary share capital with no par value:				
At 1 January and 31 December	**906,901,330**	**1,661,179**	906,901,330	1,661,179
Issued and fully paid non-redeemable convertible non-cumulative preference share capital with no par value:				
At 1 January and 31 December	**330,874,257**	**330,218**	330,874,257	330,218
		1,991,397		1,991,397

At the reporting date, the Company held 2,400,000 (2019: 2,400,000) 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 (2019: 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 2020, a maximum number of 44,998,898 (2019: 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

Year ended 31 December 2020

18 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	2020 $'000	2019 $'000
Gross borrowings		**11,825,845**	9,934,857
Cash and bank balances (including restricted deposits classified as other non-current assets and cash and cash equivalents included in assets held for sale)	17	**(3,237,149)**	(3,083,772)
Net debt		**8,588,696**	6,851,085
Total capital employed		**9,242,457**	11,266,556
Net debt equity ratio		**0.93**	0.61

No changes were made to the above objectives, policies and processes during the years ended 31 December 2020 and 2019.

The Group derives income from its investments in the PRC. The conversion of the Chinese Renminbi is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

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 50.0% of its Deposited Property under a single-tier leverage limit.

For this financial year, H-REIT has a credit rating of BB+ (2019: BBB-) from Fitch Ratings. The Aggregate Leverage of H-REIT as at 31 December 2020 was 36.2% (2019: 34.3%) 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

Year ended 31 December 2020

19 RESERVES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Capital reserve	**284,030**	280,402	**63,743**	63,743
Fair value reserve	**(2,421)**	40,932	**(33,150)**	(4,905)
Hedging reserve	**(6,642)**	(3,690)	**(448)**	199
Other reserves	**23,927**	23,482	**–**	–
Share option reserve	**15,318**	15,279	**–**	–
Foreign currency translation reserve	**(79,696)**	(165,181)	**–**	–
Accumulated profits	**6,276,295**	8,337,629	**4,427,888**	4,556,849
	6,510,811	8,528,853	**4,458,033**	4,615,886

The capital reserve comprises mainly:

(a) negative goodwill on the consolidation of subsidiaries which arose prior to 1 January 2017 under the previous accounting standards adopted;

(b) issue expenses; and

(c) reserves arising from the Group's acquisition of non-controlling interests in subsidiaries.

The fair value reserve comprises the cumulative net change in the fair value of equity instruments designated at FVOCI.

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 reserves comprise 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 and a joint venture.

The foreign currency translation reserve comprises mainly:

(a) foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Company;

(b) the gain or loss on financial instruments used to hedge the Group's net investment in foreign operations that are determined to be effective hedges; and

(c) exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

20 EQUITY COMPENSATION BENEFITS

By a subsidiary

Millennium & Copthorne Hotels Limited (M&C)

The M&C Group used to operate a number of share option schemes, a majority being designed to link remuneration to the future performance of M&C Group. In accordance with the M&C Group's accounting policy on share-based payment transactions, the fair value of share options and long-term incentive awards is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the share options and long-term incentive awards. The charge to the statement of profit or loss for the year was £nil (2019: £nil).

M&C Group has applied IFRS 2 to its active employee share-based payment arrangements from 1 January 2005 except for arrangements granted before 7 November 2002.

There were no options granted by M&C Group during 2020 in line with the Final Offer made by the Company in 2019 and any outstanding options are to close out per the final vesting dates.

(i) 2006 and 2016 Sharesave Schemes

There were no options outstanding at the end of the current or previous year in line with the Final Offer executed by the Company in 2019.

(ii) 2006 and 2016 Long-Term Incentive Plan (LTIP)

There were no options outstanding at the end of the current or previous year in line with the Final Offer executed by the Company in 2019.

(iii) Annual Bonus Plan

Under the Annual Bonus Plan, deferred share awards were granted annually to selected employees of the M&C Group. Shares in M&C (now a cash settlement made by M&C subsequent to delisting) are transferred to participants as follows if they continue to be employed by the M&C Group:

- 25% after years one and two; and
- 50% after three years

(iv) Executive Share Plan

The Executive Share Plan was approved by M&C on 18 February 2016 to replace participation in the LTIP by senior executive management. These awards will vest over a three-year period (25% after years one and two, 50% after three years), subject to the rules of the Executive Share Plan.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

20 EQUITY COMPENSATION BENEFITS (CONT'D)

Details of the options granted under the M&C Group option schemes on the unissued ordinary shares of £0.30 each in M&C Group, as at the end of the financial year, presented in Sterling Pound, are as follows:

(i) 2006 and 2016 Sharesave Scheme

Date of grant of options	Exercise price per share £	Options outstanding as at 1 January 2019	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options outstanding as at 31 December 2019	Options exercisable as at 31 December 2019	Exercise period
2019								
19.04.2013	4.4800	2,008	–	–	(2,008)	–	–	01.08.2018 – 31.01.2019
06.05.2014	4.4600	941	–	(672)	(269)	–	–	01.08.2019 – 31.01.2020
14.04.2015	4.6900	1,456	–	(383)	(1,073)	–	–	01.08.2018 – 31.01.2019
14.04.2015	4.6900	4,732	–	(3,547)	(1,185)	–	–	01.08.2020 – 31.01.2021
12.04.2016	3.3000	101,374	–	(99,794)	(1,580)	–	–	01.08.2019 – 31.01.2020
12.04.2016	3.3000	909	–	(606)	(303)	–	–	01.08.2021 – 31.01.2022
11.04.2017	3.6600	37,704	–	(24,218)	(13,486)	–	–	01.08.2020 – 31.01.2021
11.04.2017	3.6600	2,458	–	(382)	(2,076)	–	–	01.08.2022 – 31.01.2023
05.06.2018	4.3600	56,180	–	(21,654)	(34,526)	–	–	01.08.2021 – 31.01.2022
05.06.2018	4.3600	1,582	–	(238)	(1,344)	–	–	01.08.2023 – 31.01.2024
09.04.2019	3.7500	–	93,436	(9,886)	(83,550)	–	–	01.08.2022 – 31.01.2023
09.04.2019	3.7500	–	1,040	(53)	(987)	–	–	01.08.2024 – 31.01.2025
		209,344	94,476	(161,433)	(142,387)	–	–	

(ii) 2006 and 2016 Long-Term Incentive 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	Vesting date
2019						
03.08.2015	36,761	–	–	(36,761)	–	03.08.2018
29.03.2016	37,128	–	(4,401)	(32,727)	–	29.03.2019
	73,889	–	(4,401)	(69,488)	–	

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

20 EQUITY COMPENSATION BENEFITS (CONT'D)

(iii) *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
2019								
08.09.2015	1,530	–	(1,530)	–	–	5.55	5.55	08.09.2018
13.05.2016	17,009	–	(15,346)	(1,467)	196	4.40	4.40	13.05.2017/18/19
12.08.2016	1,188	–	(1,188)	–	–	4.21	4.21	12.08.2017/18/19
09.11.2016	488	–	(488)	–	–	4.40	4.40	09.11.2017/18/19
14.06.2017	27,122	–	(20,030)	(3,755)	3,337	4.62	4.62	14.06.2018/19/20
14.12.2018	57,358	–	(25,409)	(8,048)	23,901	4.68	4.48 to 4.61	14.12.2019/20/21
13.08.2019	–	35,724	(2,800)	(1,110)	31,814	6.80	6.85	13.08.2020/21/22
	104,695	35,724	(66,791)	(14,380)	59,248			
2020								
13.05.2016	**196**	**–**	**–**	**–**	**196**	4.40	4.40	13.05.2017/18/19
14.06.2017	**3,337**	**–**	**(2,909)**	**(428)**	**–**	4.62	4.62	14.06.2018/19/20
14.12.2018	**23,901**	**–**	**(8,306)**	**(2,605)**	**12,990**	4.68	4.48 to 4.61	14.12.2019/20/21
13.08.2019	**31,814**	**–**	**(10,392)**	**(3,871)**	**17,551**	6.80	6.85	13.08.2020/21/22
	59,248	**–**	**(21,607)**	**(6,904)**	**30,737**			

Under the Annual Bonus Plan (ABP), deferred share awards are granted annually to selected employees of M&C Group. Shares in M&C Group 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 2019 was £6.80.

Following the cancellation of M&C Group's ordinary shares on the London Stock Exchange's main market for listed securities on 11 October 2019 (Delisting), the shares awarded under the ABP will be cash settled at a fixed price of £6.85 in line with the final cash offer by the Company to acquire the remaining interest in M&C Group at £6.85.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

20 EQUITY COMPENSATION BENEFITS (CONT'D)

(iv) *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 £	Fair value £	Vesting date
2019								
29.03.2016	16,310	–	(16,310)	–	–	4.13	3.94 to 4.07	29.03.2017/18/19
15.08.2017	42,627	–	(25,694)	(13,570)	3,363	4.65	4.42 to 4.57	15.08.2018/19/20
04.12.2018	65,649	–	(20,103)	(33,874)	11,672	4.66	4.47 to 4.60	04.12.2019/20/21
09.08.2019	–	30,151	(1,577)	(12,790)	15,784	6.80	6.85	09.08.2020/21/22
	124,586	30,151	(63,684)	(60,234)	30,819			
2020								
15.08.2017	**3,363**	**–**	**(3,363)**	**–**	**–**	4.65	4.42 to 4.57	15.08.2018/19/20
04.12.2018	**11,672**	**–**	**(1,526)**	**(2,805)**	**7,341**	4.66	4.47 to 4.60	04.12.2019/20/21
09.08.2019	**15,784**	**–**	**(3,764)**	**(2,653)**	**9,367**	6.80	6.85	09.08.2020/21/22
	30,819	**–**	**(8,653)**	**(5,458)**	**16,708**			

The Executive Share Plan (ESP) was approved by M&C Group 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. The weightage average share price for awards granted in 2019 was £6.80.

Following the Delisting, the shares awarded under the ESP will be cash settled at a fixed price of £6.85 in line with the final cash offer by the Company to acquire the remaining interest in M&C Group at £6.85.

The variables used in estimating the fair value of options and awards granted under the M&C Group 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
2019										
Executive Share Plan	09.08.2019	–	7,538	6.80	–	6.85	1.00	–	–	–
Executive Share Plan	09.08.2019	–	7,538	6.80	–	6.85	2.00	–	–	–
Executive Share Plan	09.08.2019	–	15,075	6.80	–	6.85	3.00	–	–	–
Sharesave Scheme (3 year)	09.04.2019	–	93,436	4.44	3.75	1.11	3.31	26.0%	0.95%	0.72%
Sharesave Scheme (5 year)	09.04.2019	–	1,040	4.44	3.75	1.28	5.31	26.0%	0.95%	0.82%
Deferred Share Awards	13.08.2019	–	8,931	6.80	–	6.85	1.00	–	–	–
Deferred Share Awards	13.08.2019	–	8,931	6.80	–	6.85	2.00	–	–	–
Deferred Share Awards	13.08.2019	–	17,862	6.80	–	6.85	3.00	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

21 INTEREST-BEARING BORROWINGS

		Group		Company	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Term loans	22	**8,051,428**	6,885,922	**4,867,371**	3,591,776
Bonds and notes	23	**2,743,017**	2,279,281	**1,851,824**	1,463,606
Bank loans	24	**760,235**	545,947	**733,399**	497,298
Bank overdrafts	17	**–**	1	**–**	–
		11,554,680	9,711,151	**7,452,594**	5,552,680
Non-current		**8,756,068**	7,673,152	**5,780,877**	4,211,386
Current		**2,798,612**	2,037,999	**1,671,717**	1,341,294
		11,554,680	9,711,151	**7,452,594**	5,552,680

Market and liquidity risks

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risks is included in note 41.

22 TERM LOANS

		Group		Company	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Secured		**1,293,546**	1,443,429	**–**	–
Unsecured		**6,757,882**	5,442,493	**4,867,371**	3,591,776
	21	**8,051,428**	6,885,922	**4,867,371**	3,591,776

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 12);

– 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 $115.0 million (2019: $112.6 million).

The Group's secured term loans bore interest at rates ranging from 0.71% to 5.70% (2019: 1.93% to 6.42%) per annum during the year.

The Group's unsecured term loans bore interest at rates ranging from 0.34% to 3.16% (2019: 0.35% to 4.03%) per annum during the year. The Company's unsecured term loans bore interest at rates ranging from 0.71% to 2.78% (2019: 1.35% to 4.03%) per annum during the year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

23 BONDS AND NOTES

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Secured		**758,486**	630,393	**–**	–
Unsecured		**1,984,531**	1,648,888	**1,851,824**	1,463,606
	21	**2,743,017**	2,279,281	**1,851,824**	1,463,606

Secured bonds and notes comprise the following:

(i) A $40 million (2019: $39 million) bond issued by an indirectly owned subsidiary of CDLHT. The bond bore interest at a rate of 0.71% (2019: 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 bonds 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 2025.

(ii) $128 million (2019: $130 million) bonds comprising 2 tranches issued by a subsidiary, which holds a Japan hotel through a TMK structure. The bonds bore interest at rates ranging from 0.31% to 0.47% (2019: 0.16% to 0.58%) per annum during the year.

The bondholders, under Article 128 of the Japan Asset Liquidation Law, are under a statutory lien to receive payment of their claims under the bonds prior to other creditors out of the assets of the TMK. The order of priority of such statutory lien shall be immediately after the general statutory liens under the Japan Civil Code.

Unless previously redeemed or purchased and cancelled, the bond is redeemable at its principal amount on its maturity date in March 2025.

(iii) $530 million (2019: $400 million) medium term notes (MTNs) which comprise 2 series (2019: 1 series) of notes issued by a subsidiary as part of a $700 million secured MTN programme established in 2001. The MTNs bore interest at rates ranging from 1.65% to 2.96% (2019: 2.96%) 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 MTNs are redeemable at their principal amounts on their respective maturity dates from May 2024 to December 2025 (2019: May 2024).

(iv) $64 million (2019: $62 million) bond issued by a subsidiary, which holds a Japan development property through a TMK structure. The bond bore interest at rates ranging from 0.34% to 0.39% (2019: 0.35% to 0.38%) 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. Subsequent to the reporting date, the maturity date was extended to March 2022.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

23 BONDS AND NOTES (CONT'D)

(v) $1 million bond as at 31 December 2019, issued by a subsidiary which holds a Japan development property through a TMK structure. The bond bore interest at a rate of 0.37% per annum. The bond was redeemed in March 2020.

Unsecured bonds and notes comprise the following:

(i) $1,855 million (2019: $1,465 million) medium term notes (MTNs) which comprise 11 series (2019: 12 series) of notes issued by the Company at various interest rates as part of a $5.0 billion unsecured MTN programme established in 1999. The MTNs bore interest at rates ranging from 2.00% to 3.90% (2019: 2.80% 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 2021 to June 2026 (2019: April 2020 to June 2026).

(ii) $133 million (2019: $136 million) MTNs which comprise 1 series (2019: 1 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 a rate of 3.98% (2019: 3.98%) per annum during the year.

Unless previously redeemed or purchased and cancelled, the MTNs are redeemable at their principal amounts in August 2021 (2019: August 2021).

(iii) $50 million Islamic Trust Certificates (Certificates) as at 31 December 2019, which comprise 1 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 accounted for the transactions as a financing arrangement. The Group's properties under Ijarah financing continued to be accounted for as investment properties and development properties. The amounts paid to the Certificate holders had been recorded as finance costs in profit or loss. The Certificates bore a coupon rate of 2.75% per annum. The Certificates were redeemed in April 2020.

24 BANK LOANS

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Bank loans repayable within 1 year					
– secured		**3,467**	3,182	**–**	–
– unsecured		**756,768**	542,765	**733,399**	497,298
	21	**760,235**	545,947	**733,399**	497,298

The Group's secured bank loans bore interest at rates ranging from 1.26% to 3.70% (2019: 3.02% to 4.50%) per annum during the year.

The Group's and the Company's unsecured bank loans bore interest at rates ranging from 0.32% to 3.95% (2019: 0.20% to 4.35%) per annum during the year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 EMPLOYEE BENEFITS

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Net liability for:				
– defined benefit obligations	**30,139**	27,814	**–**	–
– short-term accumulating compensated absences	**31,562**	26,883	**1,616**	2,364
– long service leave	**1,340**	1,460	**–**	–
	63,041	56,157	**1,616**	2,364
Non-current	**30,997**	28,662	**–**	–
Current	**32,044**	27,495	**1,616**	2,364
	63,041	56,157	**1,616**	2,364

	Group 2020 $'000	Group 2019 $'000
Net liability for defined benefit obligations		
Present value of unfunded obligations	**7,276**	9,266
Present value of funded obligations	**158,782**	149,146
Fair value of plan assets	**(135,919)**	(130,598)
Liability for defined benefit obligations	**30,139**	27,814
Changes in the present value of defined benefit obligations		
Defined benefit obligations at 1 January	**158,412**	144,420
Remeasurements:		
– Experience adjustment	**(3,779)**	(358)
– Actuarial loss/(gain) from changes in demographic assumptions	**306**	(3,755)
– Actuarial loss from changes in financial assumptions	**14,085**	18,344
Benefits paid	**(9,127)**	(7,277)
Interest cost	**2,937**	3,881
Current service costs	**1,370**	1,624
Past service costs	**–**	205
Translation differences on consolidation	**1,854**	1,328
Defined benefit obligations at 31 December	**166,058**	158,412
Changes in the fair value of plan assets		
Fair value of plan assets at 1 January	**130,598**	118,937
Return on plan assets, excluding interest income	**7,165**	11,594
Contributions by employees	**234**	471
Contributions by employer	**1,145**	2,757
Benefits paid	**(9,127)**	(7,277)
Interest income	**2,338**	3,156
Translation differences on consolidation	**3,566**	960
Fair value of plan assets at 31 December	**135,919**	130,598

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 EMPLOYEE BENEFITS (CONT'D)

The fair values of plan assets in each category are as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Equity	**26,088**	44,046
Bonds	**16,999**	16,131
Cash	**92,832**	70,421
Fair value of plan assets	**135,919**	130,598

Expenses recognised in profit or loss

Current service costs	**1,370**	1,624
Past service costs	**–**	205
Net interest costs	**599**	725
Defined benefit obligation expenses	**1,969**	2,554

The expenses are recognised in the following line items in profit or loss:

		Group	
	Note	**2020**	**2019**
		$'000	**$'000**
Cost of sales		**847**	1,032
Administrative expenses		**934**	1,324
Other operating expenses		**188**	198
Defined benefit obligation expenses	32	**1,969**	2,554

The life expectancies underlying the value of the accrued liabilities for the UK Plan, based on retirement age of 65, are as follows:

	2020	**2019**
	Years	**Years**
Males	**22**	22
Females	**24**	24

The weighted average duration of the defined benefit obligations as at 31 December 2020 was 17 years (2019: 18 years).

The Group expects £1 million (approximately $2 million) (2019: £2 million (approximately $4 million)) contributions to be paid to the defined benefit plans in 2021 (2019: 2020).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 EMPLOYEE BENEFITS (CONT'D)

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 2020. The contributions of the Group during the year were about 11% (2019: 11%) 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 2020. 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.

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 2020. The contributions of the Group were no less than 6% (2019: 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2020

25 EMPLOYEE BENEFITS (CONT'D)

The assets of each scheme have been taken at market value and the liabilities have been calculated using the following principal assumptions:

	2020 UK	2020 South Korea	2020 Taiwan	2019 UK	2019 South Korea	2019 Taiwan
Inflation rate	**3.0%**	**2.0%**	**–**	3.0%	2.0%	–
Discount rate	**1.3%**	**2.0%**	**0.5%**	1.9%	2.0%	0.8%
Rate of salary increase	**3.5%**	**–**	**3.0%**	3.5%	3.0%	3.0%
Rate of pension increases	**2.9%**	**–**	**–**	2.9%	–	–
Rate of revaluation	**2.5%**	**–**	**–**	2.2%	–	–

The methodology for computing the discount rate is 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.

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 1 percent increase $'000	Defined benefit obligation 1 percent decrease $'000
Group		
2020		
Discount rate	**(23,130)**	**28,312**
Rate of salary increase	**1,806**	**(1,664)**
2019		
Discount rate	(23,038)	23,259
Rate of salary increase	2,695	(2,490)

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26 LEASE LIABILITIES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Lease liabilities	**252,041**	207,200	**20,002**	25,772
Non-current	**237,854**	189,448	**14,152**	20,003
Current	**14,187**	17,752	**5,850**	5,769
	252,041	207,200	**20,002**	25,772

The incremental borrowing rates of the Group's and the Company's lease liabilities ranges from 0.90% to 14.55% (2019: 0.90% to 14.55%) per annum during the year.

Information about the Group's and the Company's exposure to foreign currency and liquidity risk is included in note 41.

27 OTHER LIABILITIES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income	**122,713**	17,634	**–**	–
Rental deposits	**59,381**	69,411	**7,445**	9,912
Non-current retention sums payable	**29,032**	20,524	**–**	–
Derivative financial liabilities	**14,552**	4,722	**845**	–
Miscellaneous (principally deposits received and payables)	**17,921**	18,534	**–**	–
	243,599	130,825	**8,290**	9,912

Deferred income includes the following:

(i) $7,030,000 (2019: $7,030,000) relating to the deferred gain on the sale of cash flows as disclosed in footnote (a) of note 44; and

(ii) $6,635,000 (2019: $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 10). 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.

(iii) $105,406,000 (2019: $Nil) relating to the deferred gain arising from the sale of Novotel Singapore Clarke Quay to a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

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28 PROVISIONS

	Beijing indemnity $'000	Capital expenditure $'000	Legal provisions $'000	Cash flow support $'000	Interest support $'000	Financial guarantee $'000	Others $'000	Total $'000
Group								
At 1 January 2020	**16,257**	**611**	**4,878**	**3,479**	**30,055**	**–**	**–**	**55,280**
Provision made	**–**	**17**	**–**	**–**	**–**	**283,000**	**314**	**283,331**
Provision utilised	**–**	**–**	**–**	**–**	**(6,998)**	**–**	**–**	**(6,998)**
Unwinding of discount	**–**	**–**	**–**	**–**	**412**	**–**	**–**	**412**
Translation differences on consolidation	**(324)**	**(11)**	**(97)**	**–**	**–**	**–**	**6**	**(426)**
At 31 December 2020	**15,933**	**617**	**4,781**	**3,479**	**23,469**	**283,000**	**320**	**351,599**
Non-current								**24,554**
Current								**307,045**
								331,599

	Beijing indemnity $'000	Capital expenditure $'000	Legal provisions $'000	Cash flow support $'000	Interest support $'000	Bond interest support $'000	Total $'000
Group							
At 1 January 2019	16,448	686	2,562	9,179	43,858	57	72,790
Provision (written back)/made	–	(70)	2,349	–	–	(57)	2,222
Provision utilised	–	–	–	(5,700)	(14,367)	–	(20,067)
Unwinding of discount	–	–	–	–	564	–	564
Translation differences on consolidation	(191)	(5)	(33)	–	–	–	(229)
At 31 December 2019	16,257	611	4,878	3,479	30,055	–	55,280
Non-current							26,809
Current							28,471
							55,280

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 legal provisions relate to provisions made in relation to disputes in several hotels.

The provision for cash flows support relates to the Group's obligation to Sunbright, to fund any shortfall for interest payments and/or annual/daily operational costs.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

28 PROVISIONS (CONT'D)

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 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.

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 10).

The provision for financial guarantee relates to the Group's financial guarantee extended to a financial institution in connection with the loan taken up by the HCP Group (note 9).

29 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 2019 $'000	Recognised in profit or loss (note 33) $'000	Recognised in the statement of comprehensive income (note 33) $'000	Acquisition of subsidiaries (note 39) $'000	Translation differences on consolidation $'000	At 31 December 2019 $'000
Group						
Deferred tax liabilities						
Property, plant and equipment	179,618	(15,199)	–	–	(2,124)	162,295
Investment properties	32,834	2,121	–	296	99	35,350
Development properties	5,150	18,264	–	–	–	23,414
Unremitted earnings	30,981	6,725	–	–	(4)	37,702
Others	10,311	8,011	–	72	(35)	18,359
	258,894	19,922	–	368	(2,064)	277,120
Deferred tax assets						
Property, plant and equipment	(29,568)	29,567	–	(54)	(1)	(56)
Tax losses	(107,286)	(15,382)	–	–	(2,830)	(125,498)
Development properties	(43,482)	864	–	–	701	(41,917)
Employee benefits	(9,759)	–	(3)	–	(102)	(9,864)
Trade and other payables	(9,165)	(3,989)	–	–	–	(13,154)
Others	(2,264)	325	–	–	(151)	(2,090)
	(201,524)	11,385	(3)	(54)	(2,383)	(192,579)
Total	57,370	31,307	(3)	314	(4,447)	84,541

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

29 DEFERRED TAX LIABILITIES (CONT'D)

	At 1 January 2020 $'000	Recognised in profit or loss (note 33) $'000	Recognised in the statement of comprehensive income (note 33) $'000	Translation differences on consolidation $'000	At 31 December 2020 $'000
Group					
Deferred tax liabilities					
Property, plant and equipment	162,295	(6,860)	–	412	155,847
Investment properties	35,350	(1,665)	–	180	33,865
Development properties	23,414	17,794	–	–	41,208
Employee benefits	–	879	–	16	895
Unremitted earnings	37,702	18,164	–	42	55,908
Others	18,359	(4,410)	–	256	14,205
	277,120	23,902	–	906	301,928
Deferred tax assets					
Property, plant and equipment	(56)	(4,763)	–	–	(4,819)
Tax losses	(125,498)	(37,790)	–	3,886	(159,402)
Development properties	(41,917)	4,009	–	(1,084)	(38,992)
Employee benefits	(9,864)	9,918	363	(417)	–
Trade and other payables	(13,154)	(3,368)	–	–	(16,522)
Others	(2,090)	(2,787)	–	(289)	(5,166)
	(192,579)	(34,781)	363	2,096	(224,901)
Total	84,541	(10,879)	363	3,002	77,027

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

29 DEFERRED TAX LIABILITIES (CONT'D)

	At 1 January 2019 $'000	Recognised in profit or loss $'000	At 31 December 2019 $'000	Recognised in profit or loss $'000	At 31 December 2020 $'000
Company					
Deferred tax liabilities					
Property, plant and equipment	763	422	1,185	(1,185)	–
Investment properties	11,202	(416)	10,786	862	11,648
Unremitted earnings	14,082	(2)	14,080	(3)	14,077
	26,047	4	26,051	(326)	25,725
Deferred tax assets					
Property, plant and equipment	–	–	–	(4,819)	(4,819)
Development properties	(2,835)	47	(2,788)	(74)	(2,862)
Others	(5,651)	3,630	(2,021)	(379)	(2,400)
	(8,486)	3,677	(4,809)	(5,272)	(10,081)
Total	17,561	3,681	21,242	(5,598)	15,644

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts, determined after appropriate offsetting, are as follows:

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Deferred tax assets	11	**19,818**	23,051	**–**	–
Deferred tax liabilities		**(96,845)**	(107,592)	**(15,644)**	(21,242)
		(77,027)	(84,541)	**(15,644)**	(21,242)

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom:

	Group 2020 $'000	Group 2019 $'000
Deductible temporary differences	**143,085**	141,009
Tax losses	**593,221**	321,083
	736,306	462,092

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

29 DEFERRED TAX LIABILITIES (CONT'D)

The tax losses with expiry dates are as follows:

	Group	
	2020 $'000	2019 $'000
Expiry dates		
– Within 1 to 5 years	**182,644**	107,772
– After 5 years	**48,172**	24,562
	230,816	132,334

At 31 December 2020, a deferred tax liability of $35,816,000 (2019: $33,888,000) in respect of temporary differences of $532,886,000 (2019: $383,582,000) related to the withholding tax on the distributable profits 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.

Under SFRS(I) 1-12 *Income Taxes*, deferred tax is not recognised for temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit or loss. As at 31 December 2020, the Group have not recognised deferred tax liabilities of $31.0 million (2019: $27.9 million) relating to temporary differences on the initial recognition of assets and liabilities of the subsidiaries acquired.

30 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade payables		**91,116**	165,165	**1,557**	2,779
Accruals		**446,461**	485,709	**69,709**	89,979
Deferred income		**56,951**	61,819	**701**	1
Other payables		**63,601**	82,699	**877**	867
Rental and other deposits		**89,063**	100,769	**7,510**	6,567
Retention sums payable		**3,499**	11,419	**–**	713
Amounts owing to:					
– subsidiaries	7	**–**	–	**2,619,391**	2,673,173
– associates	8	**887**	2,628	**–**	–
– joint ventures	9	**347,087**	60,491	**22,727**	22,727
– fellow subsidiaries	16	**234,311**	225,559	**7**	–
Derivative financial liabilities		**15,783**	2,649	**11,111**	2,462
		1,348,759	1,198,907	**2,733,590**	2,799,268

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

31 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 the provision of laundry services.

	Group	
	2020	**2019**
	$'000	**$'000**
Dividends from investments:		
– fellow subsidiaries		
– quoted equity investments – at FVOCI	**1,088**	1,632
– unquoted equity investments – at FVOCI	**1,688**	2,025
– others		
– quoted equity investments – at FVOCI	**334**	334
– quoted equity investments – mandatorily at FVTPL	**844**	1,434
– unquoted equity investments – at FVOCI	**830**	134
Hotel operations	**640,445**	1,705,015
Development properties for which revenue is:		
– recognised over time	**670,745**	573,708
– recognised at a point in time	**295,195**	563,022
Rental income from investment properties	**361,418**	438,143
Others	**135,839**	143,278
	2,108,426	3,428,725

As at 31 December 2020, the Group has property development income of $579,998,000 (2019: $855,009,000) which is expected to be recognised over the next three years (2019: four years) as construction of the development properties progresses.

The Group has 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.

Included in rental income from investment properties for the year ended 31 December 2020 were rental rebates granted of approximately $29.2 million (2019: $Nil) to eligible tenants to cushion the impact of the COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

31 REVENUE (CONT'D)

Disaggregation of revenue

In the following table, revenue is disaggregated by geographical markets and timing of revenue recognition. The total disaggregated revenue of the Group excludes rental income from investment properties and dividend income from investments. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Reportable segments							
	Property development		Hotel operations		Others*		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Geographical market								
Singapore	**715,944**	857,202	**144,183**	288,810	**132,446**	141,418	**992,573**	1,287,430
China	**72,646**	101,733	**17,368**	43,127	**–**	–	**90,014**	144,860
United States	**–**	–	**155,530**	543,239	**3,393**	1,496	**158,923**	544,735
United Kingdom	**69,296**	74,108	**85,227**	318,743	**–**	–	**154,523**	392,851
Australasia	**97,968**	93,862	**87,817**	148,659	**–**	–	**185,785**	242,521
Rest of Asia (excluding Singapore and China)	**10,086**	9,825	**146,043**	334,497	**–**	364	**156,129**	344,686
Other countries	**–**	–	**4,277**	27,940	**–**	–	**4,277**	27,940
	965,940	1,136,730	**640,445**	1,705,015	**135,839**	143,278	**1,742,224**	2,985,023
Timing of revenue recognition								
Products and services transferred at a point in time	**295,195**	563,022	**640,445**	1,705,015	**3,957**	3,700	**939,597**	2,271,737
Products and services transferred over time	**670,745**	573,708	**–**	–	**131,882**	139,578	**802,627**	713,286
	965,940	1,136,730	**640,445**	1,705,015	**135,839**	143,278	**1,742,224**	2,985,023

* Excluding dividend income.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

32 (LOSS)/PROFIT FOR THE YEAR

The following items have been included in arriving at (loss)/profit for the year:

	Note	Group 2020 $'000	Group 2019 $'000
Other income			
Gain on loss of control in subsidiaries	39	**32,897**	–
Gain on remeasurement of previously held interest in an associate which became a subsidiary		**–**	6,608
Management fees and miscellaneous income		**5,692**	3,614
Profit on sale of property, plant and equipment and investment properties		**133,401**	164,988
		171,990	175,210
Staff costs			
Contributions to defined contribution plans		**37,769**	55,322
Increase in liability for defined benefit plans	25	**1,969**	2,554
Increase in liability for short-term accumulating compensated absences		**5,052**	423
Wages and salaries		**567,230**	832,808
		612,020	891,107
Less:			
Staff costs capitalised in:			
– development properties		**(6,809)**	(3,722)
– property, plant and equipment		**–**	(345)
Wage grant^		**(88,336)**	–
		516,875	887,040
Other expenses			
Amortisation of intangible assets		**162**	751
Audit fees paid to:			
– auditors of the Company		**3,221**	3,175
– other auditors		**6,149**	3,802
Non-audit fees:			
– auditors of the Company		**1,587**	1,677
– other auditors		**1,753**	1,496
Depreciation of:			
– property, plant and equipment*		**179,426**	178,525
– investment properties	5	**107,541**	96,711
Direct operating expenses arising from investment properties which are not leased		**3**	5
Direct operating expenses arising from rental of investment properties (excluding depreciation)		**107,330**	125,041
Allowance made/(reversed) for foreseeable losses on development properties (net)	12	**35,014**	(6,524)

^ Relates to wage grants received or receivable by the Group under the wage subsidy programmes introduced by various governments in the countries where the Group operates, in response to the COVID-19 pandemic.

* Included grant income of $3,786,000 (2019: $Nil) deducted against depreciation of right-of-use assets.

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Year ended 31 December 2020

32 (LOSS)/PROFIT FOR THE YEAR (CONT'D)

	Note	Group 2020 $'000	2019 $'000
Other expenses			
Impairment losses recognised/(reversed) on:			
– investment in an associate		**–**	3,000
– property, plant and equipment	4	**87,517**	60,386
– investment properties	5	**12,035**	(2,414)
– trade receivables		**11,222**	6,547
Loss on liquidation of subsidiaries		**–**	79
Loss on dilution of an associate		**731**	39
Intangible assets written off		**55**	–
Property, plant and equipment and investment properties written off		**11,842**	3,469
Provisions made	28	**283,331**	2,222
Finance income			
Interest income under the effective interest method:			
– amounts owing by fellow subsidiaries at amortised cost		**31**	36
– amounts owing by associates at amortised cost		**1,706**	1,161
– amounts owing by joint ventures at amortised cost		**20,294**	8,921
– unquoted debt investment at amortised cost		**31,321**	15,993
– cash and cash equivalents		**24,265**	43,093
– others		**6,436**	10,055
Fair value gains on financial derivatives designated at FVTPL (net)		**–**	11,936
Fair value gains on financial assets mandatorily measured at FVTPL		**65,694**	17,572
Net exchange gain		**19,140**	–
		168,887	108,767
Finance income capitalised in development properties		**(269)**	(240)
Total finance income		**168,618**	108,527
Finance costs			
Amortisation of transaction costs capitalised		**8,474**	7,960
Interest expense:			
– term loans and bank loans		**128,933**	131,175
– bonds and notes		**71,327**	63,508
– amounts owing by fellow subsidiaries		**4,583**	4,484
– financial derivatives at FVTPL		**6,300**	1,380
– lease liabilities		**8,962**	8,420
– others		**286**	26
Fair value losses on financial derivatives designated at FVTPL (net)		**55,277**	–
Net exchange loss		**–**	14,034
Unwinding of discount on non-current liabilities		**434**	575
		284,576	231,562
Finance costs capitalised in:			
– development properties*		**(21,134)**	(22,433)
– property, plant and equipment		**(1,433)**	(4,438)
Total finance costs		**262,009**	204,691
Net finance costs		**93,391**	96,164

* 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

32 (LOSS)/PROFIT FOR THE YEAR (CONT'D)

	Group	
	2020	2019
	$'000	$'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	**78,157**	70,230
– total finance costs on financial liabilities	**182,562**	172,340

During the year, net finance costs of the Group have been capitalised at rates ranging from 0.34% to 5.00% (2019: 0.35% to 5.00%) per annum for development properties and 1.00% to 1.50% (2019: 1.50% to 5.61%) per annum for property, plant and equipment.

Grant related income and expense

For year ended 31 December 2020, grant income and corresponding grant expense of $18.8 million (2019: $Nil) have been recognised in relation to the rental relief for eligible tenants from the Singapore government as part of the COVID-19 relief measures.

33 TAX EXPENSE

		Group	
	Note	2020	2019
		$'000	$'000
Current tax expense			
Current year		**98,311**	111,425
Over provision in respect of prior years		**(12,931)**	(19,190)
		85,380	92,235
Deferred tax (credit)/expense			
Movements in temporary differences		**(11,692)**	25,225
Effect of changes in tax rates and legislation		**85**	181
Under provision in respect of prior years		**728**	5,901
	29	**(10,879)**	31,307
Land appreciation tax		**12,508**	9,678
Withholding tax		**693**	7,496
Total tax expense		**87,702**	140,716

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

33 TAX EXPENSE (CONT'D)

Tax recognised in other comprehensive income

	2020 Before tax $'000	2020 Tax expense (note 29) $'000	2020 Net of tax $'000	2019 Before tax $'000	2019 Tax credit (note 29) $'000	2019 Net of tax $'000
Group						
Defined benefit plan remeasurements	**(3,447)**	**(363)**	**(3,810)**	(2,637)	3	(2,634)
Net change in fair value of equity investments measured at FVOCI	**(43,077)**	**–**	**(43,077)**	66,786	–	66,786
Effective portion of changes in fair value of cash flow hedges	**(2,952)**	**–**	**(2,952)**	(2,997)	–	(2,997)
Exchange differences on hedges of net investments in foreign operations	**8,665**	**–**	**8,665**	7,526	–	7,526
Exchange differences on monetary items forming part of net investments in foreign operations	**14,029**	**–**	**14,029**	15,627	–	15,627
Exchange differences reclassified to profit or loss on liquidation and cessation of business of foreign operations	**2,032**	**–**	**2,032**	58	–	58
Share of translation differences of equity-accounted investees	**13,192**	**–**	**13,192**	(11,530)	–	(11,530)
Translation differences arising on consolidation of foreign operations	**62,320**	**–**	**62,320**	(85,908)	–	(85,908)
	50,762	**(363)**	**50,399**	(13,075)	3	(13,072)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

33 TAX EXPENSE (CONT'D)

Reconciliation of effective tax rate

	Group	
	2020	**2019**
	$'000	**$'000**
(Loss)/Profit before tax	**(1,790,811)**	754,077
Tax using the Singapore tax rate of 17% (2019: 17%)	**(304,438)**	128,193
Income not subject to tax	**(103,288)**	(84,570)
Expenses not deductible for tax purposes:		
– expenses	**429,219**	80,078
– write-back	**(4,024)**	(4,426)
Effect of changes in tax rates and legislation	**85**	181
Effect of different tax rates in other countries	**(4,662)**	(3)
Effect of share of results of associates and joint ventures	**6,699**	5,028
Land appreciation tax	**12,508**	9,678
Effect of tax deduction on land appreciation tax	**(3,129)**	(2,420)
Unrecognised deferred tax assets	**77,866**	14,666
Tax effect of losses not allowed to be set off against future taxable profits	**903**	5,506
Tax incentives	**(366)**	(1,525)
Utilisation of previously unrecognised deferred tax assets	**(8,161)**	(3,877)
Withholding taxes	**693**	7,496
Over provision in respect of prior years	**(12,203)**	(13,289)
	87,702	140,716

34 EARNINGS PER SHARE

Basic earnings per share is calculated based on:

	Group	
	2020	**2019**
	$'000	**$'000**
(Loss)/Profit attributable to owners of the Company	**(1,917,391)**	564,576
Less:		
Dividends on non-redeemable convertible non-cumulative preference shares	**(12,904)**	(12,904)
(Loss)/Profit attributable to ordinary shareholders after adjustment for non-redeemable convertible non-cumulative preference dividends	**(1,930,295)**	551,672

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

34 EARNINGS PER SHARE (CONT'D)

	Group	
	2020 Number of shares	**2019 Number of shares**
Weighted average number of ordinary shares		
Weighted average number of ordinary shares during the year	**906,901,330**	906,901,330
Basic earnings per share	**(212.8) cents**	60.8 cents

Diluted earnings per share is based on:

	2020 $'000	**2019 $'000**
(Loss)/Profit attributable to ordinary shareholders after adjustment for non-redeemable convertible non-cumulative preference dividends	**(1,930,295)**	551,672
Add:		
Dividends on non-redeemable convertible non-cumulative preference shares	**–**	12,904
Net (loss)/profit used for computing diluted earnings per share	**(1,930,295)**	564,576

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	
	2020 Number of shares	**2019 Number of shares**
Weighted average number of ordinary shares issued used in the calculation of basic earnings per share	**906,901,330**	906,901,330
Potential ordinary shares issuable under non-redeemable convertible non-cumulative preference shares	**–**	44,998,898
Weighted average number of ordinary shares issued and potential shares assuming full conversion of preference shares	**906,901,330**	951,900,228
Diluted earnings per share	**(212.8) cents**	59.3 cents

For the year ended 31 December 2020, the diluted earnings per share is the same as basic earnings per share as the conversion of the non-redeemable convertible non-cumulative preference shares was considered anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

35 DIVIDENDS

	Company	
	2020	**2019**
	$'000	**$'000**
Final tax exempt (one-tier) ordinary dividend paid of 8.0 cents (2019: 8.0 cents) per ordinary share in respect of the previous financial year	**72,552**	72,552
Special final tax exempt (one-tier) ordinary dividend paid of 6.0 cents (2019: 6.0 cents) per ordinary share in respect of the previous financial year	**54,414**	54,414
Special interim tax exempt (one-tier) ordinary dividend paid of Nil cents (2019: 6.0 cents) per ordinary share in respect of the current financial year	**–**	54,414
Non-cumulative tax exempt (one-tier) preference dividend paid of 1.94 cents (2019: 1.94 cents) per preference share	**6,417**	6,434
Non-cumulative tax exempt (one-tier) preference dividend paid of 1.96 cents (2019: 1.96 cents) per preference share	**6,487**	6,470
	139,870	194,284

After the respective reporting dates, the directors proposed the following ordinary dividends, which have not been provided for:

	Company	
	2020	**2019**
	$'000	**$'000**
Final tax exempt (one-tier) ordinary dividend of 8.0 cents (2019: 8.0 cents) per ordinary share	**72,552**	72,552
Special final tax exempt (one-tier) ordinary dividend of 4.0 cents (2019: 6.0 cents) per ordinary share	**36,276**	54,414
	108,828	126,966

36 LEASES

Leases as lessee

The Group leases hotel properties and office facilities. The leases of hotel properties and office facilities run for periods ranging from 2 to 136 years, with options to renew after lease expiry dates. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The hotel properties leases were entered into many years ago as combined leases of land and buildings.

The Group also leases IT equipment and motor vehicles under a number of leases.

Amounts recognised in profit or loss

	2020	**2019**
	$'000	**$'000**
Interest on lease liabilities	**8,962**	8,420
Income from sub-leasing right-of-use assets presented in 'revenue'	**1,676**	1,738
Expenses relating to short-term leases	**2,377**	3,275
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**426**	942

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

36 LEASES (CONT'D)

Amounts recognised in statement of cash flows

	2020 $'000	2019 $'000
Payment of lease liabilities	**21,059**	16,923
Interest expenses	**8,962**	8,420
Total cash outflow for leases	**30,021**	25,343

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $41.6 million (2019: $40.4 million).

Leases as lessor

The Group leases out its investment properties consisting of its owned properties as well as leased properties (see note 5). All leases are classified as operating leases from a lessor perspective.

Operating lease

The Group and the Company lease out some of their investment properties and development properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 5 sets out information about the operating leases of investment properties.

Rental income from investment properties and property subleases recognised by the Group during 2020 was $348,906,000 (2019: $423,093,000).

The following table sets out a maturity analysis of lease rental receivables, showing the undiscounted lease payments to be received after the reporting date.

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Less than one year	292,113	304,368	47,328	52,392
One to two years	224,177	220,921	30,434	38,634
Two to three years	149,880	154,703	16,904	23,977
Three to four years	106,910	111,971	6,376	12,740
Four to five years	89,320	136,484	678	6,084
More than five years	348,620	347,499	–	678
Total	1,211,020	1,275,946	101,720	134,505

Contingent rents, generally determined based on a percentage of tenants' revenue, of $6,666,000 (2019: $7,208,000) has been recognised as revenue by the Group, in profit or loss during the year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

36 LEASES (CONT'D)

Included in the non-cancellable operating lease rental receivables above are commitments with related parties which are set out below.

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Non-cancellable operating lease rentals receivable from:				
– joint ventures	**39,182**	44,583	**–**	–
– a fellow subsidiary	**270**	600	**270**	600
– subsidiaries	**–**	–	**3,299**	6,176
	39,452	45,183	**3,569**	6,776

37 COMMITMENTS

The Group and the Company have the following commitments as at the reporting date:

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Development expenditure contracted but not provided for in the financial statements	**677,935**	612,732	**–**	–
Capital expenditure contracted but not provided for in the financial statements	**66,093**	90,184	**–**	–
Commitments in respect of purchase of properties for which deposits have been paid	**55,240**	14,120	**–**	–
Commitments in respect of investments in a joint venture and associates	**105,223**	83,705	**–**	–
Commitment in respect of an investment in a real estate developer in China*	**–**	532,125	**–**	–
Commitments in respect of capital contribution to investments in financial assets in:				
– related parties	**63,499**	77,337	**–**	–
– third parties	**18,521**	15,463	**–**	–

* The commitment represented the consideration payable for a 24% effective equity stake in Sincere Property Group (note 10), net of a loan already extended to Sincere Property Group. The consideration was paid in April 2020 when the Group acquired an equity stake in Sincere Property Group and accounted for it as an investment in joint venture.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

38 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 2020 $'000	Group 2019 $'000
Insurance premium paid and payable to an associate of the ultimate holding company	**(1,117)**	(1,440)
Management services fees received and receivable from:		
– fellow subsidiaries	**601**	1,188
– associates	**765**	803
– joint ventures	**5,249**	8,751
	6,615	10,742
Maintenance services fees received and receivable from:		
– fellow subsidiaries	**282**	279
– associates	**227**	337
– joint ventures	**809**	2,167
	1,318	2,783
Rental and rental-related income received and receivable from:		
– fellow subsidiaries	**291**	322
– an associate	**4,952**	5,349
– an associate of the ultimate holding company	**–**	188
– joint ventures	**67**	79
	5,310	5,938
Management services fees paid and payable to a fellow subsidiary	**(1,295)**	(2,167)
Rental and rental-related expenses paid and payable to a joint venture	**(1,756)**	(1,727)
Purchase of property, plant and equipment from an associate	**(438)**	(711)
Compensation paid and payable to key management personnel:		
– short-term employee benefits	**15,641**	31,885
– other long-term benefits	**205**	559
	15,846	32,444

During 2019, certain key management personnel (including close family members) had entered into and subsequently exercised option to purchase agreements with a joint venture of the Group to purchase residential properties with total sales value amounting to $14,131,900. Revenue from the sales will be recognised by the Group progressively based on percentage of completion of the residential project.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

39 ACQUISITION OF AND LOSS OF CONTROL IN SUBSIDIARIES, AND CHANGES IN INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL

(I) Loss of control in subsidiaries

2020

(a) On 6 March 2020, the Group sold its 75.1% equity interest in Sceptre Hospitality Resources LLC (SHR) for a sale consideration of $64.5 million (US$47.6 million).

(b) On 30 October 2020, the Group, through its indirect, non-wholly-owned subsidiary, CDLHT, sold Novotel Brisbane to a third party for a total consideration of $65.3 million (A$68.0 million).

(c) On 19 November 2020, the Group, through its indirect wholly-owned subsidiary, CDL China (Shanghai) Consulting Co., Ltd, sold its 100% equity interest in Chongqing Jungao Enterprise Management Co., Ltd., (Chongqing Jungao) for a consideration of $13.8 million (RMB67.9 million).

The Group recognised a total gain on the above transactions of approximately $32.9 million.

The net cash inflow to the Group arising from the above transaction was approximately $109.1 million.

(II) Acquisition of subsidiaries

2019

(a) In February 2019, the Group through its two indirect wholly-owned subsidiaries known as Highline Holdings Limited (Highline) and Whitehall Holdings Limited (Whitehall), acquired all units in ART Resi Unit Trust, which was subsequently renamed Highline Resi Unit Trust (Unit Trust) and 100% of the shares and voting interest in ART PRS Leeds GP Ltd, which was subsequently renamed Highline Investment GP Limited (Highline GP), for a total consideration of $27.5 million (£15.4 million). The Unit Trust, together with Highline GP, hold a 100% interest in ART Investments 2 Limited Partnership (which was subsequently renamed Highline Investments LP) which in turn owns a freehold site located at Monk Bridge in Leeds, United Kingdom.

The acquisition was accounted for as an acquisition of assets.

(b) In April 2019, the Group through its indirect wholly-owned subsidiary, Astoria Holdings Limited, acquired the remaining 34.25% of the PPS that related to the non-residential properties owned by Sunbright, comprising W Hotel and Quayside Isle (Non-Residential Component) for a total consideration of S$77.9 million. Following the acquisition, the Group's effective interest in the Non-Residential Component increased from 65.75% to 100%. The Non-Residential Component was previously accounted for by the Group as an investment in associate, see note 44(a) for further information.

The acquisition provided the Group with the opportunity to enhance and create more value for its hotel operations as the properties are located on Sentosa Island which is poised to undertake new tourism attractions and improvements to its connectivity and attractiveness.

The acquisition was accounted for as a business combination.

From the date of acquisition to 31 December 2019, the Non-Residential Component contributed revenue of $38.8 million and loss before tax of $1.8 million to the Group's results. If the acquisition had occurred on 1 January 2019, management estimated the Group's revenue for the year would have been $3,441 million, with no significant change to the Group's profit before tax.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

39 ACQUISITION OF AND LOSS OF CONTROL IN SUBSIDIARIES, AND CHANGES IN INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL (CONT'D)

(II) Acquisition of subsidiaries (cont'd)

2019 (cont'd)

(c) On 22 October 2019, the Group through its indirect wholly-owned subsidiary, City Sceptre Holdings Limited, acquired 51% of the common units in Sceptre Hospitality Resources (SHR) for a total consideration of S$4.5 million (US$3.3 million) (Acquisition). On 28 November 2019, pursuant to the exercise of the conversion rights embedded in the convertible loans granted by the Group to a third party (Conversion), the convertible loans were converted into 24.1% of the common units in SHR.

As a consequence of the Conversion and the Acquisition, the Group owned 75.1% of the common units in SHR which became a subsidiary of the Group. The acquisition provided the Group with the opportunity to enhance its capability in providing customised solutions for the hospitality industry.

The acquisition was accounted for as a business combination.

The contribution of SHR to the Group's revenue and profit before tax for the period from the date of acquisition to 31 December 2019, and for the year had it been acquired on 1 January 2019, was insignificant.

As at 31 December 2019, the Group was committed to divest its investment in SHR, following an offer received from a third party. Accordingly, the assets and liabilities of SHR had been classified as "assets held for sale" and "liabilities directly associated with the assets held for sale" (see note 6).

(d) In November 2019, the Group through its two indirect wholly-owned subsidiaries known as CDL China (Shanghai) Consulting Co., Ltd. (CDL China) and Bridge North Limited (Bridge North), acquired 100% of the shares and voting interest in Chongqing Jungao Enterprise Management Co., Ltd. (Chongqing Jungao) and Shanghai Yulan Real Estate Development Co., Ltd (Shanghai Yulan), respectively for a total consideration of approximately $195 million (RMB1,005 million). Shanghai Yulan owns a commercial property known as Shanghai Hongqiao Sincere Centre (Phase 2) located in Shanghai's Hongqiao Central Business District.

The acquisition was accounted for as an acquisition of assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

39 ACQUISITION OF AND LOSS OF CONTROL IN SUBSIDIARIES, AND CHANGES IN INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL (CONT'D)

(II) Acquisition of subsidiaries (cont'd)

2019 (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	Business combinations $'000	Acquisition of assets $'000	Recognised amounts $'000
Property, plant and equipment	4	320,586	7	320,593
Investment properties	5	75,000	371,772	446,772
Deferred tax assets	29	–	54	54
Other non-current assets		3,944	–	3,944
Development properties		–	23,956	23,956
Consumable stocks		156	–	156
Trade and other receivables		9,989	7,317	17,306
Cash at bank		14,905	44,046	58,951
Trade and other payables		(6,157)	(27,867)	(34,024)
Contract liabilities		(8,830)	–	(8,830)
Employee benefits		(289)	–	(289)
Provision for tax		(618)	(371)	(989)
Other non-current liabilities		(3,245)	(27,966)	(31,211)
Interest-bearing borrowings		(299,559)	(167,831)	(467,390)
Deferred tax liabilities	29	(72)	(296)	(368)
Non-controlling interests		(1,095)	45	(1,050)
Net identifiable assets acquired		104,715	222,866	327,581
Cash flows relating to the acquisitions				
Total consideration		99,349	222,866	322,215
Less: Cash acquired		(14,905)	(44,046)	(58,951)
Less: Consideration set off against convertible loans held		(21,448)	–	(21,448)
Add: Consideration paid for prior year's acquisition		–	2,482	2,482
Total net cash outflow		62,996	181,302	244,298

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

39 ACQUISITION OF AND LOSS OF CONTROL IN SUBSIDIARIES, AND CHANGES IN INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL (CONT'D)

(II) Acquisition of subsidiaries (cont'd)

2019 (cont'd)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired and liabilities assumed as part of business combinations were as follows:

Assets acquired	Valuation technique
Property, plant and equipment and investment properties	*Comparative and discounted cash flow methods:* The comparative method involved the analysis of comparable sales of similar assets and adjusting the sale prices to that reflective of the commercial properties. The discounted cash flow method involved forecasting the commercial properties' income stream for 10 years and discounting the income stream at 6.75%.
Interest-bearing borrowings	The fair value of term loans is estimated as the present value of future principal and interest cash flows, discounted at market rate of interest at the acquisition date.

Goodwill

Goodwill arising from the acquisitions of the Non-Residential Component and SHR has been recognised as follows:

	Non-Residential Component $'000	SHR $'000	Total $'000
Total consideration transferred	77,901	21,448	99,349
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	–	1,095	1,095
Fair value of the Group's existing 65.75% interest in the associate	23,512	–	23,512
Fair value of identifiable net assets	(101,413)	(4,397)	(105,810)
Goodwill	–	18,146	18,146

The remeasurement to fair value of the Group's existing 65.75% interest in the Non-Residential Component resulted in a gain of $6,608,000 which has been recognised in "other income" in the Group's profit or loss.

The goodwill arising from the acquisition of SHR is attributable mainly to synergies expected to be achieved from integrating the subsidiary into the Group's existing hotel operations. None of the goodwill recognised is expected to be deductible for tax purposes. The goodwill arising from the acquisition of SHR has been classified as "assets held for sale" as at 31 December 2019 (see note 6).

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Year ended 31 December 2020

39 ACQUISITION OF AND LOSS OF CONTROL IN SUBSIDIARIES, AND CHANGES IN INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL (CONT'D)

(III) 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:

2020

(a) A subsidiary of M&C, M&C REIT Management Limited (M&C REIT), being a REIT manager for CDLHT, received 8,464,229 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) A subsidiary of M&C, M&C Business Trust Management Limited (MBTM), being a trustee manager for HBT, received 450,802 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.

(c) 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.

2019

(a) The Group's indirect wholly-owned subsidiary, Agapier Investments Limited, acquired the remaining interests in M&C for a cash consideration of £778.9 million (approximately $1.33 billion), increasing its effective interest from 65% to 100%.

(b) M&C REIT received 6,799,933 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.

(c) MBTM received 318,401 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.

(d) The Group's indirect wholly-owned subsidiary, CBM Solutions Pte Ltd, acquired the remaining interest in Ingensys Pte. Ltd. for a cash consideration of $2,000,000, increasing its effective interest from 70% to 100%.

The following summarises the effect of changes in the Group's ownership interests in the above subsidiaries:

	2020 $'000	2019 $'000
Consideration paid for acquisition of non-controlling interests	–	(1,330,014)
Net decrease in equity attributable to non-controlling interests	4,031	1,424,756
Net increase in equity attributable to owners of the Company	4,031	94,742
Represented by:		
Increase in capital reserve	4,031	94,742

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

40 RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities						
	Interest-bearing borrowings (note 21) $'000	Interest payable* $'000	Other liabilities** $'000	Non-trade amounts owing to fellow subsidiaries* $'000	Non-trade amounts owing to associates* $'000	Non-trade amounts owing to joint ventures* $'000	Lease liabilities (note 26) $'000
Balance at 1 January 2019	6,327,252	25,267	23,079	233,028	–	22,727	–
Financing cash flows	2,879,886	(178,680)	(926)	(12,061)	2,628	38,549	(25,442)
Non-cash changes							
Changes arising from acquisition of subsidiaries	467,390	461	–	–	–	–	–
Effect of changes in foreign exchange rates	26,836	(3,727)	(441)	–	–	(816)	(564)
Liability-related							
New leases	–	–	–	–	–	–	227,122
Interest expense/ capitalised	–	196,089	–	4,484	–	–	8,420
Others	9,787	(1,273)	2,768	–	–	–	(2,336)
Total non-cash changes	504,013	191,550	2,327	4,484	–	(816)	232,642
Balance at 31 December 2019	9,711,151	38,137	24,480	225,451	2,628	60,460	207,200
Balance at 1 January 2020	9,711,151	38,137	24,480	225,451	2,628	60,460	207,200
Financing cash flows	1,714,102	(209,367)	–	4,260	(1,741)	272,054	(30,021)
Non-cash changes							
Effect of changes in foreign exchange rates	120,042	(3,484)	(59)	–	–	6,800	1,842
Liability-related							
New leases	–	–	–	–	–	–	64,058
Interest expense/ capitalised	–	206,846	–	4,583	–	–	8,962
Others	9,385	–	(2,159)	–	–	7,442	–
Total non-cash changes	129,427	203,362	(2,218)	4,583	–	14,242	74,862
Balance at 31 December 2020	11,554,680	32,132	22,262	234,294	887	346,756	252,041

* Included in "trade and other payables"
** Included in "trade and other payables" and "other liabilities"

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 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.

As at 31 December 2020, the Group had gross amounts owing by HCP Group of $683.6 million (note 9) and subscribed for bonds of $305.4 million issued by Sincere Property Group (note 10). Impairment losses of $323.9 million (note 9) and $288.0 million (note 10) have been recognised on the amounts owing by HCP Group and the bonds, respectively. As at 31 December 2019, the Group had loans due from Sincere Property Group of $540.6 million (note 9) and subscribed for bonds of $311.6 million (note 10) issued by Sincere Property Group, which collectively represent 14% of the Group's financial assets. In addition, the amounts owing by subsidiaries and joint ventures represent 88% (2019: 87%) of the Company's financial assets. Except as disclosed, there is no significant concentration of credit risk for the Group and the Company. The carrying amounts of financial assets and contract assets represent the Group's and the Company's maximum exposures to credit risk, before taking into account any collateral held.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(i) Credit risk (cont'd)

Impairment losses on trade and other receivables and debt investment recognised in profit or loss were as follows:

	Note	Group 2020 $'000	Group 2019 $'000
Other receivables	9	323,942	–
Debt investment	10	288,000	–
Trade receivables		11,222	6,547
		623,164	6,547

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. For trade receivables and contract assets relating to sale of development properties, if a purchaser defaults on payments, the Group may enforce payments via legal proceedings or if the purchaser is assessed to be insolvent, the Group may take possession of the units, retain a portion of the sales consideration, and resell the property.

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.

<u>Exposure to credit risk</u>

The maximum exposure to credit risk for trade and other receivables and contract assets at the reporting date by business segment is set out below:

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Property development	**1,845,523**	724,455	**4,344,192**	3,946,075
Hotel operations	**125,962**	142,414	**160,052**	159,479
Investment properties	**91,644**	90,702	**281,483**	288,582
Others	**60,680**	32,491	**1,035,338**	1,120,002
	2,123,809	990,062	**5,821,065**	5,514,138

Expected credit loss assessment on trade receivables

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 (2019: 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 2020 and 31 December 2019 is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(i) Credit risk (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at reporting date:

	Group		Company	
	Gross carrying amount $'000	Impairment loss allowance $'000	Gross carrying amount $'000	Impairment loss allowance $'000
2020				
Current (not past due)	92,607	515	92	–
1 – 30 days past due	21,781	961	672	311
31 – 60 days past due	12,395	1,062	588	142
61 – 90 days past due	5,394	553	50	27
More than 90 days past due	40,108	22,121	1,112	236
	172,285	25,212	2,514	716
2019				
Current (not past due)	96,052	91	–	–
1 – 30 days past due	29,953	28	609	–
31 – 60 days past due	9,129	37	22	–
61 – 90 days past due	4,286	143	3	–
More than 90 days past due	32,150	14,002	85	7
	171,570	14,301	719	7

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 (excluding amounts owing by joint ventures) during the year are as follows:

	Group Lifetime ECL		Company Lifetime ECL	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Allowance for impairment on trade receivables				
At 1 January	**14,301**	8,036	**7**	105
Impairment loss in respect of subsidiary disposed	**–**	99	**–**	–
Impairment loss recognised/ (reversed)	**11,222**	6,547	**709**	(83)
Impairment loss utilised	**(798)**	(307)	**–**	(15)
Transfer to assets held for sale	**–**	(23)	**–**	–
Translation differences	**487**	(51)	**–**	–
At 31 December	**25,212**	14,301	**716**	7

Impairment losses recognised/(reversed) on trade receivables were included in "other operating expenses".

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(i) Credit risk (cont'd)

Movements in allowance for impairment in respect of trade and other receivables (cont'd)

	Group Lifetime ECL 2020 $'000	Group Lifetime ECL 2019 $'000	Company Lifetime ECL 2020 $'000	Company Lifetime ECL 2019 $'000
Allowance for impairment on other receivables				
At 1 January	**5,291**	5,697	**1,129**	1,130
Impairment loss utilised	**–**	–	**–**	(1)
Translation differences	**(162)**	(406)	**–**	–
At 31 December	**5,129**	5,291	**1,129**	1,129

There is no impairment loss on contract assets.

Non-trade amounts due from subsidiaries, associates and joint ventures

The Group and the Company held non-trade receivables from its associates and joint ventures which were lent to associates and joint ventures to meet their funding requirements. In addition, the Company held non-trade receivables from its subsidiaries which were lent to the subsidiaries to meet their funding requirements. Impairment on these balances has been measured on the 12-month and lifetime expected loss basis. The amounts of the allowances on these balances are set out in notes 7, 8 and 9.

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:

	Mandatorily at FVTPL Carrying amount $'000	At amortised cost Gross amount $'000	At amortised cost Lifetime ECL (credit impaired) $'000	At amortised cost Carrying amount $'000
2020				
China	10,724	305,394	(288,000)	17,394
Singapore	146,812	–	–	–
Australia	34,390	–	–	–
	191,926	305,394	(288,000)	17,394
2019				
China	550,225	311,604	–	311,604
Singapore	142,318	–	–	–
Australia	31,919	–	–	–
	724,462	311,604	–	311,604

The amount of the allowance on these balances is set out in note 10.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(i) Credit risk (cont'd)

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, forward exchange contracts and interest rate swaps with a total notional amount of $590,258,000 (2019: $554,933,000), $1,331,976,000 (2019: $604,663,000) and $795,178,000 (2019: $573,151,000) respectively. The Company has cross-currency swaps, forward exchange contracts and interest rate swaps with a total notional amount of $436,021,000 (2019: $397,559,000), $1,319,688,000 (2019: $578,613,000) and $126,091,000 (2019: $123,151,000) respectively.

		Group		Company	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Derivative financial assets					
Cross currency swaps		**451**	16,616	**451**	10,453
Forward exchange contracts		**8,121**	1,817	**8,121**	995
Interest rate swaps		**–**	199	**–**	199
		8,572	18,632	**8,572**	11,647
Non-current	11	**451**	11,638	**451**	5,475
Current	15	**8,121**	6,994	**8,121**	6,172
		8,572	18,632	**8,572**	11,647
Derivative financial liabilities					
Cross currency swaps		**15,095**	–	**5,302**	–
Forward exchange contracts		**6,571**	2,649	**6,206**	2,462
Interest rate swaps		**8,669**	4,722	**448**	–
		30,335	7,371	**11,956**	2,462
Non-current	27	**14,552**	4,722	**845**	–
Current	30	**15,783**	2,649	**11,111**	2,462
		30,335	7,371	**11,956**	2,462

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(i) Credit risk (cont'd)

Cash and cash equivalents

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 as at 31 December 2020 and 31 December 2019 was negligible.

(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 provided financial guarantees to lenders to an associate (note 8) and a joint venture (notes 9(e) and 28). The Group has contractual commitments to incur capital expenditure on its property, plant and equipment and investment properties, purchase properties and to invest in joint ventures, associates and investees (see note 37).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(ii) Liquidity risk (cont'd)

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 amount $'000	Contractual cash flows $'000	Within 1 year $'000	After 1 year but within 5 years $'000	After 5 years $'000
Group					
31 December 2020					
Non-derivative financial liabilities					
Interest-bearing borrowings	11,554,680	(12,019,759)	(2,938,393)	(8,726,769)	(354,597)
Lease liabilities	252,041	(324,677)	(15,842)	(93,813)	(215,022)
Trade and other payables*	1,276,025	(1,280,754)	(1,280,754)	–	–
Other liabilities*	106,334	(106,334)	–	(85,286)	(21,048)
	13,189,080	(13,731,524)	(4,234,989)	(8,905,868)	(590,667)
Derivative financial instruments					
Derivative liabilities					
Forward exchange contracts (gross-settled):	6,571				
– Outflow		(599,318)	(599,318)	–	–
– Inflow		589,869	589,869	–	–
Cross-currency swaps (gross-settled):	15,095				
– Outflow		(556,190)	(298,732)	(257,458)	–
– Inflow		544,270	292,229	252,041	–
Interest rate swaps (gross-settled)	3,913				
– Outflow		(9,193)	(2,330)	(6,863)	–
– Inflow		5,108	1,295	3,813	–
Interest rate swaps (net-settled)	4,756	(3,959)	(3,826)	(133)	–
	30,335	(29,413)	(20,813)	(8,600)	–
Derivative assets					
Forward exchange contracts (gross-settled):	(8,121)				
– Outflow		(737,302)	(737,302)	–	–
– Inflow		742,508	742,508	–	–
Cross-currency swaps (gross-settled):	(451)				
– Outflow		(50,656)	(1,003)	(49,653)	–
– Inflow		51,121	71	51,050	–
	(8,572)	5,671	4,274	1,397	–
	21,763	(23,742)	(16,539)	(7,203)	–
	13,210,843	(13,755,266)	(4,251,528)	(8,913,071)	(590,667)

* Excluding derivatives (shown separately) and deferred income

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(ii) Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	After 1 year but within 5 years $'000	After 5 years $'000
Group					
31 December 2019					
Non-derivative financial liabilities					
Interest-bearing borrowings	9,711,151	(10,291,138)	(2,217,281)	(7,849,768)	(224,089)
Lease liabilities	207,200	(387,251)	(22,913)	(50,224)	(314,114)
Trade and other payables*	1,134,439	(1,138,990)	(1,138,990)	–	–
Other liabilities*	108,469	(108,469)	–	(86,477)	(21,992)
	11,161,259	(11,925,848)	(3,379,184)	(7,986,469)	(560,195)
Derivative financial instruments					
Derivative liabilities					
Forward exchange contracts (gross-settled):	2,649				
– Outflow		(462,539)	(462,539)	–	–
– Inflow		458,852	458,852	–	–
Interest rate swaps (net-settled)	4,722	(4,431)	(2,830)	(1,601)	–
	7,371	(8,118)	(6,517)	(1,601)	–
Derivative assets					
Forward exchange contracts (gross-settled):	(1,817)				
– Outflow		(143,625)	(143,625)	–	–
– Inflow		144,953	144,953	–	–
Cross-currency swaps (gross-settled):	(16,616)				
– Outflow		(615,314)	(217,403)	(397,911)	–
– Inflow		637,522	225,617	411,905	–
Interest rate swaps (net-settled)	(199)	184	125	59	–
	(18,632)	23,720	9,667	14,053	–
	(11,261)	15,602	3,150	12,452	–
	11,149,998	(11,910,246)	(3,376,034)	(7,974,017)	(560,195)

* Excluding derivatives (shown separately) and deferred income

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(ii) Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	After 1 year but within 5 years $'000	After 5 years $'000
Company					
31 December 2020					
Non-derivative financial liabilities					
Interest-bearing borrowings	7,452,594	(7,748,327)	(1,749,664)	(5,644,066)	(354,597)
Lease liabilities	20,002	(20,928)	(6,321)	(14,607)	–
Trade and other payables*	2,721,778	(2,721,778)	(2,721,778)	–	–
Other liabilities*	7,445	(7,445)	–	(7,216)	(229)
	10,201,819	(10,498,478)	(4,477,763)	(5,665,889)	(354,826)
Derivative financial instruments					
Derivative liabilities					
Cross-currency swaps (gross-settled):	5,302				
– Outflow		(392,108)	(297,729)	(94,379)	–
– Inflow		386,102	290,645	95,457	–
Forward exchange contracts (gross-settled):	6,206				
– Outflow		(586,721)	(586,721)	–	–
– Inflow		577,180	577,180	–	–
Interest rate swaps (net-settled)	448	(395)	(395)	–	–
	11,956	(15,942)	(17,020)	1,078	–
Derivative assets					
Cross-currency swaps (gross-settled):	(451)				
– Outflow		(50,656)	(1,003)	(49,653)	–
– Inflow		51,121	71	51,050	–
Forward exchange contracts (gross-settled):	(8,121)				
– Outflow		(737,302)	(737,302)	–	–
– Inflow		742,508	742,508	–	–
	(8,572)	5,671	4,274	1,397	–
	3,384	(10,271)	(12,746)	2,475	–
	10,205,203	(10,508,749)	(4,490,509)	(5,663,414)	(354,826)

* Excluding derivatives (shown separately) and deferred income

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(ii) Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	After 1 year but within 5 years $'000	After 5 years $'000
Company					
31 December 2019					
Non-derivative financial liabilities					
Interest-bearing borrowings	5,552,680	(5,843,475)	(1,427,121)	(4,258,531)	(157,823)
Lease liabilities	25,772	(27,332)	(6,403)	(20,929)	–
Trade and other payables*	2,796,805	(2,796,805)	(2,796,805)	–	–
Other liabilities	9,912	(9,912)	–	(9,785)	(127)
	8,385,169	(8,677,524)	(4,230,329)	(4,289,245)	(157,950)
Derivative financial instruments					
Derivative liabilities					
Forward exchange contracts (gross-settled):	2,462				
– Outflow		(456,660)	(456,660)	–	–
– Inflow		453,124	453,124	–	–
	2,462	(3,536)	(3,536)	–	–
Derivative assets					
Cross-currency swaps (gross-settled):	(10,453)				
– Outflow		(394,677)	(148,582)	(246,095)	–
– Inflow		401,421	153,782	247,639	–
Forward exchange contracts (gross-settled):	(995)				
– Outflow		(124,109)	(124,109)	–	–
– Inflow		125,489	125,489	–	–
Interest rate swaps (net-settled)	(199)	184	125	59	–
	(11,647)	8,308	6,705	1,603	–
	(9,185)	4,772	3,169	1,603	–
	8,375,984	(8,672,752)	(4,227,160)	(4,287,642)	(157,950)

* Excluding derivatives (shown separately) and deferred income

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 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 of variable rate borrowings is considered to outweigh the benefits of their flexibility, and the Group actively monitors the need and timing for such derivatives.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. If a hedging relationship is directly affected by uncertainty arising from interest rate benchmark reform, then the Group assumes for this purpose that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

Hedging relationships that are impacted by interest rate benchmark reform may experience ineffectiveness because of a timing mismatch between the hedged item and the hedging instrument regarding interest rate benchmark reform transition. For further details, see 'Managing interest rate benchmark reform and associated risks' below.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Interest rate risk (cont'd)

Managing interest rate benchmark reform and associated risks

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in some jurisdictions that the Group operates in. The Group anticipates that IBOR reform will impact its risk management and hedge accounting.

Management monitors and manages the Group's transition to alternative rates. The management evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

Derivatives

The Group holds interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to SOR and LIBOR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements. On 23 October 2020, ISDA published the IBOR Fallbacks Supplement, a supplement to the 2006 ISDA Definitions ("the Supplement") and the IBOR Fallbacks Protocol ("the Protocol"). Both the Supplement and the Protocol took effect on 25 January 2021. The Group is expected to negotiate the inclusion of new fallback clauses with its derivative counterparties. No derivative instruments have been modified as at 31 December 2020.

Hedge accounting

The Group has evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at 31 December 2020. The Group's hedged items and hedging instruments continue to be indexed to IBOR benchmark rates which are SOR and LIBOR. These benchmark rates are quoted each day and the IBOR cash flows are exchanged with its counterparties as usual.

The Group's SOR and LIBOR cash flow hedging relationships extend beyond the anticipated cessation date for IBOR. However, there is uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments. Such uncertainty may impact the hedging relationship. The Group applies the amendments to SFRS(I) 9 issued in December 2019 to those hedging relationships directly affected by IBOR reform.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Interest rate risk (cont'd)

Managing interest rate benchmark reform and associated risks (cont'd)

Hedge accounting (cont'd)

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. The Group has measured its hedging instruments indexed to Singapore-dollar SOR and British-pound sterling LIBOR using available quoted market rates for SOR-based and LIBOR-based instruments of the same tenor and similar maturity and has measured the cumulative change in the present value of hedged cash flows attributable to changes in SOR and LIBOR on a similar basis.

The Group enters into cross currency swap and interest rate swap agreements to hedge the interest rate risk exposure arising from its SGD, GBP and USD variable rate term loan. As at the end of the financial year, the Group has cross currency swap and interest rate swap agreements with notional amount totalling $154,237,000 and $795,178,000 respectively (2019: $157,374,000 and $573,151,000 respectively) whereby it receives variable rate equal to SOR/LIBOR and pays fixed rates of between 0.38% to 2.70% (2019: 0.54% to 2.15%) on the notional amount.

The Group is actively engaging with lenders to include appropriate fall-back provisions in its floating-rate liabilities with maturities after 2021. We expect that the hedging instrument will be modified as outlined under 'Derivatives' above.

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

Year ended 31 December 2020

41 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) profit or loss (before any tax effect) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant and does not take into account the effect of qualifying borrowing costs allowed for capitalisation.

	Group		Company	
	31 December 2020 $'000	31 December 2019 $'000	31 December 2020 $'000	31 December 2019 $'000
100 bp increase				
(Reduction)/Increase in profit before tax	**(69,863)**	(57,987)	**(19,823)**	(13,302)

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

Year ended 31 December 2020

41 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 Dollar $'000	Singapore Dollar $'000
Group		
31 December 2020		
Financial assets	31,149	–
Trade and other receivables*	244	1,450
Cash and cash equivalents (net of cash pool overdrafts)	51,538	187,805
Amounts owing by/(to) subsidiaries (net)***	632,442	(565,862)
Interest-bearing borrowings	(1,176,337)	–
Trade and other payables**	(1,795)	(646)
Net statement of financial position exposure	(462,759)	(377,253)
Forward exchange contracts	(245,643)	12,288
Cross-currency swaps	154,237	–
Net exposure	(554,165)	(364,965)
31 December 2019		
Other non-current assets	–	–
Financial assets	325,800	–
Trade and other receivables*	847	1,214
Cash and cash equivalents (net of cash pool overdrafts)	30,911	1,234
Amounts owing by/(to) subsidiaries (net)***	350,016	(190,436)
Interest-bearing borrowings	(1,118,374)	–
Trade and other payables**	(8,369)	319
Net statement of financial position exposure	(419,169)	(187,669)
Forward exchange contracts	(290)	18,363
Cross-currency swaps	226,594	–
Net exposure	(192,865)	(169,306)

* Excluding prepayments and derivative financial assets
** Excluding deferred income and derivative financial liabilities
*** 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

Year ended 31 December 2020

	Hong Kong Dollar $'000	Australian Dollar $'000	Sterling Pound $'000	Renminbi $'000	Japanese Yen $'000	Euro $'000	Others $'000
	–	436	7,205	31,852	–	–	–
	–	139	646	2,070	–	50,745	312
	173	51,321	8,474	38,950	18	479	7,168
	22,226	90,972	3,360,600	(483,759)	214,841	12,403	5,929
	(19,110)	(57,930)	(3,111,812)	(138,932)	(89,435)	(78,257)	–
	(33)	(29)	(3,399)	(3,966)	(75)	–	(13)
	3,256	84,909	261,714	(553,785)	125,349	(14,630)	13,396
	–	–	(128,089)	(856,866)	(93,425)	–	–
	–	–	(180,130)	(162,395)	(45,457)	(209,042)	–
	3,256	84,909	(46,505)	(1,573,046)	(13,533)	(223,672)	13,396
	–	–	–	–	–	48,220	–
	–	–	–	582,384	–	–	–
	–	139	76	2,078	–	–	390
	400	55,006	879	53,645	40	3,201	2,570
	26,187	71,649	3,289,563	357,929	148,495	60,547	2,104
	(19,855)	(40,858)	(3,059,454)	(294,484)	(51,474)	(236,340)	–
	(85)	(39)	(3,063)	(434)	(3)	(4)	(12)
	6,647	85,897	228,001	701,118	97,058	(124,376)	5,052
	–	(1,878)	(650)	(456,660)	(84,753)	(40,822)	(3,200)
	–	–	(295,562)	(14,356)	(26,596)	(208,094)	–
	6,647	84,019	(68,211)	230,102	(14,291)	(373,292)	1,852

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Foreign currency risk (cont'd)

	United States Dollar $'000
Company	
31 December 2020	
Trade and other receivables*	15
Cash and cash equivalents	39,927
Amounts owing by subsidiaries (net)	493,859
Interest-bearing borrowings	(183,160)
Trade and other payables**	(191)
Net statement of financial position exposure	350,450
Forward exchange contracts	(245,643)
Cross-currency swaps	–
Net exposure	104,807
31 December 2019	
Trade and other receivables*	–
Cash and cash equivalents	1
Amounts owing by/(to) subsidiaries (net)	263,362
Interest-bearing borrowings	(172,038)
Trade and other payables**	(361)
Net statement of financial position exposure	90,964
Forward exchange contracts	–
Cross-currency swaps	–
Net exposure	90,964

* Excluding prepayments and derivative financial assets
** Excluding deferred income and derivative financial liabilities

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

Hong Kong Dollar $'000	Japanese Yen $'000	Sterling Pound $'000	Renminbi $'000	Australian Dollar $'000	Euro $'000	Others $'000
–	–	(53)	(95)	–	–	56
15	–	8,106	4,760	–	–	208
21,605	190,471	3,199,816	1,303,888	75,620	54,480	–
(19,110)	(47,440)	(2,890,659)	(138,932)	(57,930)	–	–
(4)	(73)	(3,399)	(468)	(29)	–	(11)
2,506	142,958	313,811	1,169,153	17,661	54,480	253
–	(93,425)	(128,089)	(856,866)	–	–	–
–	(45,457)	(180,130)	(162,395)	–	(54,805)	–
2,506	4,076	5,592	149,892	17,661	(325)	253
–	–	16	–	–	–	56
15	–	68	4,397	–	–	237
22,900	124,103	3,148,532	872,670	57,123	98,536	(5)
(19,855)	(10,994)	(2,847,206)	(294,484)	(40,858)	(8,043)	–
(67)	(3)	(3,033)	(403)	(39)	(4)	(12)
2,993	113,106	298,377	582,180	16,226	90,489	276
–	(83,859)	–	(456,660)	–	(40,047)	–
–	(26,596)	(295,562)	(14,356)	–	(50,720)	–
2,993	2,651	2,815	111,164	16,226	(278)	276

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 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.

	2020		2019	
	Profit before tax $'000	Equity $'000	Profit before tax $'000	Equity $'000
Group				
United States Dollar	**3,584**	**(31,294)**	11,762	(21,406)
Singapore Dollar	**(18,862)**	**614**	(9,383)	918
Hong Kong Dollar	**162**	**–**	332	–
Australian Dollar	**4,246**	**–**	4,200	–
Sterling Pound	**8,708**	**(11,032)**	7,190	(10,599)
Renminbi	**(77,257)**	**(1,396)**	10,132	1,374
Japanese Yen	**1,422**	**(2,098)**	1,309	(2,023)
Euro	**(7,274)**	**(3,909)**	(7,805)	(10,860)
Company				
United States Dollar	**5,240**	**–**	4,548	–
Hong Kong Dollar	**125**	**–**	150	–
Japanese Yen	**204**	**–**	133	–
Sterling Pound	**280**	**–**	141	–
Renminbi	**7,495**	**–**	5,558	–
Australian Dollar	**883**	**–**	811	–
Euro	**(16)**	**–**	(14)	–

Equity price risk

The Group and the Company are exposed to equity price changes arising from quoted equity investments at FVOCI and FVTPL. A change in the underlying equity prices of the investments at the reporting date by 5% (2019: 5%) and 5% (2019: 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 5% (2019: 5%) and 5% (2019: 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

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Equity price risk (cont'd)

Equity investments

	Increase by 5% Group $'000	Decrease by 5% Group $'000	Increase by 5% Company $'000	Decrease by 5% Company $'000
2020				
Quoted equity investments at FVOCI and FVTPL				
Equity	1,745	(1,745)	1,089	(1,089)
Profit before tax	3,257	(3,257)	93	(93)
Unquoted equity investments at FVOCI and FVTPL				
Equity	17,837	(17,837)	16,244	(16,244)
Profit before tax	4,254	(4,254)	–	–
2019				
Quoted equity investments at FVOCI and FVTPL				
Equity	4,643	(4,643)	1,217	(1,217)
Profit before tax	2,127	(2,127)	53	(53)
Unquoted equity investments at FVOCI and FVTPL				
Equity	19,620	(19,620)	17,528	(17,528)
Profit before tax	2,955	(2,955)	–	–

(iv) Hedge accounting

Net investment hedges

At the reporting date, the Group has designated certain foreign currency denominated interest-bearing borrowings, cross-currency swaps and forward exchange contracts 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

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(iv) Hedge accounting (cont'd)

At 31 December 2020, 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
Group			
Cash flow hedges			
Foreign exchange risk			
– Forward exchange contract to hedge foreign currency borrowings	$12,288,000	(365)	Trade and other payables
Net investment hedges			
Foreign exchange risk			
– Borrowings to hedge net investments in foreign operations	$642,665,000 equivalent	(642,665)	Interest-bearing borrowings
– Cross-currency swaps to hedge net investments in foreign operations	RMB74,190,000	(444)	Trade and other payables
– Forward exchange contracts to hedge net investments in foreign operations	RMB220,000,000	213	Trade and other receivables

Net investments in certain foreign subsidiaries whose functional currencies are denominated in United States Dollar, Euro, Renminbi, Japanese Yen and Sterling Pound

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

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 or loss $'000	Hedged foreign exchange rate	Year of maturity
(78)	–	Not applicable	–	KRW/SGD 845.78	2021
9,080	109	Finance costs	–	Not applicable	2021 to 2025
(628)	–	Not applicable	–	SGD/RMB 5.09	2021
213	–	Not applicable	–	SGD/RMB 4.90	2021

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
(8,665)	12,076	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(iv) Hedge accounting (cont'd)

At 31 December 2019, 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
Group			
Cash flow hedges			
Foreign exchange risk			
– Forward exchange contract to hedge foreign currency borrowings	$18,362,000	743	Trade and other receivables
Net investment hedges			
Foreign exchange risk			
– Borrowings to hedge net investments in foreign operations	$694,987,000 equivalent	(694,987)	Interest-bearing borrowings
– Cross-currency swaps to hedge net investments in foreign operations	RMB74,190,000	197	Other non-current assets

Net investments in certain foreign subsidiaries whose functional currencies are denominated in United States Dollar, Euro, Renminbi, Japanese Yen and Sterling Pound

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

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 or loss $'000	Hedged foreign exchange rate	Year of maturity
121	–	Not applicable	–	KRW/SGD 823.15	2020
7,069	(245)	Finance costs	–	Not applicable	2020 to 2024
457	–	Not applicable	–	SGD/RMB 5.09	2021

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
(7,526)	20,741	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 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. Trade and other receivables and trade and other payables classified as held for sale are not included in the table below (see note 6). Further, the fair value disclosure of lease liabilities is also not required.

	Note	Mandatorily at FVTPL $'000	FVOCI – equity investments $'000	Fair value – hedging instruments $'000
Group				
31 December 2020				
Financial assets measured at fair value				
Unquoted debt investments – mandatorily at FVTPL	10	191,926	–	–
Unquoted equity investments – at FVOCI	10	–	356,729	–
Unquoted equity investments – mandatorily at FVTPL	10	90,073	–	–
Quoted equity investments– at FVOCI	10	–	34,903	–
Quoted equity investments – mandatorily at FVTPL	10	65,142	–	–
Derivative financial assets		–	–	8,572
		347,141	391,632	8,572
Financial assets not measured at fair value				
Unquoted debt investments – amortised cost	10	–	–	–
Other non-current assets^	11	–	–	–
Trade and other receivables#	15	–	–	–
Cash and cash equivalents	17	–	–	–
		–	–	–
Financial liabilities measured at fair value				
Derivative financial liabilities		–	–	30,335
Financial liabilities not measured at fair value				
Interest-bearing borrowings	21	–	–	–
Other liabilities*	27	–	–	–
Trade and other payables*	30	–	–	–
		–	–	–

^ Excluding derivative financial assets, prepayments, intangible assets and deferred tax assets
# Excluding prepayments, grant receivables and derivative financial assets
* Excluding deferred income and derivative financial liabilities

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

Amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
–	–	191,926	–	146,811	45,115	191,926
–	–	356,729	–	–	356,729	356,729
–	–	90,073	–	–	90,073	90,073
–	–	34,903	34,903	–	–	34,903
–	–	65,142	65,142	–	–	65,142
–	–	8,572	–	8,572	–	8,572
–	–	747,345				
17,394	–	17,394				
219,025	–	219,025				
1,618,578	–	1,618,578				
3,126,529	–	3,126,529				
4,981,526	–	4,981,526				
–	–	30,335	–	30,335	–	30,335
–	11,554,680	11,554,680	–	11,369,000	–	11,369,000
–	106,334	106,334				
–	1,276,025	1,276,025				
–	12,937,039	12,937,039				

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(v) Accounting classifications and fair values (cont'd)

	Note	Mandatorily at FVTPL $'000	FVOCI – equity investments $'000	Fair value – hedging instruments $'000
Group				
31 December 2019				
Financial assets measured at fair value				
Unquoted debt investments – mandatorily at FVTPL	10	724,462	–	–
Unquoted equity investments – at FVOCI	10	–	392,395	–
Unquoted equity investments – mandatorily at FVTPL	10	59,086	–	–
Quoted equity investments– at FVOCI	10	–	92,874	–
Quoted equity investments – mandatorily at FVTPL	10	42,552	–	–
Derivative financial assets		–	–	18,632
		826,100	485,269	18,632
Financial assets not measured at fair value				
Unquoted debt investments – amortised cost	10	–	–	–
Other non-current assets^	11	–	–	–
Trade and other receivables#	15	–	–	–
Cash and cash equivalents	17	–	–	–
		–	–	–
Financial liabilities measured at fair value				
Derivative financial liabilities		–	–	7,371
Financial liabilities not measured at fair value				
Interest-bearing borrowings	21	–	–	–
Other liabilities*	27	–	–	–
Trade and other payables*	30	–	–	–
		–	–	–

^ Excluding derivative financial assets, prepayments, intangible assets and deferred tax assets
# Excluding prepayments and derivative financial assets
* Excluding deferred income and derivative financial liabilities

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

Amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
–	–	724,462	–	142,318	582,144	724,462
–	–	392,395	–	–	392,395	392,395
–	–	59,086	–	–	59,086	59,086
–	–	92,874	92,874	–	–	92,874
–	–	42,552	42,552	–	–	42,552
–	–	18,632	–	18,632	–	18,632
–	–	1,330,001				
311,604	–	311,604	–	303,740	–	303,740
641,256	–	641,256				
748,014	–	748,014				
2,797,652	–	2,797,652				
4,498,526	–	4,498,526				
–		7,371	–	7,371	–	7,371
–	9,711,151	9,711,151	–	9,764,627	–	9,764,627
–	108,469	108,469				
–	1,134,439	1,134,439				
–	10,954,059	10,954,059				

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(v) Accounting classifications and fair values (cont'd)

	Note	Mandatorily at FVTPL $'000	Fair value – hedging instruments $'000	Amortised cost $'000
Company				
31 December 2020				
Financial assets measured at fair value				
Unquoted equity investments – at FVOCI	10	–	–	–
Quoted equity investments – at FVOCI	10	–	–	–
Quoted equity investments – mandatorily at FVTPL	10	1,856	–	–
Derivative financial assets		–	8,572	–
		1,856	8,572	–
Financial assets not measured at fair value				
Other non-current assets^	11	–	–	6,517,837
Trade and other receivables#	15	–	–	5,820,364
Cash and cash equivalents	17	–	–	1,288,914
		–	–	13,627,115
Financial liabilities measured at fair value				
Derivative financial liabilities	30	–	11,956	–
Financial liabilities not measured at fair value				
Interest-bearing borrowings	21	–	–	–
Other liabilities*	27	–	–	–
Trade and other payables*	30	–	–	–
		–	–	–

^ Excluding derivative financial assets
# Excluding prepayments, grant receivables and derivative financial assets
* Excluding deferred income and derivative financial liabilities

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

FVOCI – equity investments $'000	Other financial liabilities $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
324,877	–	324,877	–	–	324,877	324,877
21,777	–	21,777	21,777	–	–	21,777
–	–	1,856	1,856	–	–	1,856
–	–	8,572	–	8,572	–	8,572
346,654	–	357,082				
–	–	6,517,837				
–	–	5,820,364				
–	–	1,288,914				
–	–	13,627,115				
–	–	11,956	–	11,956	–	11,956
–	7,452,594	7,452,594	–	7,536,764	–	7,536,764
–	7,445	7,445				
–	2,721,778	2,721,778				
–	10,181,817	10,181,817				

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(v) Accounting classifications and fair values (cont'd)

	Note	Mandatorily at FVTPL $'000	Fair value – hedging instruments $'000	Amortised cost $'000
Company				
31 December 2019				
Financial assets measured at fair value				
Unquoted equity investments – at FVOCI	10	–	–	–
Quoted equity investments – at FVOCI	10	–	–	–
Quoted equity investments – mandatorily at FVTPL	10	1,064	–	–
Derivative financial assets		–	11,647	–
		1,064	11,647	–
Financial assets not measured at fair value				
Other non-current assets^	11	–	–	5,129,083
Trade and other receivables#	15	–	–	5,514,138
Cash and cash equivalents	17	–	–	1,269,235
		–	–	11,912,456
Financial liabilities measured at fair value				
Derivative financial liabilities	30	–	2,462	–
Financial liabilities not measured at fair value				
Interest-bearing borrowings	21	–	–	–
Other liabilities	27	–	–	–
Trade and other payables*	30	–	–	–
		–	–	–

^ Excluding derivative financial assets
# Excluding prepayments and derivative financial assets
* Excluding deferred income and derivative financial liabilities

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

FVOCI – equity investments $'000	Other financial liabilities $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
350,561	–	350,561	–	–	350,561	350,561
24,339	–	24,339	24,339	–	–	24,339
–	–	1,064	1,064	–	–	1,064
–	–	11,647	–	11,647	–	11,647
374,900	–	387,611				
–	–	5,129,083				
–	–	5,514,138				
–	–	1,269,235				
–	–	11,912,456				
–	–	2,462	–	2,462	–	2,462
–	5,552,680	5,552,680	–	5,587,884	–	5,587,884
–	9,912	9,912				
–	2,796,805	2,796,805				
–	8,359,397	8,359,397				

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 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	Discounted cash flows: The valuation model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate.	Discount rate: 2020: 0% to 15% 2019: 0% to 6.2%	The estimated fair value would increase/(decrease) if the discount rate was lower/(higher).
	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: 2020: N/A 2019: 13.75%	The estimated fair value would increase/(decrease) if the discount rate was lower/(higher).
		Volatility rate: 2020: N/A 2019: 25.2%	The estimated fair value would increase/(decrease) if the volatility rate was lower/(higher).
Unquoted equity investments – at FVOCI Unquoted equity investments – mandatorily at FVTPL	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.	NAV	The estimated fair value would increase/(decrease) if the NAV was higher/(lower).
		Discount rate: 2020: 0% to 30% 2019: 0% to 30%	The estimated fair value would increase/(decrease) if the discount rate was lower/(higher).
Unquoted equity investments – mandatorily at FVTPL	The fair value is calculated using the transaction price paid for an identical instrument of the investee close to measurement date.	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 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 measured at Level 2 fair value

Unquoted debt investments – mandatorily at FVTPL

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.

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.

Financial instruments not measured at fair value

Unquoted debt investment at amortised cost

The fair value of unquoted debt investment at amortised cost determined for disclosure purposes are calculated based on the present value of future principal and interest cash flows, discounted at market rate of interest at the reporting date.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

41 FINANCIAL INSTRUMENTS (CONT'D)

(v) Accounting classifications and fair values (cont'd)

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 mandatorily at FVTPL $'000	Unquoted equity investments at FVOCI $'000	Unquoted equity investments mandatorily at FVTPL $'000	Other financial asset mandatorily at FVTPL $'000	Unquoted equity investments at FVOCI $'000
At 1 January 2020	582,144	392,395	59,086	–	350,561
Additions	–	–	35,844	–	–
Redemption	(575,822)	–	–	–	–
Distribution of income	–	–	(5,063)	–	–
Return of capital	–	–	(82)	–	–
Reclassification from interest receivable	13	–	–	–	–
Total gain recognised in profit or loss					
– finance income	36,151	–	2,131	–	–
Total loss for the period included in other comprehensive income					
– net change in fair value of equity investments at FVOCI	–	(35,666)	–	–	(25,684)
Translation differences on consolidation	2,629	–	(1,843)	–	–
At 31 December 2020	45,115	356,729	90,073	–	324,877
At 1 January 2019	71,509	329,013	43,548	17,214	327,544
Additions	571,184	–	22,287	–	–
Release of obligations	–	–	–	(17,214)	–
Distribution of income	(41,257)	–	(1,944)	–	–
Conversion of exchange rights	(25,170)	–	–	–	–
Return of capital	–	–	(5,219)	–	–
Reclassification to investment in joint venture	(27,391)	–	–	–	–
Total gain recognised in profit or loss					
– finance income	34,148	–	1,039	–	–
Total gain for the period included in other comprehensive income					
– net change in fair value of equity investments at FVOCI	–	63,382	–	–	23,017
Translation differences on consolidation	(879)	–	(625)	–	–
At 31 December 2019	582,144	392,395	59,086	–	350,561

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

42 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*
- Investment 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 2020 and 2019.

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 $'000	Hotel operations $'000	Investment properties $'000	Total $'000	Others $'000	Total $'000
2020						
Total revenue (including inter-segment revenue)	965,940	658,669	422,065	2,046,674	183,779	2,230,453
Inter-segment revenue	–	(18,224)	(60,647)	(78,871)	(43,156)	(122,027)
External revenue	965,940	640,445	361,418	1,967,803	140,623	2,108,426
(Loss)/Profit from operating activities	(289,458)	(437,083)	(171,864)	(898,405)	46,761	(851,644)
Share of after-tax (loss)/ profit of associates and joint ventures	(404,913)	(98,366)	(367,629)	(870,908)	25,132	(845,776)
Finance income	76,681	10,060	47,947	134,688	33,930	168,618
Finance costs	(122,154)	(48,004)	(83,456)	(253,614)	(8,395)	(262,009)
Net finance (costs)/income	(45,473)	(37,944)	(35,509)	(118,926)	25,535	(93,391)
Reportable segment (loss)/profit before tax	(739,844)	(573,393)*	(575,002)	(1,888,239)	97,428	(1,790,811)
Depreciation and amortisation	2,684	140,366	123,875	266,925	20,204	287,129

* Hotel operations for 2020 comprise revenue and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) attributable to hotel rooms owned by the Group amounting to $395.9 million and ($216.1) million respectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

42 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development $'000	Hotel operations $'000	Investment properties $'000	Total $'000	Others $'000	Total $'000
2020						
Other material non-cash items						
Impairment loss on other receivables	(174,929)	(19,437)	(129,576)	(323,942)	–	(323,942)
Impairment loss on debt investment	(155,520)	(17,280)	(115,200)	(288,000)	–	(288,000)
Provision for financial guarantee	(152,820)	(16,980)	(113,200)	(283,000)	–	(283,000)
Impairment losses (made)/reversed on property, plant and equipment and investment properties (net)	–	(87,004)	(12,308)	(99,312)	(240)	(99,552)
Allowance made for foreseeable losses on development properties	(35,014)	–	–	(35,014)	–	(35,014)
Investments in associates and joint ventures	454,365	504,481	390,432	1,349,278	443,709	1,792,987
Other segment assets	8,925,757	5,323,196	6,404,319	20,653,272	1,210,715	21,863,987
Reportable segment assets	9,380,122	5,827,677	6,794,751	22,002,550	1,654,424	23,656,974
Deferred tax assets						19,818
Total assets						23,676,792
Reportable segment liabilities	7,780,006	2,286,494	3,627,899	13,694,399	366,927	14,061,326
Deferred tax liabilities						96,845
Provision for taxation						276,164
Total liabilities						14,434,335
Additions to non-current assets*	485,098	356,164	550,281	1,391,543	127,940	1,519,483

* Non-current assets include property, plant and equipment, investment properties, investments in associates and joint ventures, and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

42 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development $'000	Hotel operations $'000	Investment properties $'000	Total $'000	Others $'000	Total $'000
2019						
Total revenue (including inter-segment revenue)	1,136,730	1,725,067	532,518	3,394,315	198,572	3,592,887
Inter-segment revenue	–	(20,052)	(94,375)	(114,427)	(49,735)	(164,162)
External revenue	1,136,730	1,705,015	438,143	3,279,888	148,837	3,428,725
Profit from operating activities	277,154	60,698	311,630	649,482	4,452	653,934
Share of after-tax profit/(loss) of associates and joint ventures	153,643	(16,758)	45,790	182,675	13,632	196,307
Finance income	38,125	8,815	10,657	57,597	50,930	108,527
Finance costs	(90,847)	(59,331)	(35,171)	(185,349)	(19,342)	(204,691)
Net finance (costs)/income	(52,722)	(50,516)	(24,514)	(127,752)	31,588	(96,164)
Reportable segment profit/(loss) before tax	378,075	(6,576)*	332,906	704,405	49,672	754,077
Depreciation and amortisation	3,657	134,366	117,109	255,132	20,855	275,987

* Hotel operations for 2019 comprise revenue and EBITDA attributable to hotel rooms owned by the Group amounting to $1,154.2 million and $144.4 million respectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

42 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development $'000	Hotel operations $'000	Investment properties $'000	Total $'000	Others $'000	Total $'000
2019						
Other material non-cash items						
Impairment losses (made)/reversed on property, plant and equipment and investment properties (net)	–	(58,236)	2,414	(55,822)	(2,150)	(57,972)
Allowance reversed for foreseeable losses on development properties	6,524	–	–	6,524	–	6,524
Investments in associates and joint ventures	514,202	484,084	407,371	1,405,657	349,675	1,755,332
Other segment assets	8,043,989	5,448,600	6,154,976	19,647,565	1,774,309	21,421,874
Reportable segment assets	8,558,191	5,932,684	6,562,347	21,053,222	2,123,984	23,177,206
Deferred tax assets						23,051
Total assets						23,200,257
Reportable segment liabilities	5,679,210	2,135,931	2,584,539	10,399,680	1,176,923	11,576,603
Deferred tax liabilities						107,592
Provision for taxation						249,506
Total liabilities						11,933,701
Additions to non-current assets*	42,279	179,726	160,858	382,863	153,552	536,415

* Non-current assets include property, plant and equipment, investment properties, investments in associates and joint ventures, and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

42 OPERATING SEGMENTS (CONT'D)

Geographical segments

	Singapore $'000	United States $'000	United Kingdom $'000	China $'000	Other countries $'000	Total $'000
2020						
Revenue	1,214,727	165,909	219,401	110,410	397,979	2,108,426
Non-current assets*	4,000,266	1,380,455	2,262,443	1,450,771	2,795,325	11,889,260
Reportable segment assets	11,754,963	1,506,497	3,343,720	2,893,174	4,158,620	23,656,974
2019						
Revenue	1,549,193	553,875	454,053	153,600	718,004	3,428,725
Non-current assets*	3,916,338	1,439,832	2,227,368	1,308,409	2,737,800	11,629,747
Reportable segment assets	10,969,975	1,660,205	3,363,035	3,001,504	4,182,487	23,177,206

* Include property, plant and equipment, investment properties, investments in associates and joint ventures, prepayments (non-current portion) and intangible assets.

43 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES

The following are the Group's significant investments in subsidiaries:

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
	Direct/Indirect subsidiaries of the Company				
*	Allinvest Holding Pte Ltd	Property owner 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 and developer	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

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43 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
	Direct/Indirect subsidiaries of the Company (cont'd)				
*	CBM Pte. Ltd.	Provision of building maintenance, security, cleaning and related services to commercial and residential buildings	Singapore	**100**	100
*	CBM Parking Pte. Ltd.	Provision of car park operation, management, civil, construction and electrical works related to parking systems and related services	Singapore	**100**	100
*	CBM International Pte. Ltd.	Investment holding and provision of consultancy services	Singapore	**100**	100
*	CBM Security Pte. Ltd.	Provision of security services, consultancy services related to security matters, supply of equipment, security escort services and facilities management services	Singapore	**100**	100
*	CBM Solutions Pte. Ltd.	Provision of consultancy and facilities management services	Singapore	**100**	100
**	CBM (Taiwan) Co., Ltd.	Carpark management services	Taiwan	**100**	100
*	CDL Land Pte Ltd	Property owner and developer	Singapore	**100**	100
*	CDL Management Services Pte. Ltd.	Provision of project and property management and consultancy services	Singapore	**100**	100
*	CDL Properties Ltd	Property owner and investment holding	Singapore	**100**	100
*	CDL Regulus Pte. Ltd.	Property owner and developer	Singapore	**100**	100
*	CDL Pegasus Pte. Ltd.	Property owner and developer	Singapore	**100**	100
*	Central Mall Pte Ltd	Property owner	Singapore	**100**	100
*	Centro Property Holding Pte. Ltd.	Property owner	Singapore	**100**	100
*	Cideco Pte. Ltd.	Property owner	Singapore	**100**	100
*	City Condominiums Pte Ltd	Property owner, developer and investment holding	Singapore	**100**	100
*	City Developments Realty Limited	Investment in shares and investment holding	Singapore	**100**	100
*	City Serviced Offices Pte. Ltd.	Operating serviced offices	Singapore	**100**	100
*	City Sunshine Holdings Pte. Ltd.	Property owner and developer	Singapore	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

43 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
	Direct/Indirect subsidiaries of the Company (cont'd)				
*	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
*	CDL Real Estate Asset Managers Pte. Ltd.	Asset management	Singapore	**100**	100
*	City REIT Management Pte. Ltd.	Investment holding	Singapore	**100**	100
*	City Strategic Equity Pte. Ltd.	Investment holding	Singapore	**100**	100
*	City Lux Pte. Ltd.	Investment holding	Singapore	**100**	100
*	City Boost Pte. Ltd.	Investment holding	Singapore	**100**	100
*	City Delta Pte. Ltd.	Investment holding	Singapore	**100**	–
*	Cityview Place Holdings Pte. Ltd.	Property owner and developer	Singapore	**100#**	100#
*	Crescent View Developments Pte. Ltd.	Property owner and developer	Singapore	**60**	60
**	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 and developer	Jersey	**100**	100
*	Glades Properties Pte. Ltd.	Property owner, developer and investment holding	Singapore	**100**	100
*	Gemini One Pte. Ltd.	Hotel operator	Singapore	**100**	100
*	Gemini One Trust	Property owner and developer	Singapore	**100**	100
*	Grange 100 Pte. Ltd.	Property owner	Singapore	**100**	100
*	Guan Realty (Private) Limited	Property owner and developer	Singapore	**100**	100
^	Hoko Mina Pty Ltd	Property owner and developer	Australia	**100**	100
*	Hong Leong Properties Pte. Limited	Property owner	Singapore	**100**	100
**	Highline Investments LP	Property owner	United Kingdom	**100**	100
**	Iconique Tokutei Mokuteki Kaisha	Asset management	Japan	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

43 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
	Direct/Indirect subsidiaries of the Company (cont'd)				
*	Ingensys Pte. Ltd.	Systems integration activities	Singapore	**100**	100
^	Jayland Properties Limited	Property owner and developer	Jersey	**100**	100
^	Landco Properties Limited	Property owner	Jersey	**100**	100
*	Land Equity Development Pte Ltd	Property owner	Singapore	**100**	100
**	Lingo Enterprises Limited	Property holding and property investment	Singapore/ Hong Kong	**100**	100
^	Melvale Holdings Limited	Investment holding and property developer	Jersey	**100**	100
**	Millennium & Copthorne Hotels Limited	Investment holding	United Kingdom	**100**	100
**	125 OBS Limited Partnership	Property holding	United Kingdom	**100**	100
*	Novel Developments Pte. Ltd.	Property owner and developer	Singapore	**100**	100
*	Pavo Properties Pte. Ltd.	Property owner and developer	Singapore	**60**	60
**	Phuket Square Co., Ltd.	Retail and hotel business	Thailand	**49##**	49##
^	Pinenorth Properties Limited	Property owner and developer	Jersey	**100**	100
^	Reselton Properties Limited	Property owner and developer	Jersey	**100**	100
*	Republic Plaza City Club (Singapore) Pte Ltd	Owner and operator of clubs	Singapore	**100**	100
^	Reach Across International Limited	Investment holding	British Virgin Islands	**100**	100
**	Shanghai Anting Waratah Real Estate Development Co., Ltd.	Property owner	People's Republic of China	**100**	100
**	Shanghai Fusion Enterprise Management Co., Ltd.	Property owner	People's Republic of China	**100**	100
**	Shanghai Galaxy Enterprise Management Co., Ltd.	Property owner	People's Republic of China	**100**	100
***	Shanghai Jingwen Zhaoxiang Real Estate Limited	Property owner and developer	People's Republic of China	**100**	100

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Year ended 31 December 2020

43 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
	Direct/Indirect subsidiaries of the Company (cont'd)				
***	Shanghai Meidao Investment Co., Ltd.	Property owner and developer	People's Republic of China	**100**	100
**	Shanghai Rainbow Enterprise Management Co., Ltd.	Property owner	People's Republic of China	**100**	100
**	Shanghai Star Enterprise Management Co., Ltd.	Property owner	People's Republic of China	**100**	100
**	Shanghai Yulan Real Estate Development Co., Ltd.	Property owner and developer	People's Republic of China	**100**	100
*	Singapura Developments (Private) Limited	Property owner, developer and investment holding	Singapore	**100**	100
*	Sunshine Plaza Pte Ltd	Property owner, developer and investment holding	Singapore	**100**	100
**	Suzhou Global City Genway Properties Co., Ltd.	Property owner and developer	People's Republic of China	**100**	100
*	Systematic Laundry & Healthcare Services Pte. Ltd.	Laundry and dry cleaning services, washing and other cleaning preparations	Singapore	**90**	90
*	Systematic Laundry & Uniform Services Pte. Ltd.	Laundry and dry cleaning services	Singapore	**90**	90
**	Tempus Platinum Investments Tokutei Mokuteki Kaisha	Property owner and developer	Japan	**100**	100
**	The Aldgate House Unit Trust	Property investment	Jersey	**100**	100
^	Trentworth Properties Limited	Property owner and developer	Jersey	**100**	100
*	Trentwell Management Pte. Ltd.	Asset management and consultancy services	Singapore	**100**	100
^	Wideachieve Holdings Limited	Investment holding	British Virgin Islands	**100**	100
Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels Limited					
**	Anchorage-Lakefront Limited Partnership	Hotel owner	USA	**100**	100
^	Archyield Limited	Hotel owner and operator	United Kingdom	**100**	100

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43 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
	Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels Limited (cont'd)				
**	Avon Wynfield LLC	Hotel owner	USA	**100**	100
**	Beijing Fortune Hotel Co., Ltd.	Hotel owner and operator	People's Republic of China	**70**	70
**	Bostonian Hotel Limited Partnership	Hotel owner	USA	**100**	100
**	Buffalo RHM Operating LLC	Hotel owner	USA	**100**	100
*	CDL Hospitality Trusts	See ### below	Singapore	**38**	37
**	CDL (New York) LLC	Hotel owner	USA	**100**	100
^	CDL Hotels (Chelsea) Limited	Hotel owner and operator	United Kingdom	**100**	100
**	CDL Hotels (Korea) Ltd.	Hotel owner and operator	Republic of Korea	**100**	100
**	CDL Hotels (Malaysia) Sdn. Bhd.	Hotel owner and operator	Malaysia	**100**	100
^	CDL Hotels (UK) Limited	Hotel owner and operator	United Kingdom	**100**	100
**	CDL Hotels USA, Inc.	Hotel investment holding company	USA	**100**	100
**	CDL Investments New Zealand Limited	Investment and property management company	New Zealand	**50**	50
**	CDL West 45th Street LLC	Hotel owner	USA	**100**	100
**	Chicago Hotel Holdings, Inc.	Hotel ownership	USA	**100**	100
*	City Hotels Pte. Ltd.	Hotel operator and investment holding company	Singapore	**100**	100
^	Copthorne Aberdeen Limited	Hotel management	United Kingdom	**83**	83
^	Copthorne Hotel (Birmingham) Limited	Hotel owner and operator	United Kingdom	**100**	100
^	Copthorne Hotel (Cardiff) Limited	Hotel owner and operator	United Kingdom	**100**	100
^	Copthorne Hotel (Effingham Park) Limited	Hotel owner and operator	United Kingdom	**100**	100
^	Copthorne Hotel (Gatwick) Limited	Hotel owner and operator	United Kingdom	**100**	100

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43 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
	Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels Limited (cont'd)				
^	Copthorne Hotel (Manchester) Limited	Hotel owner and operator	United Kingdom	**100**	100
^	Copthorne Hotel (Merry Hill) Limited	Hotel owner and operator	United Kingdom	**100**	100
^	Copthorne Hotel (Newcastle) Limited	Hotel owner and operator	United Kingdom	**96**	96
^	Copthorne Hotel (Plymouth) Limited	Hotel owner and operator	United Kingdom	**100**	100
^	Copthorne Hotel (Slough) Limited	Hotel owner and operator	United Kingdom	**100**	100
^	Copthorne Hotel Holdings Limited	Investment holding company	United Kingdom	**100**	100
^	Copthorne Hotels Limited	Hotel investment holding company	United Kingdom	**100**	100
**	Copthorne Orchid Penang Sdn. Bhd.	Hotel owner	Malaysia	**100**	100
**	Durham Operating Partnership L.P.	Hotel ownership	USA	**100**	100
**	Gateway Regal Holdings LLC	Hotel owner and operator	USA	**100**	100
**	Grand Plaza Hotel Corporation	Hotel owner and operator and investment holding company	Philippines	**66**	66
*	Harbour View Hotel Pte Ltd	Hotel operator	Singapore	**100**	100
**	Hong Leong Ginza TMK	Property owner	Japan	**100**	100
**	Hong Leong Hotel Development Limited	Hotel owner and operator	Taiwan	**84**	84
*	Hospitality Holdings Pte. Ltd.	Investment holding company	Singapore	**100**	100
^	Hotel Liverpool Limited	Property letting	United Kingdom	**100**	100
^	Hotel Liverpool Management Limited	Operating company	United Kingdom	**100**	100
*	King's Tanglin Shopping Pte. Ltd.	Property owner	Singapore	**100**	100
**	Lakeside Operating Partnership L.P.	Hotel ownership	USA	**100**	100
^	London Britannia Hotel Limited	Hotel owner and operator	United Kingdom	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

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43 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
	Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels Limited (cont'd)				
^	London Tara Hotel Limited	Hotel owner and operator	United Kingdom	**100**	100
**	M&C Crescent Interests, LLC	Property owner	USA	**100**	100
**	M&C Hotel Interests, Inc.	Hotel management services company	USA	**100**	100
**	M&C Hotels France SAS	Hotel owner	France	**100**	100
**	M&C New York (Times Square) EAT II LLC	Hotel owner	USA	**100**	100
**	M&C New York (Times Square), LLC	Investment holding	USA	**100**	100
*	M&C REIT Management Limited	REIT investment management services	Singapore	**100**	100
****	Millennium & Copthorne Hotels Management (Shanghai) Limited	Provision of hotel management and consultancy services	People's Republic of China	**100**	100
**	Millennium & Copthorne Hotels New Zealand Limited	Hotel investment holding company	New Zealand	**76**	76
*	Millennium & Copthorne International Limited	Hotels and resorts management	Singapore	**100**	100
**	Millennium CDG Paris SAS	Hotel operator	France	**100**	100
**	Millennium Hotels Italy Holdings S.r.l	Holding company	Italy	**100**	100
**	Millennium Hotels Palace Management S.r.l	Hotel operator	Italy	**100**	100
**	Millennium Hotels Property S.r.l	Hotel owner and operator	Italy	**100**	100
^	Millennium Hotels (West London) Limited	Property letting	United Kingdom	**100**	100
^	Millennium Hotels (West London) Management Limited	Hotel operator	United Kingdom	**100**	100
**	Millennium Opera Paris SAS	Hotel operator	France	**100**	100
**	PT. Millennium Sirih Jakarta Hotel	Hotel owner	Indonesia	**100**	100
*	Republic Hotels & Resorts Limited	Hotel operator and investment holding company	Singapore	**100**	100

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43 SIGNIFICANT INVESTMENTS IN SUBSIDIARIES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2020 %	2019 %
	Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels Limited (cont'd)				
*	Republic Iconic Hotel Pte. Ltd.	Hotel operator	Singapore	100	100
**	RHH Operating LLC	Hotel owner	USA	100	100
**	RHM Aurora LLC	Hotel ownership	USA	100	100
**	RHM Management LLC	Hotel ownership	USA	100	100
**	RHM Ranch LLC	Hotel owner	USA	100	100
**	RHM-88, LLC	Hotel owner and operator	USA	100	100
**	Sunnyvale Partners Ltd.	Hotel ownership	USA	100	100
**	Trimark Hotel Corporation	Hotel owner and operator	USA	100	100
**	WHB Biltmore LLC	Hotel owner and operator	USA	100	100

* Audited by KPMG LLP Singapore

** Audited by other member firms of KPMG International

*** 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

\# Relates to non-residential component. Please refer to note (a) under note 44 of the financial statements.

\## Phuket Square Co., Ltd is considered a subsidiary of the Group as the Group is exposed to variable returns from the company and has the ability to affect those returns through the management's 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 H-REIT and HBT, management has determined that the Group has control over H-REIT and HBT. The activities of H-REIT and HBT are managed by the Group's subsidiaries, M&C REIT Management Limited (H-REIT Manager) and M&C Business Trust Management Limited (HBT Trustee-Manager) respectively. H-REIT Manager has decision-making authority over H-REIT, subject to oversight by the trustee of H-REIT. HBT Trustee-Manager has dual responsibility of safeguarding the interests of the HBT unitholders and decision-making authority over HBT. The Group's overall exposure to variable returns, both from H-REIT Manager's and HBT Trustee-Manager's remuneration and the interests in H-REIT and HBT respectively, is significant and any decisions made by H-REIT Manager and HBT Trustee-Manager affect the Group's overall exposure.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

44 ASSOCIATES AND JOINT VENTURES

The following are the Group's significant investments in associates and joint ventures:

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
	Associates **Associates of the Company**				
*	Cityview Place Holdings Pte. Ltd.	Property owner and developer	Singapore	33[a]	33[a]
***	IREIT Global	REIT investment management services	Singapore	21.3[b]	12.6[b]
*	NovaSims Development Pte. Ltd.	Property developer	Singapore	40	40
**	Suzhou Dragonrise Pan- Artificial Intelligence High-Tech Fund	Venture capital investment and management	People's Republic of China	50	50
	Associate of Millennium & Copthorne Hotels Limited				
*****	First Sponsor Group Limited	Investment holding company	Singapore/ Cayman Islands	36	36
	Joint Ventures **Joint Ventures of the Company**				
^	ACC Smith Street Pty Limited	Trustee	Australia	50	50
*	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
****	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[c]	69[c]
^	FSCT DE Property 1 Real Estate GmbH & Co. KG	Property investment	Germany	43	43

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

44 ASSOCIATES AND JOINT VENTURES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
	Joint Ventures (cont'd)				
	Joint Ventures of the Company (cont'd)				
*	Granmil Holdings Pte Ltd	Property owner and developer	Singapore	40	40
^	HCP Chongqing Property Development Co., Ltd	Investment holding	Cayman Islands	63.75[d]	–
*****	HThree City Australia Pte. Ltd.	Property fund management (including REIT management and direct property fund management)	Singapore	33	33
***	IREIT Global Group Pte. Ltd.	Property fund management	Singapore	50[e]	50[e]
**	Krungthep Rimnam Limited	Hotel business	Thailand	49	49
*	Legend Quay Pte. Ltd.	Property owner and developer	Singapore	50	50
*	Legend Commercial Trust	Property owner and developer	Singapore	50	50
^	Macaulay North Melbourne Pty Ltd	Trustee	Australia	50	50
**	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	24	24
********	Shanghai CF Enterprise Group Co., Ltd	Operator of online apartment rental platform	People's Republic of China	21	21
*	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[f]	50.1[f]
*	Siena Residential Development Pte. Ltd.	Property owner and developer	Singapore	50	50
*	Siena Commercial Trust	Property owner and developer	Singapore	50	50
^	Spencer West Melbourne Pty Ltd	Trustee	Australia	50	50
*	Tomlinson Hotel Pte. Ltd.	Hotel owner	Singapore	33	33
*	Tripartite Developers Pte. Limited	Property developer	Singapore	33	33

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

44 ASSOCIATES AND JOINT VENTURES (CONT'D)

		Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
	Joint Venture of Millennium & Copthorne Hotels Limited				
^	New Unity Holdings Ltd.	Investment holding company	British Virgin Islands	50	50

* Audited by KPMG LLP Singapore

** Audited by other member firms of KPMG International

*** Audited by Deloitte & Touche LLP

**** Audited by Pan-China Certified Public Accountants LLP, Chongqing Branch

***** Audited by Ernst & Young LLP

****** Audited by BDO Unicorn Inc

******* Audited by WUYIGE Certified Public Accountants LLP

******** Audited by BDO China Shu Lun Pan Certified Public Accountants LLP

^ Not subject to audit by law of country of incorporation

(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.

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 (2019: $1,502,000) was pledged to Sunbright.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

44 ASSOCIATES AND JOINT VENTURES (CONT'D)

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.

In April 2019, the Group, through its indirect wholly-owned subsidiary, Astoria, acquired the remaining PPS units in the non-residential component of Sunbright, which holds W Hotel and Quayside Isle (Non-Residential Component) (note 39). Following the acquisition, the Group has power over the relevant activities of the Non-Residential Component, which became a wholly-owned subsidiary of the Group.

(b) In 2019, although the Group owned less than 20% of the ownership interest and voting power of the investee, the Group has determined that it had significant influence over IREIT Global because of its board representation in IREIT Global Group Pte. Ltd. (the IREIT Manager), the governing body of IREIT Global, which is a joint venture of the Group. The IREIT Manager has decision-making authority over IREIT Global, subject to oversight by the trustee of the investee. Accordingly, IREIT Global was accounted for as an associate of the Group.

During 2020, the Group through its indirect wholly-owned subsidiary, City Strategic Equity Pte. Ltd., acquired additional 8.8% of total issued units in IREIT Global. The Group's interest in the units of IREIT Global increased to 21.3% as at 31 December 2020, from 12.6% as at 31 December 2019.

(c) Although the Group holds more than 50% ownership interest in Emerging Markets Affordable Housing Fund Pte. Ltd. (the Fund), pursuant to a contractual agreement between the Group and its joint venture partner in the Fund, joint control is exercised by both parties over the relevant activities of the Fund. Accordingly, the Fund is accounted for as a joint venture of the Group.

(d) During 2020, the Group through its wholly-owned subsidiary, Sonic Investments Pte. Ltd., acquired a 63.75% equity interest in HCP Chongqing Property Development Co., Ltd (HCP), which owns 80.01% equity interest in Sincere Property Group.

Although the Group holds more than 50% ownership interest in HCP, pursuant to a contractual agreement between the Group and its joint venture partner in HCP, joint control is exercised by both parties over the relevant activities of HCP. Accordingly, HCP is accounted for as a joint venture of the Group.

(e) Although the Group holds less than 50% voting interest in the IREIT Manager, pursuant to a contractual agreement between the Group and its joint venture partner in the IREIT Manager, joint control is exercised by both parties over the relevant activities of the IREIT Manager. Accordingly, the IREIT Manager is accounted for as a joint venture of the Group.

(f) 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 relevant activities of South Beach. Accordingly, South Beach is accounted for as a joint venture of the Group.

Except as disclosed in notes 8 and 9, 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

Year ended 31 December 2020

45 SUBSEQUENT EVENTS

In February 2021, the Group acquired a collective interest of 84.6% in Shenzhen Tusincere Technology Park Development Co. Ltd., which holds 65% equity interest in Shenzhen Longgang District Qidixiexin Science and Technology Development Park Co., Ltd. from Sincere Property Group and two third parties, for a consideration of approximately S$174 million (RMB850 million). The acquisition was funded through internal cash resources.

The Group has been closely monitoring the global disruptions and uncertainty caused by the COVID-19 pandemic since early 2020. As at the date of issuance of these financial statements, the Group has considered substantially the available information in their assessment of the impact of COVID-19 on the Group. However, as the situation continues to evolve, any assumptions to assess the full impact of COVID-19 on the Group in the medium-to-longer term may not be meaningful.