HOTEL PROPERTIES LIMITED

ANNUAL REPORT 2019

contents

Cover: InterContinental Maldives Maamunagau Resort

CHAIRMAN'S STATEMENT

FINANCIAL REVIEW

For the year ended December 31, 2019, the Group recorded a revenue of $556.4 million compared to $579.5 million last year. The decrease was mainly attributable to lower contribution from the property division as the remaining completed condominium units at Tomlinson Heights development were fully sold last year. This was partially offset by better performance by the Group's hotels and resorts, particularly those in Bali, Indonesia.

The Group's share of results of associates and jointly controlled entities decreased from $92.8 million to $28.9 million for the year under review mainly due to lower profits from the Holland Park Villas development in London.

Group profit before income tax for the year ended December 31, 2019 was $84.5 million compared to $153.8 million last year. After accounting for income tax and non-controlling interests, Group net profit attributable to shareholders for the year ended December 31, 2019 was $57.1 million compared to $121.3 million last year.

RECENT DEVELOPMENTS

Hotels

Our Hotel Division grew steadily in 2019 through acquisitions, openings and upgrades of its existing properties.

The division acquired the 198-key 5-star resort - Weligama Bay Marriott Resort & Spa, situated at Weligama, Sri Lanka. The luxury hotel is centrally located near top tourist destinations of Mirissa Beach, Galle Fort, Jungle Beach and Yala National Park and boasts spectacular views of the Weligama bay. It thus affords its guests a range of nature's experience as well as luxurious hotel features for relaxation.

Over in the Maldives, the division's newly constructed InterContinental Maldives Maamunagau Resort commenced operations in September 2019. It is located close to the UNESCO Biosphere Reserve of the Baa Atoll that offers its guests easy access to the area's rich marine diversity. As the first and only all-Club InterContinental resort, its guests will also enjoy personalised services from their butlers from arrival to the island throughout their stay.

On December 1, 2019, the Maldives' renovated eco-resort Gili Lankanfushi reopened to welcome back guests to villas with new interiors and a completely revised wellness programmes to further enrich the guest experience.

The 45 refurbished villas feature open-air living spaces, roof terraces and private decks with direct access to the lagoon below, as well as the addition of new private pools to the enhanced Residence and Villa suites for ultimate seclusion. The newly added Family Villas with Pools feature two en-suite bedrooms, a private swimming pool for children, a rooftop terrace to dine and play, as well as a living room situated over the lagoon. The Private Reserve is the largest overwater villa in the Maldives. It is situated just 500m from the main island and offers four vast bedrooms in addition to a private open-air cinema, spa, gym, infinity pool and a two-storey waterslide directly into the lagoon.

Properties

In London, construction works for our joint venture project on South Bank and at Paddington Square are making good progress. Marketing and pre-letting activities have also commenced and revenue and profit will be recognised upon respective completion of the projects.

Our Bankside Yards project on the South Bank, when completed, will provide high quality residential apartments, premium commercial office accommodation, retail and a luxury hotel as well as cultural and new public open spaces around fourteen historic railway arches.

Separately, Paddington Square, our prestigious mixed use development will offer 360,000 square feet of high tech headquarters office space, four tiers of curated retail, 1.35 acres of comprehensive public realm improvements and West London's highest rooftop bar and dining experience, with views across the City skyline and Hyde Park.

PROSPECTS

The COVID-19 outbreak has cast a dark cloud over the global economy, with hospitality being one of the hardest hit industries. The Singapore Tourism Board has warned that Singapore may see a significant fall in visitor arrivals for 2020. Global travel demand has also declined as a result of precautionary measures against COVID-19 such as travel bans and trip cancellations. Nevertheless, holding a longer term view, the Group will seize attractive investment opportunities that may arise, which will further enhance the geographical diversification of our hotel portfolio.

DIVIDEND

The Board of Directors has recommended a first and final one-tier tax exempt cash dividend of 4 cents per ordinary share, and a one-tier tax exempt special dividend of 6 cents per ordinary share for the year ended December 31, 2019.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend our appreciation to our shareholders, customers, bankers, business associates and staff for their invaluable support and contribution throughout 2019. We look forward to your continuing support during this challenging time. I would also like to express my appreciation to Mr William Fu Wei Cheng, who will be retiring as a member of the Board of Directors after the conclusion of the forthcoming Annual General Meeting, for his expertise, knowledge and dedication over the years.

Arthur Tan Keng Hock
Chairman

BUSINESS
REVIEW

HOTELS

Four Seasons Resort Maldives at Kuda Huraa

BUSINESS
REVIEW

HOTELS

Weligama Bay Marriott Resort & Spa

Our Hotel Division grew steadily in 2019 through acquisitions, openings and upgrades of its existing properties.

The division acquired the 198-key 5-star resort - Weligama Bay Marriott Resort & Spa, situated at Weligama, Sri Lanka. The luxury hotel is centrally located near top tourist destinations of Mirissa Beach, Galle Fort, Jungle Beach and Yala National Park and boasts spectacular views of the Weligama bay. Discerning guests can choose to explore the lush and pristine greenery that nature has to offer or retreat to spacious hotel rooms and suites that feature indulgent bedding, marble bathrooms with oversized soaking tubs and private balconies.

Over in the Maldives, the division's newly constructed InterContinental Maldives Maamunagau Resort commenced operations in September 2019. It is located close to the UNESCO Biosphere Reserve of the Baa Atoll and accordingly it is enviably positioned for experiencing the area's rich marine diversity. With soft white sands and palm tree peppered terraces, discerning guests will be mesmerised by its natural beauty.

As the first and only all-Club InterContinental resort, every discerning guest will also enjoy personalised services from their butlers from the pre-arrival experience to a warm island welcome, complimentary food and beverages, curated throughout the island for their enjoyment.

On December 1, 2019, the Maldives' much-loved and newly renovated, eco-resort Gili Lankanfushi welcomed back its eco-conscious guests with a new interiors to guests villas and a completely revised wellness programmes to further enrich the guest experience.

The 45 refurbished villas feature open-air living spaces, roof terraces and private decks with direct access to the lagoon below, as well as the addition of new private pools to the enhanced Residence and Villa suites for ultimate seclusion. The newly added Family Villas with Pools feature two en-suite bedrooms, a private swimming pool for children, a rooftop terrace to dine and play, as well as a living room situated over the lagoon. The vast 1,700m^2 Private Reserve is the largest overwater villa in the Maldives. It is situated just 500m from the main island and offers four vast bedrooms in addition to a private open-air cinema, spa, gym, infinity pool and a two-storey waterslide directly into the lagoon.

Gili Lankanfushi was previously voted 'Best Hotel in the World' by TripAdvisor for its uniquely laidback experience and impeccable service.

Six Senses Laamu won several accolades such as 'Leading Eco Resort' at the Maldives Travel Awards, 'Reader's Choice Awards, Favourite Spa Retreat' by Condé Nast Traveller, Middle East, Harper's Bazaar Malaysia – 'Spa Awards, Best Personalised Wellness Program' and 'Best for Wildlife & Nature Conservation' at the prestigious World Tourism Market World Responsible Tourism Awards 2019 which is testament to Six Senses Laamu's philosophy of barefoot luxury with a commitment to conservation, environmental responsibility and local culture.

As the only resort in the southern Maldives' Laamu Atoll, Six Senses Laamu recognises its responsibility towards the local population and ecosystem. Six Senses Laamu's sustainability strategy of 'Local Sensitivity, Global Sensibility', includes initiatives around energy saving, seagrass conservation, waste reduction, reef protection, and wildlife conservation.

The division's Four Seasons resorts in the Maldives have also done well in 2019. Both Four Seasons Private Island Maldives at Voavah, Baa Atoll and Four Seasons Resort Maldives at Kuda Huraa defended their

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Four Seasons Resort Seychelles at Desroches Island

prestigious titles of 'Maldives' Leading Honeymoon Resort in 2019' and 'Maldives' Leading Water Villa Resort in 2019' at the World Travel Awards 2019.

Four Seasons Resort Maldives at Kuda Huraa is a beautiful island with traditional Maldivian charm. Guests can indulge in 'Healing Waters' treatments at The Island Spa, indulge in water sport activities around the island or simply explore local pristine islands, coral reefs and the hatchling rehabilitation project for baby sea turtles.

Further north, nestled within the Baa Atoll UNESCO Biosphere is TripAdvisor 2019 Travellers' Choice 'Top 10 Hotels – Maldives' winner Four Seasons Resort Maldives at Landaa Giraavaru. Presented as an unspoiled paradise hideaway where luxurious seclusion meets wild natural beauty, this verdant coral island offers a sophisticated experience for the well travelled guests.

The ultra-luxurious Four Seasons Private Island Maldives at Voavah, Baa Atoll is a private island paradise set on a five acre remote island. The seven-bedroom island has a dedicated island team of 25 staff to meet one's every need. Its private luxury

InterContinental Maldives Maamunagau Resort

yacht, *Voavah Summer* is at the disposal of guests for island hopping to diving and fishing in the nearby marine rich waters of the Baa Atoll.

In the Seychelles, its sister resort, Four Seasons Resort Seychelles at Desroches Island also won a list of awards including 'Landscaping & Outdoor Spaces' at the AHEAD MEA Awards 2019, 'Best Beach Hotel 2019' and 'Best Restaurant – Africa and Gulf States for The Lighthouse' at the International Hotel & Property Awards 2019.

Being the only resort on a captivating coral island in the middle of the Indian Ocean, guests at the luxurious Four Seasons Resort Seychelles at Desroches Island enjoy a full spectrum of activities including educational snorkel tours, diving with the blue safari team, beachside yoga classes and even interact and learn more about the Aldabra Giant Tortoise, a native species that is vulnerable to extinction at the resort's Tortoise Sanctuary.

Over in Vietnam's culturally rich central coast, Four Seasons Resort The Nam Hai, Hoi An, is idyllically located close to three extraordinary UNESCO World Heritage sites of Hoi An, My Son Sanctuary and Hue Monuments. Guests can enjoy a breezy respite on the country's most celebrated beach. Well-heeled guests can kayak, explore the glory of imperial Hue or simply savour quiet moments in their own tranquil villa.

Four Seasons Resort The Nam Hai, Hoi An, Vietnam

Hidden among the rolling hills of Tuscany lies the 50-key five-star resort COMO Castello Del Nero, Tuscany. At the heart of this historic 740-acre estate is a 12th century castle layered with Renaissance frescoes and contemporary design, with interiors designed by Paola Navone. The resort offers Michelin-starred dining experiences with estate-to-table Tuscan produce such as virgin olive oil and lavender, as well as wellness therapies crafted by the COMO Shambhala Retreat.

The divisions' other COMO property is COMO Point Yamu, Phuket. It is a resort located at the tip of Cape Yamu overlooking the Andaman Sea with the dramatic limestones of Phang Nga Bay in a distance. Designed by the well renowned Paola Navone, the luxury resort offers an expression of contemporary Thai luxury, alongside a COMO Shambhala wellness retreat and two world-class restaurants.

Today, the division has interests in 36 hotels under prestigious hospitality brands such as Four Seasons, Hilton International, COMO Hotels, InterContinental Hotels Group and Six Senses Hotels. In addition, the Group also manages its own portfolio of hotels under well-established brands such as Hard Rock Hotels and Concorde Hotels & Resorts.

PROPERTIES

BUSINESS REVIEW

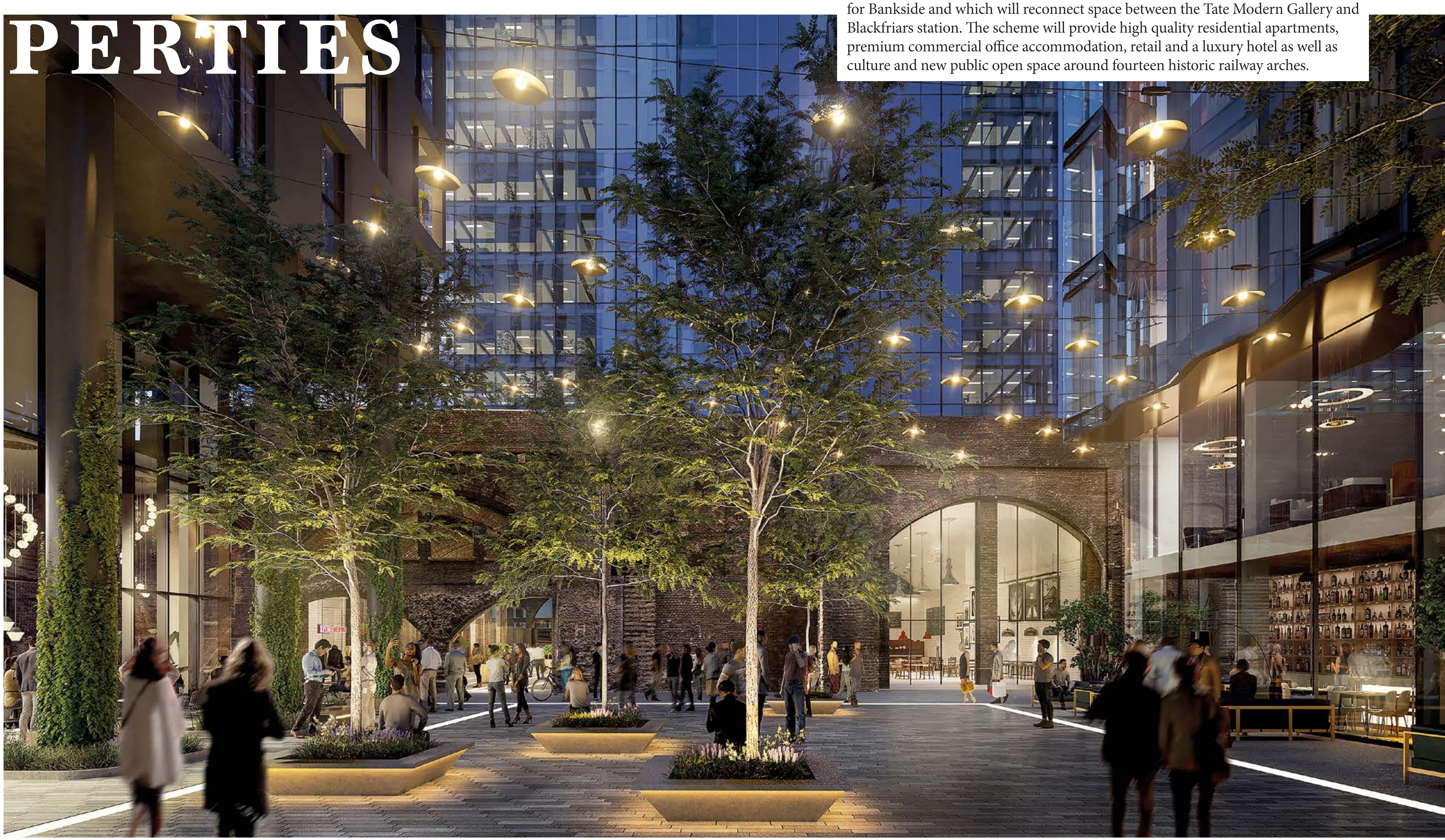
Paddington Square, London (Artist's impression)

BUSINESS REVIEW

PROPERTIES

2019 was a successful year for our London based joint venture projects. The residential schemes are substantially sold, with only a few apartments remaining and the two larger mixed used projects, which are earlier in the development lifecycle, are progressing at pace.

Our Bankside Yards project, next to the Thames, will create a new neighbourhood for Bankside and which will reconnect space between the Tate Modern Gallery and Blackfriars station. The scheme will provide high quality residential apartments, premium commercial office accommodation, retail and a luxury hotel as well as culture and new public open space around fourteen historic railway arches.



Bankside Yards, London (Artist's impression)

PROPERTIES

Burlington Gate, London

Paddington Square, London
(Artist's impression)

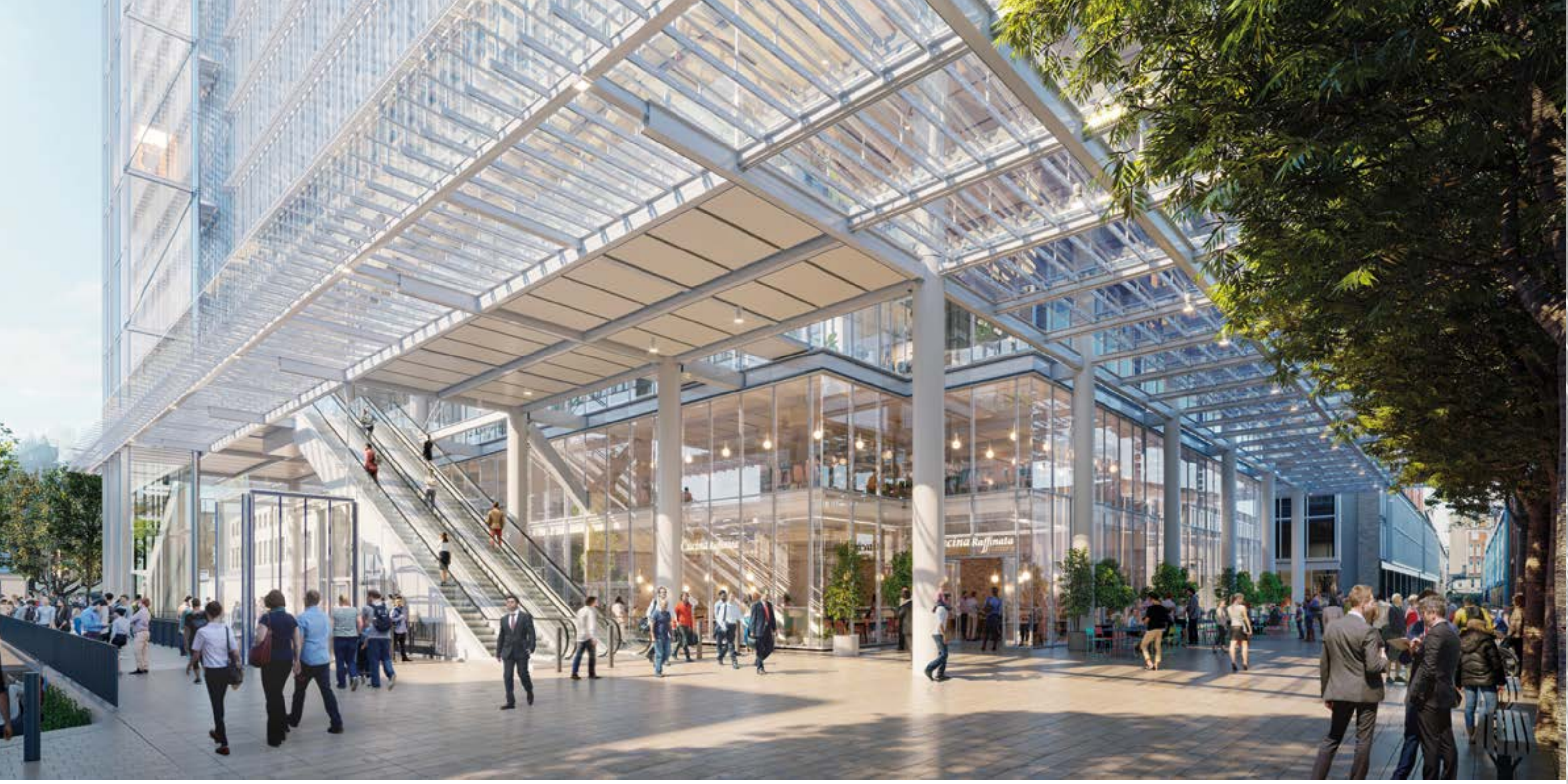
The site is being developed in phases, with sections of the Western part of the site being progressed first. Through 2019 the basement works for this side have progressed well, with approximately 60% completed. It is expected that the main contractor for above ground works will be formally appointed shortly, starting these works in the middle of 2020. Demolition of Sampson House on the Eastern half of the site has been completed and following the year end, consent was achieved for a revised planning permission giving more area and approval for a luxury hotel. Marketing and pre-letting activity for the first office building advanced during the year with interest being seen from larger prospective tenants.

Paddington Square, our prestige mixed use scheme will offer 360,000 square feet of headquarters high tech office space, four tiers of curated retail, 1.35 acres of comprehensive public realm improvements and West London's highest rooftop bar and dining experience, with views across the City skyline and Hyde Park. Development during the year on this scheme have been focussed on the ground works which have progressed well including putting in place the necessary infrastructure for a new road. The main contractor is appointed to progress the above ground stages during 2020. The appointed agents are working with the project team on seeking pre-let opportunities for both the office and retail space.

Units at the Holland Park Villas residential scheme situated overlooking Holland Park in Kensington, continued to sell during the year under review. This luxury gated development of 68 apartments and 4 penthouses offering residents facilities including a business suite, large gym, cinema room, games room and indoor swimming pool, only has two remaining apartments. Burlington Gate, located in Mayfair close to Bond Street, the hub of the fashion and the Royal Academy arts district, has also continued to market and sell its remaining units, with only one remaining now.

On the commercial front, the division owns prime commercial and retail properties such as Forum The Shopping Mall and Concorde Shopping Mall. The former is a 110,000 sq ft family-oriented mall that is primely-located at Singapore's main shopping belt and is a mere 5-minute walk away from Orchard MRT station.

Spanning over five retail levels, it caters to the needs of sophisticated shoppers and families with young children, housing global brands like CK Calvin Klein, Bao Bao Issey Miyaki, Toys "R" Us, Julia Gabriel Centre and Jamie's Italian.



Paddington Square, London (Artist's impression)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman
Arthur Tan Keng Hock

Managing Director
Ong Beng Seng

Members
Christopher Lim Tien Lock
Leslie Mah Kim Loong
David Fu Kuo Chen
Stephen Lau Buong Lik
William Fu Wei Cheng
Wong Liang Ying

NOMINATING COMMITTEE

Leslie Mah Kim Loong
David Fu Kuo Chen
Wong Liang Ying

REMUNERATION COMMITTEE

Arthur Tan Keng Hock
Ong Beng Seng
Wong Liang Ying

AUDIT COMMITTEE

Leslie Mah Kim Loong
Arthur Tan Keng Hock
Wong Liang Ying

SECRETARIES

Lo Swee Oi
Lim Guek Hong

PRINCIPAL BANKERS

OCBC Bank
DBS Bank
United Overseas Bank

AUDITORS

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

Partner-in-charge
Seah Gek Choo
(appointed on April 27, 2017)

REGISTRAR

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Singapore Land Tower
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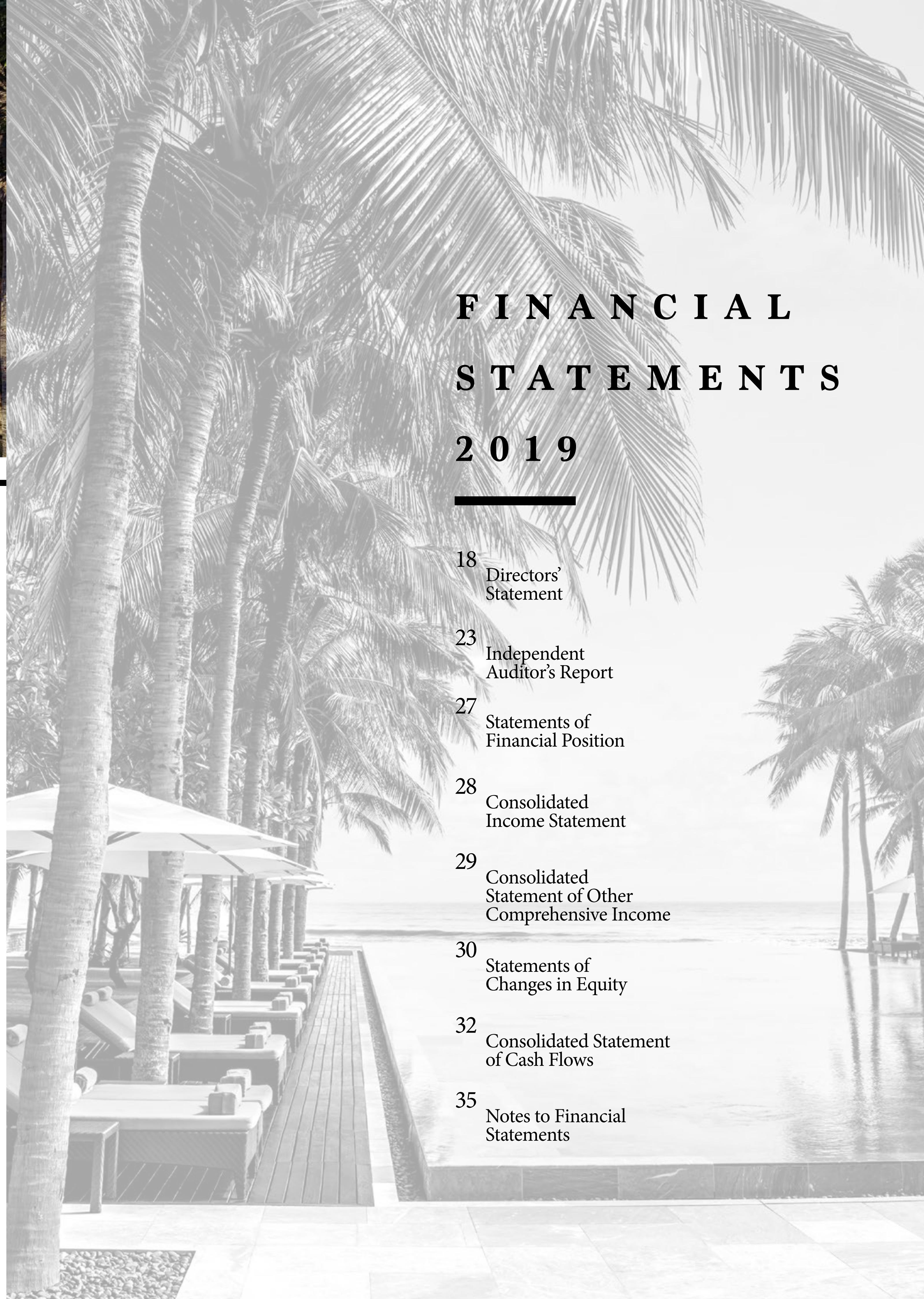

FINANCIAL STATEMENTS 2019

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2019.

In the opinion of the directors,

(a) the financial statements set out on pages 27 to 104 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2019, and the financial performance and cash flows of the Group and changes in equity of the Group and of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

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

1. DIRECTORS

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

Arthur Tan Keng Hock
Ong Beng Seng
Christopher Lim Tien Lock
Leslie Mah Kim Loong
David Fu Kuo Chen
Stephen Lau Buong Lik
William Fu Wei Cheng
Wong Liang Ying (appointed on May 28, 2019)

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

Neither at the end of the financial year nor at anytime during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except as disclosed in this statement.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of director and company in which interests are held	At beginning of year	At end of year
Shares in Hotel Properties Limited		
Ong Beng Seng	299,912,687*	315,241,487*
David Fu Kuo Chen	24,326,307	26,026,307
Christopher Lim Tien Lock	1,003,200	1,191,500
Stephen Lau Buong Lik	704,400	868,000

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

Name of director and company in which interests are held	At beginning of year	At end of year
Shares in HPL Resorts (Maldives) Private Limited		
Ong Beng Seng	10,000**	10,000**
Shares in HPL Properties (Indian Ocean) Pte Ltd, HPL Properties (Pacific Ocean) Pte Ltd and HPL Olympia Pte Ltd		
Ong Beng Seng	10**	10**
Shares in HPL Ealing Pte Ltd		
Ong Beng Seng	10**	10**
David Fu Kuo Chen	3**	3**
Shares in Great Western Enterprises Limited		
Ong Beng Seng	53,750,020**	80,750,020**
David Fu Kuo Chen	16,125,006**	24,225,006**
Options to acquire ordinary shares under the Hotel Properties Limited Share Option Schemes		
Christopher Lim Tien Lock	3,950,000	5,300,000
Stephen Lau Buong Lik	3,350,000	4,500,000
Performance shares awarded under the Hotel Properties Limited Performance Share Plan		
Christopher Lim Tien Lock	376,600	188,300
Stephen Lau Buong Lik	327,200	163,600

* As at December 31, 2019, 205,429,232 (as at January 1, 2019: 199,478,232) shares are held by other persons or bodies corporate in which the director has interest by virtue of Section 7 of the Singapore Companies Act.

** Held by other persons or bodies corporate in which the director has interest by virtue of Section 7 of the Singapore Companies Act.

By virtue of Section 7 of the Singapore Companies Act, Mr Ong Beng Seng is deemed to have an interest in the other related corporations of the Company.

There have been no changes in the above directors' interests as at January 21, 2020.

4. SHARE OPTIONS AND PERFORMANCE SHARES

The Company has a share option scheme, known as Hotel Properties Employee Share Option Scheme 2010 ("Scheme 2010"), which was approved and adopted by the shareholders on April 29, 2010. The Company has a performance share plan, known as the Hotel Properties Limited Performance Share Plan 2017 ("HPL PSP 2017"), which was approved and adopted by the shareholders on April 27, 2017.

Scheme 2010 and HPL PSP 2017 are administered by the Remuneration Committee whose current members are:

Arthur Tan Keng Hock
Ong Beng Seng
Wong Liang Ying

a) Share Options Granted

On April 2, 2019 and August 20, 2019, ("Offering Dates"), options were granted pursuant to the Scheme 2010 to executives of the Company to subscribe for 2,350,000 and 2,325,000 ordinary shares in the Company at the subscription price of $3.00 and $2.82 per ordinary share ("Offering Prices") respectively. Announcements were released to SGX-ST via SGXNET on April 2, 2019 and August 20, 2019, in accordance with Rule 704(29) of the Listing Rules.

The options may be exercised during the period from April 2, 2021 to April 1, 2029 and August 20, 2021 to August 19, 2029 respectively, both dates inclusive, by notice in writing accompanied by a remittance for the full amount of the Offering Price (subject to adjustments under certain circumstances).

The Offering Prices were set at a discount to the market price of the shares based on the average last business done price for the shares of the Company for the five consecutive market days preceding the Offering Dates or failing which, the last five market days on which there was trading in the shares of the Company before the Offering Dates.

The employees to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

No other options to take up unissued shares of the Company or any corporations in the Group was granted during the financial year.

b) Share Options Exercised

There were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares during the financial year.

4. SHARE OPTIONS AND PERFORMANCE SHARES (CONT'D)

c) Unissued Shares Under Option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option except as follows:

Date of grant	Number of Share Options			Exercise price	Exercise period
	Balance at 1/1/19	Granted	Balance at 31/12/19		
03/07/2014	3,400,000	-	3,400,000	$3.21	03/07/2016 – 02/07/2024
06/01/2015	3,500,000	-	3,500,000	$3.24	06/01/2017 – 05/01/2025
28/08/2015	2,525,000	-	2,525,000	$2.90	28/08/2017 – 27/08/2025
11/03/2016	2,400,000	-	2,400,000	$2.82	11/03/2018 – 10/03/2026
16/08/2017	2,400,000	-	2,400,000	$3.10	16/08/2019 – 15/08/2027
02/04/2019	-	2,350,000	2,350,000	$3.00	02/04/2021 – 01/04/2029
20/08/2019	-	2,325,000	2,325,000	$2.82	20/08/2021 – 19/08/2029
Total	14,225,000	4,675,000	18,900,000		

d) The information on directors of the Company participating in Scheme 2010 is as follows:

Name of director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of the financial year	Aggregate options exercised/lapsed since commencement of the Scheme to the end of the financial year	Aggregate options outstanding at the end of the financial year
Christopher Lim Tien Lock	1,350,000	6,650,000	1,350,000	5,300,000
Stephen Lau Buong Lik	1,150,000	5,550,000	1,050,000	4,500,000

Other than those disclosed above, no participant has received 5% or more of the total number of options available under Scheme 2010.

No options under Scheme 2010 were granted to controlling shareholders or their associates.

e) Awards under Performance Share Plan

Details of the movement in the awards of the Company are as follows:

Year of award	Granted	Released	Balance as at December 31, 2019	
	No. of shares	No. of shares	No. of holders	No. of shares
2015	2,111,400	1,759,500	2	351,900
Total	2,111,400	1,759,500		351,900

5. AUDIT COMMITTEE

The Audit Committee ("AC") currently comprises three non-executive independent directors namely, Mr Leslie Mah Kim Loong, Mr Arthur Tan Keng Hock and Mr Wong Liang Ying, all of whom are independent directors. The AC is chaired by Mr Leslie Mah Kim Loong. The AC has held four meetings since the last Annual General Meeting and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

- the audit plans and results of the internal auditors' examination and evaluation of the Group's system of internal accounting controls;
- the audit plans of the external auditors;
- the quarterly and full year announcements of the results and financial position of the Company and the Group and the financial statements of the Company and consolidated financial statements of the Group prior to their submission to the board of directors;
- interested person transactions;
- the co-operation given by the Company's officers to the internal and external auditors; and
- the re-appointment of the external auditors of the Group.

The AC received co-operation from the management and was not obstructed or impeded by the management in carrying out its functions during the year. The AC has full discretion to invite any director or executive officer of the Company to attend its meetings.

The AC has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting of the Company.

6. AUDITORS

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

ON BEHALF OF THE DIRECTORS

Arthur Tan Keng Hock

Ong Beng Seng

March 31, 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOTEL PROPERTIES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hotel Properties 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 December 31, 2019, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 27 to 104.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I) s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Valuation for investment properties

Investment properties of the Group comprise commercial properties located in Singapore which amounted to $709.5 million as at December 31, 2019. These investment properties are stated at fair values based on independent external valuations carried out by independent valuers based on income capitalisation approach and direct comparison method. The valuation of investment properties requires significant judgement and estimation. The valuation involves judgement in selecting an appropriate valuation methodology and estimates which are used in the underlying assumptions. These estimates include rate of capitalisation, rental growth, discount rates and adjustments made for differences between the subject properties and comparables taking into consideration differences such as location, size and tenure.

Our audit performed and responses thereon

Our audit procedures included understanding management's process in selecting the external valuers with the appropriate knowledge and experience and how the valuation reports are used in determining the fair values for accounting purpose. We evaluated the qualifications and competence of the external valuers.

We involved our valuation specialists to understand the valuation methodologies used and the underlying assumptions and test the inputs used in the valuation to rental agreements where appropriate, and challenge the capitalisation, discount, and terminal yield rates for the subject properties based on income capitalisation method. We also evaluated the reasons underlying the directional movement of fair value for the subject properties based on direct comparison method.

We noted that the Group has a process to select valuers with appropriate knowledge and to review and accept the valuations. We are satisfied with the competency and objectivity of the valuers selected. We noted the valuation methodologies used are in line with general market practices and the key assumptions, including capitalisation, rental growth and discount rates, used in the valuations are also within a reasonable range. We have also assessed the disclosures in the financial statements to be appropriate.

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOTEL PROPERTIES LIMITED

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Seah Gek Choo.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 31, 2020

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
ASSETS					
Current assets:					
Cash and bank balances	6	192,257	118,284	102,726	51,296
Held-for-trading investments	7	3,218	24,103	-	-
Trade and other receivables	8	64,716	40,210	17,088	2,692
Amount due from associates and jointly controlled entities	11	117,279	118,200	5,217	5,217
Amount due from subsidiaries	14	-	-	915,144	779,013
Inventories	9	12,475	9,612	147	178
Completed properties held for sale	10	10,424	10,505	-	-
Derivative financial instruments	21	6,159	-	6,159	-
Total current assets		406,528	320,914	1,046,481	838,396
Non-current assets:					
Associates and jointly controlled entities	11	546,922	519,166	-	-
Subsidiaries	14	-	-	561,372	528,985
Investments	15	206,455	128,163	-	-
Property, plant and equipment	16	1,627,271	1,446,067	223,049	224,396
Investment properties	17	709,515	705,570	-	-
Derivative financial instruments	21	8,020	16,245	8,020	16,245
Deferred tax assets	22	3,283	3,391	-	-
Intangible assets	18	21,017	15,410	-	-
Total non-current assets		3,122,483	2,834,012	792,441	769,626
Total assets		**3,529,011**	**3,154,926**	**1,838,922**	**1,608,022**
LIABILITIES AND EQUITY					
Current liabilities:					
Short-term borrowings	19	156,606	95,663	99,988	49,986
Trade and other payables	20	144,923	150,186	20,217	29,736
Amount due to subsidiaries	14	-	-	40,800	44,456
Income tax payable		15,233	18,736	1,925	14
Total current liabilities		316,762	264,585	162,930	124,192
Non-current liabilities:					
Advances from subsidiaries	14	-	-	282,356	93,031
Long-term borrowings	19	700,037	616,743	168,498	332,706
Long-term lease liabilities	23	92,962	-	-	-
Deferred tax liabilities	22	20,387	17,330	644	767
Total non-current liabilities		813,386	634,073	451,498	426,504
Share capital and reserves:					
Share capital	24	724,043	722,593	724,043	722,593
Treasury shares	25	(841)	-	(841)	-
Reserves		1,268,564	1,278,765	193,326	185,980
Equity attributable to owners of the Company		1,991,766	2,001,358	916,528	908,573
Perpetual capital securities	27	307,966	148,753	307,966	148,753
		2,299,732	2,150,111	1,224,494	1,057,326
Non-controlling interests		99,131	106,157	-	-
Total equity		2,398,863	2,256,268	1,224,494	1,057,326
Total liabilities and equity		**3,529,011**	**3,154,926**	**1,838,922**	**1,608,022**

See accompanying notes to financial statements.

CONSOLIDATED INCOME STATEMENT

YEAR ENDED DECEMBER 31, 2019

	Note	Group 2019 $'000	Group 2018 $'000
Revenue	28	556,359	579,473
Cost of sales		(418,645)	(430,669)
Gross profit		137,714	148,804
Other operating income	29	38,588	15,814
Administrative expenses		(69,325)	(75,056)
Other operating expenses	29	(16,816)	(4,298)
Finance costs		(38,456)	(27,479)
Share of results of associates and jointly controlled entities		28,898	92,756
Profit before income tax and fair value changes in investment properties		80,603	150,541
Net fair value gain in investment properties	17	3,945	3,211
Profit before income tax	29	84,548	153,752
Income tax expense	30	(29,860)	(29,066)
Profit for the year		54,688	124,686
Attributable to:			
Owners of the Company	31	57,143	121,323
Non-controlling interests		(2,455)	3,363
		54,688	124,686
Earnings per share (Cents):	31		
- basic		9.37	21.96
- diluted		9.35	21.90

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2019

	Group 2019 $'000	Group 2018 $'000
Profit for the year	54,688	124,686
Other comprehensive income (loss), net of tax:		
Item that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit obligation	(504)	226
Decrease in other reserves	(2,531)	-
	(3,035)	226
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	9,765	13,081
Increase (Decrease) in other reserves	42	(58)
Share of other comprehensive income (loss) of associates and jointly controlled entities	11,926	(16,073)
	21,733	(3,050)
Total comprehensive income for the year	**73,386**	**121,862**
Attributable to:		
Owners of the Company	75,916	118,463
Non-controlling interests	(2,530)	3,399
	73,386	121,862

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2019

Group	Share capital $'000	Treasury shares $'000	Retained profits $'000	Other reserves $'000	Attributable to owners of the Company $'000	Perpetual capital securities $'000	Subtotal $'000	Non-controlling interests $'000	Total equity $'000
				(Note 26)					
Balance as at January 1, 2018	721,143	-	1,234,307	(14,668)	1,940,782	148,753	2,089,535	95,208	2,184,743
Total comprehensive income (loss) for the year									
Profit for the year	-	-	121,323	-	121,323	-	121,323	3,363	124,686
Other comprehensive income (loss) for the year	-	-	216	(3,076)	(2,860)	-	(2,860)	36	(2,824)
Total	-	-	121,539	(3,076)	118,463	-	118,463	3,399	121,862
Transactions with owners, recognised directly in equity									
Recognition of share-based payments	-	-	-	1,167	1,167	-	1,167	-	1,167
Dividends (Note 32)	-	-	(52,079)	-	(52,079)	-	(52,079)	-	(52,079)
Net movement during the year	-	-	-	-	-	-	-	7,550	7,550
Issue of shares	1,450	-	-	(1,450)	-	-	-	-	-
Total	1,450	-	(52,079)	(283)	(50,912)	-	(50,912)	7,550	(43,362)
Distribution to perpetual capital securities holders	-	-	(6,975)	-	(6,975)	-	(6,975)	-	(6,975)
Balance as at December 31, 2018	**722,593**	**-**	**1,296,792**	**(18,027)**	**2,001,358**	**148,753**	**2,150,111**	**106,157**	**2,256,268**
Effect of adoption of SFRS(I) 16	-	-	(22,806)	-	(22,806)	-	(22,806)	(8,192)	(30,998)
Balance as at January 1, 2019, as restated	722,593	-	1,273,986	(18,027)	1,978,552	148,753	2,127,305	97,965	2,225,270
Total comprehensive income (loss) for the year									
Profit (Loss) for the year	-	-	57,143	-	57,143	-	57,143	(2,455)	54,688
Other comprehensive income (loss) for the year	-	-	(504)	19,277	18,773	-	18,773	(75)	18,698
Total	-	-	56,639	19,277	75,916	-	75,916	(2,530)	73,386
Transactions with owners, recognised directly in equity									
Recognition of share-based payments	-	-	-	1,000	1,000	-	1,000	-	1,000
Dividends (Note 32)	-	-	(52,114)	-	(52,114)	-	(52,114)	-	(52,114)
Acquisition of additional interest in a subsidiary from non-controlling interests	-	-	-	(3,772)	(3,772)	-	(3,772)	(3,228)	(7,000)
Net movement during the year	-	-	-	-	-	-	-	6,924	6,924
Issue of shares	1,450	-	-	(1,450)	-	-	-	-	-
Purchase of treasury shares	-	(841)	-	-	(841)	-	(841)	-	(841)
Total	1,450	(841)	(52,114)	(4,222)	(55,727)	-	(55,727)	3,696	(52,031)
Issue of perpetual capital securities	-	-	-	-	-	159,213	159,213	-	159,213
Distribution to perpetual capital securities holders	-	-	(6,975)	-	(6,975)	-	(6,975)	-	(6,975)
Balance as at December 31, 2019	**724,043**	**(841)**	**1,271,536**	**(2,972)**	**1,991,766**	**307,966**	**2,299,732**	**99,131**	**2,398,863**

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2019 (CONT'D)

Company	Share capital $'000	Treasury shares $'000	Retained profits $'000	Other reserves $'000	Attributable to owners of the Company $'000	Perpetual capital securities $'000	Total equity $'000
				(Note 26)			
Balance as at January 1, 2018	721,143	-	174,982	11,520	907,645	148,753	1,056,398
Total comprehensive income for the year							
Profit for the year	-	-	58,745	-	58,745	-	58,745
Other comprehensive income for the year	-	-	-	70	70	-	70
Total	-	-	58,745	70	58,815	-	58,815
Transactions with owners, recognised directly in equity							
Recognition of share-based payments	-	-	-	1,167	1,167	-	1,167
Dividends (Note 32)	-	-	(52,079)	-	(52,079)	-	(52,079)
Issue of shares	1,450	-	-	(1,450)	-	-	-
Total	1,450	-	(52,079)	(283)	(50,912)	-	(50,912)
Distribution to perpetual capital securities holders	-	-	(6,975)	-	(6,975)	-	(6,975)
Balance as at December 31, 2018	**722,593**	**-**	**174,673**	**11,307**	**908,573**	**148,753**	**1,057,326**
Total comprehensive income (loss) for the year							
Profit for the year	-	-	67,081	-	67,081	-	67,081
Other comprehensive loss for the year	-	-	-	(196)	(196)	-	(196)
Total	-	-	67,081	(196)	66,885	-	66,885
Transactions with owners, recognised directly in equity							
Recognition of share-based payments	-	-	-	1,000	1,000	-	1,000
Dividends (Note 32)	-	-	(52,114)	-	(52,114)	-	(52,114)
Issue of shares	1,450	-	-	(1,450)	-	-	-
Purchase of treasury shares	-	(841)	-	-	(841)	-	(841)
Total	1,450	(841)	(52,114)	(450)	(51,955)	-	(51,955)
Issue of perpetual capital securities	-	-	-	-	-	159,213	159,213
Distribution to perpetual capital securities holders	-	-	(6,975)	-	(6,975)	-	(6,975)
Balance as at December 31, 2019	**724,043**	**(841)**	**182,665**	**10,661**	**916,528**	**307,966**	**1,224,494**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	Group	
	2019 $'000	**2018 $'000**
Cash flows from operating activities:		
Profit before income tax and share of results of associates and jointly controlled entities	55,650	60,996
Adjustments for:		
Amortisation of intangible assets	261	307
Depreciation expense	72,698	62,547
Share-based payment expense	1,000	1,167
Net fair value gain in investment properties	(3,945)	(3,211)
Net fair value (gain) loss in held-for-trading investments	(2,648)	294
Net fair value loss (gain) in investments	8,900	(4,041)
Net (gain) loss on disposal of property, plant and equipment	(136)	8
Finance costs	38,456	27,479
Interest income	(900)	(1,552)
Dividend income	(2,324)	(1,346)
Profit before working capital changes	167,012	142,648
Trade and other payables	(7,980)	16,111
Completed properties held for sale	842	32,045
Trade and other receivables	(12,918)	27,742
Held-for-trading investments	23,533	(24,397)
Inventories	(2,774)	42
Cash generated from operations	167,715	194,191
Dividend received	2,324	1,346
Income tax paid	(36,063)	(40,312)
Net cash from operating activities	133,976	155,225
Cash flows (used in) from investing activities:		
Acquisition of interest in subsidiary (see Note A below)	(31,286)	-
Acquisition of additional interests in subsidiary	(7,000)	-
Additional property, plant and equipment	(108,495)	(123,840)
Net additional investments	(90,384)	(30,967)
Deposits placed for investments	(13,858)	-
Net receipts from associates and jointly controlled entities*	9,553	280,559
Proceeds from disposal of investments	-	180
Proceeds from disposal of property, plant and equipment	666	783
Net cash (used in) from investing activities	(240,804)	126,715

* Includes interest income of $131,000 (2018: $147,000) and dividend income of $84,915,000 (2018: $204,176,000) received from associates and jointly controlled entities during the year.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019 (CONT'D)

	Group	
	2019 $'000	**2018 $'000**
Cash flows from (used in) financing activities:		
Interest received	900	1,552
Finance costs paid	(36,932)	(28,597)
Repayment of lease liabilities	(920)	-
Dividend paid	(52,114)	(52,079)
Distribution to perpetual capital securities holders	(6,975)	(6,975)
Net receipts from non-controlling shareholders	7,734	6,518
Additional borrowings	264,162	216,985
Repayment of borrowings	(153,781)	(514,431)
Purchase of treasury shares	(841)	-
Net proceeds from issue of perpetual capital securities	159,213	-
Net cash from (used in) financing activities	180,446	(377,027)
Net increase (decrease) in cash and cash equivalents	73,618	(95,087)
Cash and cash equivalents at beginning of year	113,992	207,597
Effect of exchange rate changes on cash balances held in foreign currencies	393	1,482
Cash and cash equivalents at end of year	**188,003**	**113,992**

The cash and cash equivalents as at December 31, 2019, for the purposes of Consolidated Statement of Cash Flows, comprise cash and bank balances less deposits pledged to banks (Note 6).

Note A

Summary of cash outflow arising from acquisition of interest in a subsidiary

	$'000
Current assets	2,002
Current liabilities	(8,515)
Net current assets	(6,513)
Other non-current assets	77,241
Other non-current liabilities	(44,468)
	26,260
Goodwill (Note 18)	5,599
Purchase consideration	31,859
Cash of subsidiary acquired	(573)
Cash outflow arising from acquisition of interest in a subsidiary	31,286

If the acquisition had been completed at the beginning of the previous financial year, the Group's revenue and profit for the previous financial year would have been $561.1 million and $56.3 million respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019 (CONT'D)

Reconciliation of liabilities arising from financing activities

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

	Group	
	2019 $'000	**2018 $'000**
Borrowings, lease liabilities and interest payable:		
As at beginning of the year	715,484	1,009,534
Adoption of SFRS(I) 16	91,848	-
	807,332	1,009,534
Acquisition of subsidiary	38,648	-
New lease liabilities	3,121	-
Financing cash flows [1]	72,529	(326,043)
Finance costs	38,456	27,479
Foreign exchange movement	(5,284)	5,510
Other changes	(320)	(996)
As at end of the year	954,482	715,484

Note:

(1) The cash flows make up the net amount of additional borrowings, repayment of borrowings, finance costs paid and repayment of lease liabilities in the consolidated statement of cash flows. Total cash outflow for leases in 2019 was $10,744,000.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. GENERAL

The Company (Registration No. 198000348Z) is incorporated in the Republic of Singapore with its principal place of business and registered office at 50 Cuscaden Road, #08-01 HPL House, Singapore 249724. The principal place of business for the hotel operations of Hilton Singapore is at 581 Orchard Road, Singapore 238883. The Company is listed on the Singapore Exchange Securities Limited. The financial statements are expressed in Singapore dollars.

The principal activities of the Company are those of a hotelier and an investment holding company. The principal activities of subsidiaries, significant associates and jointly controlled entities are described in Notes 36, 37 and 38 respectively to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2019 were authorised for issue by the Board of Directors on March 31, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payments*, leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

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

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

ADOPTION OF NEW AND REVISED STANDARDS – The Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations and effective for annual periods beginning on or after January 1, 2019. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as discussed below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

SFRS(I) 16 *Leases*

SFRS(I) 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It superseded the following standards and Interpretations upon its effective date:

- SFRS(I) 1-17 *Leases*;
- SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*;
- SFRS(I) INT 1-15 *Operating Leases—Incentives*; and
- SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's consolidated financial statements is described below.

The date of initial application of SFRS(I) 16 for the Group is January 1, 2019.

The Group has applied SFRS(I) 16 using the cumulative catch-up approach which:

- requires the Group to recognise the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and
- does not permit restatement of comparatives, which continue to be presented under SFRS(I) 1-17 and SFRS(I) INT 4.

a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 and SFRS(I) INT 4 will continue to be applied to those leases entered or changed before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in SFRS(I) 1-17 and SFRS(I) INT 4.

The Group applies the definition of a lease and related guidance set out in SFRS(I) 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in SFRS(I) 16 does not significantly change the assessment of contracts that meet the definition of a lease for the Group.

(b) Impact on lessee accounting

Former operating leases

SFRS(I) 16 changes how the Group accounts for leases previously classified as operating leases under SFRS(I) 1-17, which were off-balance-sheet.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Applying SFRS(I) 16, for all leases, the Group:

a) Recognises right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with SFRS(I) 16;

b) Recognises depreciation of right-of-use assets and finance costs on lease liabilities in the consolidated statement of profit or loss; and

c) Separates the total amount of cash paid into a principal portion and finance costs (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under SFRS(I) 16, right-of-use assets are tested for impairment in accordance with SFRS 1-36 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value, the Group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within administrative expenses in the consolidated statement of profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying SFRS(I) 1-17:

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

The right-of-use asset and the lease liability are accounted for applying SFRS(I) 16 from January 1, 2019.

(c) Impact on lessor accounting

SFRS(I) 16 does not change substantially how a lessor accounts for leases. Under SFRS(I) 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, SFRS(I) 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial impact of initial application of SFRS(I) 16

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on January 1, 2019 is 12%.

The following table shows the operating lease commitments disclosed applying SFRS(I) 1-17 at December 31, 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	2019 **$'000**
Operating lease commitments at December 31, 2018	352,003
Less: Short-term leases and leases of low value assets	(205)
Less: Effect of discounting the above amounts	(259,950)
Lease liabilities recognised at January 1, 2019	91,848

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Consequently, right-of-use assets of $92.9 million were recognised on January 1, 2019, prepayments decreased by $3.7 million and the net impact on retained earnings of $22.8 million was recognised on January 1, 2019.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

All significant intra-group transactions and balances are eliminated on consolidation.

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

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

BUSINESS COMBINATION – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of each acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed by the Group, and any equity interests issued by the Group, in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair values, with changes in fair values recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I)s are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with SFRS(I) 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

For the acquisition of an asset or a group of assets that does not constitute a business, the Group identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in SFRS(I) 1-38 *Intangible Assets*) and liabilities assumed. The cost of acquisition is allocated to the individual assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

<u>Financial assets</u>

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

<u>Classification of financial assets</u>

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVTOCI); and
- Fair value through profit or loss (FVTPL).

Financial assets classified as at amortised cost

These mainly comprise cash and cash equivalents and trade and other receivables.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. Interest income is recognised in profit or loss.

Debt instruments classified as measured at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair value is determined in the manner described in the respective note to financial statements. These debt instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these debt instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debt instruments recognised in other comprehensive income and accumulated under the heading of other capital reserve. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an investment-by-investment basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3 applies.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Movements in fair values of investments classified as FVTOCI are taken to "other reserves" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- The Group classified all debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria as FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as FVTPL upon initial recognition if such designation eliminate or significantly reduce any measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. Fair value is determined in the manner described in the respective notes to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets

The Group recognises a loss allowance for expected credit loss ("ECL") on financial assets at amortised costs and debt instruments measured at FVTOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The ECL on trade receivables are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets, the Group measures the loss allowance based on lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-months ECL ("12m ECL"). The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely the hotel and residential properties development industries.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- significant increases in credit risk on other financial instruments of the same debtor.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event;
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in other capital reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in other capital reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

<u>Financial liabilities and equity instruments</u>

<u>Classification as debt or equity</u>

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

<u>Equity instruments</u>

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

<u>Financial liabilities</u>

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

<u>Derivative financial instruments</u>

The Group uses derivative financial instruments such as cross currency swaps to hedge its risks associated with exchange rate fluctuations. The Group maintains natural hedges, whenever possible, by borrowing in currencies that match the future revenue stream to be generated from its investments. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

<u>Hedge accounting</u>

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in cash flow hedges or hedges of net investments in foreign operations as appropriate.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. If the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the exchange fluctuation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in the same line as the hedged item in profit or loss when the hedging instrument hedges an equity instrument designated at FVTPL.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group and the Company have a legally enforceable right to set off the recognised amounts; and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

INVENTORIES – Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the moving average/first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

DEVELOPMENT PROPERTIES – Development properties for sale are stated at cost. The cost of property under development includes land cost, acquisition costs, development expenditure and other related expenditure.

Revenue is recognised when control over the property has been transferred to the customer, either over time or at a point in time, depending on the contractual terms.

For development properties whereby the Group is restricted contractually from directing the properties for another use as they are being developed and has an enforceable right to payment for performance completed to date, revenue is recognised over time.

For development properties whereby the Group has no enforceable right to payment until legal title has passed to the customer, revenue is recognised when the legal title has been transferred to the customer. The revenue is measured at the transaction price agreed under the contract.

COMPLETED PROPERTIES HELD FOR SALE – Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is calculated using the specific identification method. Net realisable value represents the estimated selling price less all estimated costs to be incurred in the marketing and selling.

ASSOCIATES AND JOINTLY CONTROLLED ENTITIES – An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The results and assets and liabilities of associates and jointly controlled entities (collectively referred to as "equity accounted investees") are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5. Under the equity method, investments in equity accounted investees are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the investees. Losses of an investee in excess of the Group's interest in that investee (which includes any long-term interests that, in substance, form part of the Group's net investment in the investee) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

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

The requirements of SFRS(I) 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an equity accounted investee. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an equity accounted investee, or when the investment is classified as held for sale. When the Group retains an interest in the former investee and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the equity accounted investee at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the equity accounted investee is included in the determination of the gain or loss on disposal of the investee. In addition, the Group reclassifies to profit or loss all amounts previously recognised in other comprehensive income in relation to that investee on the same basis as would have been required if that investee had directly disposed of the related assets or liabilities.

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

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

Where a group entity transacts with an equity accounted investee of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant equity accounted investees.

The gain or loss arising on the disposal of an equity accounted investee of the Group is determined as the difference between the sales proceeds and its net carrying amount and is recognised in profit or loss. Amounts previously recognised in other comprehensive income in relation to the equity accounted investee are reclassified from equity to profit or loss (as a reclassification adjustment) upon disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are stated at cost or valuation, less accumulated depreciation and any accumulated impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Properties in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Operating equipment is written off based on periodic physical inventory counts. Depreciation is charged so as to write off the cost of assets, other than freehold and long-term leasehold land and construction-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold land and property	- 19 to 89 years
Buildings and improvements	- 5 to 50 years
Plant and equipment, furniture, fixtures and fittings	- 3 to 20 years

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

Depreciation is not provided on freehold and long-term leasehold land and construction-in-progress. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss. On the sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained profits.

INVESTMENT PROPERTIES – Investment properties are held on a long-term basis for investment potential and income. Investment properties are measured initially at their cost, including transaction cost. Subsequent to initial recognition, investment properties are stated at their fair values based on valuation performed by professional valuers on an open market value basis. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss for the period in which they arise.

INTANGIBLE ASSETS – These comprise goodwill and franchise rights. Franchise rights are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over the estimated useful lives of 20 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

LEASES – Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

When a contract includes lease and non-lease components, the Group applies SFRS(I) 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

<u>After January 1, 2019</u>

As a lessee, the Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Lease payments included in the measurement of the lease liability comprise of the following, where applicable:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The carrying amount of the lease liability includes interest on the lease liability (computed using the effective interest method) and the carrying amount will be reduced when the lease payments are made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as part of property, plant and equipment in the statement of financial position.

The Group applies SFRS(I) 1-36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating expenses' in the statement of profit or loss.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Before January 1, 2019

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

Assets held under finance leases are recognised as assets of the Group at their fair values at the inception of the lease, or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's accounting policy for borrowing costs.

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received or receivable as an incentive to enter into an operating lease are also spread over on a straight-line basis over the lease term.

Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligations. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation, and is discounted to present value where the effect is material.

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

SHARE-BASED PAYMENTS – The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest.

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

a) Sales other than revenue from development properties are recognised when the control of the goods or services underlying the particular performance obligation is transferred to the customer;
b) Revenue from development properties is recognised in accordance with the Group's accounting policy on development properties (see above);
c) Hotel room revenue is recognised at a point in time based on room occupancy while other hotel revenue are recognised at a point in time when the goods are delivered or the services are rendered to the customers;
d) Rental income is recognised on a straight-line basis over the term of the relevant lease;
e) Management fee income is recognised when services are rendered;
f) Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable; and
g) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

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

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined by actuarial valuations carried out at the end of each reporting period. Remeasurement, comprising actuarial gains or losses, is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in the other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in the profit or loss in the period of a plan amendment.

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates (and tax laws) that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except where they arise from the initial accounting for a business combination, in which case the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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

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

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in exchange fluctuation reserve (attributed to non-controlling interest, as appropriate). Such reserves are reclassified from equity to profit or loss (as a reclassification adjustment) on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with SFRS(I)s requires the exercise of judgement, the use of estimates and assumptions concerning the future by management.

The Group on its own or in reliance on third party experts, applies estimates, judgements and assumptions in various areas including the following:

i) Level of impairment of tangible and intangible assets.
Determining whether an asset is impaired requires an estimation of the recoverable amount of this asset. The recoverable amount of the asset is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is largely based on the fair value of the asset determined by independent professional valuer. The value in use calculation requires the Group to estimate the future cash flows expected from the investment and an appropriate discount rate in order to calculate the present value of the future cash flows. The net realisable value of completed properties held for sale is estimated based on recent transacted sales of the existing units as well as similar properties in the surrounding location. The assessment is performed on a unit-by-unit basis taking into consideration the location and type of the underlying unit.

ii) Determination of fair value of unquoted investments, investment properties and financial derivatives, where the details are described in Notes 15, 17 and 4 respectively.

iii) Assessment of adequacy of provision for income taxes.
The Group is subject to income taxes in numerous jurisdictions. Judgement is involved in determining the group-wide provision for income taxes. The Group recognises the expected liabilities for tax based on an estimation of the likely taxes due, which requires judgement as to the ultimate tax determination of certain items, where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the period when such determination is made.

These estimates, judgements and assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The carrying amounts of the above are disclosed in the respective notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial assets				
Financial assets at amortised cost	336,618	259,107	1,443,210	1,234,752
Financial assets measured at FVTPL	208,452	148,524	-	-
Derivative financial instruments				
Designated in hedge accounting relationships	14,179	16,245	6,159	7,201
Not designated in hedge accounting relationships	-	-	8,020	9,044
Financial assets at FVTOCI				
Equity shares designated at FVTOCI	216	2,779	-	-
Debt instruments measured at FVTOCI	1,005	963	-	-
Financial liabilities				
Financial liabilities at amortised cost	1,000,684	862,592	611,830	549,915
Lease liabilities	93,844	-	29	-

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, credit risk, liquidity risk and market risk. The policies for managing each of these risks are summarised below.

Interest rate risk management

The Group's and the Company's exposure to the risk of changes in interest rates relates mainly to bank borrowings and advances to and from subsidiaries respectively. The Group actively reviews its debt portfolio to achieve the most favourable interest rates available. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. Hedging instruments such as interest rate swaps are also used where appropriate to minimise its exposure to interest rate volatility.

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposures to interest rates for significant non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

At the end of the reporting period, it is estimated that a 50 basis point increase/decrease in interest rates would decrease/increase the Group's and the Company's profit before tax by approximately $3.3 million and $0.3 million respectively (2018: $2.3 million and $0.02 million respectively).

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

Foreign exchange risk management

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to United States dollars, Sterling pounds, Euro dollars, Malaysian ringgit and Japanese yen.

The Group maintains natural hedges, whenever possible, by borrowing in currencies that match the future revenue stream to be generated from its investments. Hedging instruments such as cross currency swaps are also used where appropriate to hedge its exposure to foreign exchange risk. Further details on the cross currency swaps are found in Note 21 to the financial statements.

At the reporting date, the significant carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies, after taking into consideration the cross currency swaps, are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**
United States dollars	245,658	134,934	234,170	109,730	69,100	101,383	69,030	101,461
Sterling pounds	82,326	65,592	109,657	107,541	450	448	131	162
Euro dollars	59,690	32,020	24,936	10	59,613	31,998	59,613	31,014
Malaysian ringgit	-	-	7,888	9,523	-	-	-	-
Japanese yen	13,624	-	13,521	-	103	-	-	-

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

Foreign currency sensitivity

The sensitivity analysis uses a 10% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity analysis includes only significant outstanding foreign currency denominated monetary items not designated as hedge and adjusts their translation at the year end for a 10% change in foreign currency rates. The following table details the sensitivity to a 10% increase/decrease in the functional currency against the relevant foreign currencies. If the functional currency strengthens by 10% against the relevant foreign currency, profit before tax and other equity will increase (decrease) by:

	US dollar impact		Sterling pound impact		Euro dollar impact	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**
Group						
Profit before tax	(401)	(135)	27	28	(13)	1
Other equity	1,549	2,655	(2,760)	(4,223)	3,488	3,200
Company						
Profit before tax	7	(8)	32	29	-	(2)

	Malaysia ringgit impact		Japanese yen impact	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Group				
Profit before tax	-	-	10	-
Other equity	(789)	(952)	-	-
Company				
Profit before tax	-	-	10	-

If the functional currency weakens by 10% against the relevant foreign currency, profit before tax and other equity will (increase) decrease by the same amounts.

Credit risk management

The Group has a diversified portfolio of businesses and at the end of the reporting period, there was no significant concentration of credit risk with any entity. The Group has guidelines governing the process of granting credit as a service or product provider in its respective segments of business. The Group and the Company have considered the credit quality of the advances and receivables and determined that the credit loss is low except as disclosed.

The carrying amount of advances and receivables (including cash and bank balances) represents the maximum credit risk exposure for the Group and the Company at the end of the reporting period.

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

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

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition unless the Group has reasonable and supportable information to indicate that amount is subject to low credit risk.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired and adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

The table below details the credit quality of the Group's and the Company's financial assets as well as maximum exposure to credit risk by credit risk rating grades:

2019	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Group						
Trade receivables	8	(a)	Lifetime ECL (simplified approach)	25,710	(1,349)	24,361
Other receivables	8	(b)	12-month ECL	2,721	-	2,721
Amount due from associates – current	12	(b)	12-month ECL	7,801	-	7,801
Amount due from jointly controlled entities – current	13	(b)	12-month ECL	109,478	-	109,478
					(1,349)	
Company						
Trade receivables	8	(a)	Lifetime ECL (simplified approach)	1,953	(17)	1,936
Other receivables	8	(b)	12-month ECL	846	-	846
Amount due from associates – current	12	(b)	12-month ECL	5,217	-	5,217
Amount due from subsidiaries – current	14	(b)	Lifetime ECL	938,921	(23,777)	915,144
Non-current advances to subsidiaries	14	(b)	12-month ECL	417,341	-	417,341
					(23,794)	

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

2018	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Group						
Trade receivables	8	(a)	Lifetime ECL (simplified approach)	21,746	(1,079)	20,667
Other receivables	8	(b)	12-month ECL	1,956	-	1,956
Amount due from associates – current	12	(b)	12-month ECL	10,830	-	10,830
Amount due from jointly controlled entities – current	13	(b)	12-month ECL	107,370	-	107,370
					(1,079)	
Company						
Trade receivables	8	(a)	Lifetime ECL (simplified approach)	1,827	(59)	1,768
Other receivables	8	(b)	12-month ECL	377	-	377
Amount due from associates – current	12	(b)	12-month ECL	5,217	-	5,217
Amount due from subsidiaries – current	14	(b)	Lifetime ECL	802,790	(23,777)	779,013
Non-current advances to subsidiaries	14	(b)	12-month ECL	397,081	-	397,081
					(23,836)	

(a) The Group and the Company determine the expected credit losses on these items estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

(b) The Group and the Company determine the expected credit losses on these items by taking into account the financial position of the other receivables, associates, jointly controlled entities and subsidiaries, adjusted for factors that are specific to these companies and general economic conditions of the industries in which they operate.

The Group and the Company have adopted procedures in extending credit terms to customers and in monitoring its credit risk. The Group and the Company only grants credit to creditworthy counterparties. Cash is held with creditworthy institutions and is subject to immaterial credit loss.

The Group and the Company have no significant concentration of credit risk with any single customer or group of customers.

Further details of credit risks on trade and other receivables, amount due from associates, jointly controlled entities and subsidiaries are disclosed in Notes 8, 12, 13 and 14 respectively.

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

Liquidity risk management

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash or cash convertible investments to meet its working capital requirement. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

Liquidity risk analysis

The following are the expected contractual undiscounted cash flows of financial liabilities, including interest payments:

	Contractual cash flows (including interest payments)				
	Carrying amount $'000	**Total $'000**	**On demand or within 1 year $'000**	**Within 2 to 5 years $'000**	**After 5 years $'000**
Group					
2019					
Non-interest bearing	144,041	144,041	144,041	-	-
Interest bearing	950,487	1,279,297	189,791	785,384	304,122
	1,094,528	1,423,338	333,832	785,384	304,122
2018					
Non-interest bearing	150,186	150,186	150,186	-	-
Interest bearing	712,406	780,706	119,009	641,019	20,678
	862,592	930,892	269,195	641,019	20,678
Company					
2019					
Non-interest bearing	60,988	60,988	60,988	-	-
Interest bearing	550,871	579,849	113,350	466,499	-
	611,859	640,837	174,338	466,499	-
2018					
Non-interest bearing	74,192	74,192	74,192	-	-
Interest bearing	475,723	506,929	64,931	441,998	-
	549,915	581,121	139,123	441,998	-

The Group and the Company have provided corporate guarantees of approximately $452 million (2018: $272 million) and $930 million (2018: $483 million) respectively to financial institutions in respect of credit facilities granted to certain jointly controlled entities and certain subsidiaries respectively at the end of the reporting period.

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

The Group and the Company are exposed to credit risk in respect of the corporate guarantees they have provided. To mitigate the risk, management continually monitors the risk and has established processes including performing credit evaluations of the jointly controlled entities and subsidiaries. The maximum exposure to credit risk in respect of these financial guarantees at year end is as disclosed above. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Group and the Company have assessed that these jointly controlled entities and subsidiaries have the financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

The earliest period that the corporate guarantees could be called is within 1 year (2018: 1 year) from the end of the reporting period. Based on expectations at the end of the reporting period, the Group and the Company consider that it is more likely than not that no amount will be payable under the arrangements. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses. The Group and the Company have also obtained bankers' guarantees as disclosed in Note 19.

The Group's financial assets are due on demand or within 1 year. The Company's financial assets are due on demand or within 1 year except for non-current advances to subsidiaries (Note 14).

Market risk management

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to quoted securities or factors affecting all securities traded in the market.

The Group has invested in various securities. The valuations and liquidity of these investments are subject to market risk.

At the end of the reporting period, it is estimated that a 10% change in market prices would have an impact on the Group's profit before tax and equity for the year by approximately $13.6 million (2018: $11.7 million) and $0.1 million (2018: $0.1 million) respectively.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value.

The total capital of the Group as at the end of the reporting period is represented by the "Equity attributable to owners of the Company" as presented on the statements of financial position.

The Group manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives during the years ended December 31, 2019 and 2018.

Fair values of financial assets and financial liabilities

The carrying amounts of cash and bank balances, trade and other current receivables and payables, provisions and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The carrying amounts of long-term financial liabilities and financial assets comprising mainly long-term borrowings and certain advances to subsidiaries approximate their respective fair values as they are based on interest rates that approximate market interest rates except as disclosed in Note 19(a).

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

The fair values of other classes of financial assets and liabilities are determined as follows:

i) the fair value of financial assets and financial liabilities traded on active liquid markets are determined with reference to quoted market prices; and

ii) the fair value of unquoted financial instruments are determined in accordance with Note 15.

The table below analyses financial instruments carried at fair value, by valuation method.

	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Group				
2019				
Financial assets				
Held-for-trading investments	3,218	3,218	-	-
Investments	206,455	134,129	-	*72,326
Derivative financial instruments	14,179	-	**14,179	-
2018				
Financial assets				
Held-for-trading investments	24,103	24,103	-	-
Investments	128,163	93,651	-	*34,512
Derivative financial instruments	16,245	-	**16,245	-

* The key unobservable input used to determine this fair value is the net asset value. The higher the net asset value, the higher the fair value of the investments.

** Derivative financial instruments of the Group and the Company are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present valuation calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rate.

Reconciliation of level 3 fair value measurements:

	Group	
	2019 $'000	2018 $'000
Unquoted investments		
Opening balance	34,512	18,042
Total net gains or (losses)		
- In profit or loss	(260)	2,301
- In other comprehensive income	(2,563)	41
Purchases	40,637	14,128
Closing balance	72,326	34,512

5. RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand.

a) Significant transactions with such related parties during the year, other than those disclosed elsewhere in the financial statements, are as follows:

	Group	
	2019 $'000	2018 $'000
Transactions with companies in which certain directors are deemed to have interests:		
Management fee expense	1,113	983
Management fee income	(763)	(1,275)
Rental income	(8,243)	(8,407)
Transactions with associates:		
Management fee income	(789)	(899)

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

	Group	
	2019 $'000	2018 $'000
Short-term benefits	17,170	19,519
Post-employment benefits	311	342
Share-based payments	805	1,025
	18,286	20,886

6. CASH AND BANK BALANCES

a) As at December 31, 2019, cash and bank balances of the Group of approximately $4,254,000 (2018: $4,292,000) were pledged to the banks to secure certain credit facilities.

b) Certain bank deposits of the Group bear annual interest ranging from 0% to 6% (2018: 0% to 5.8%). The interest rate is re-fixed on a short-term basis typically 6 months or less.

7. HELD-FOR-TRADING INVESTMENTS

	Group	
	2019 $'000	2018 $'000
Quoted equity shares, at fair value	3,218	24,103

The fair values of these quoted equity shares were based on closing quoted market prices on the last market day of the financial year, with fair value changes taken to profit or loss.

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade receivables	25,710	21,746	1,953	1,827
Less: Loss allowance	(1,349)	(1,079)	(17)	(59)
	24,361	20,667	1,936	1,768
Deposits placed for investments	13,858	-	13,858	-
Other deposits	12,081	4,588	2	101
Other receivables	2,721	1,956	846	377
Prepayments	11,695	12,999	446	446
Total	64,716	40,210	17,088	2,692

Interest is charged at rates ranging from 14% to 18% (2018: 14% to 18%) per annum on certain overdue trade balances. Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods and services, determined by reference to past default experience and objective evidence of impairment which includes ageing of receivables and the financial condition of the debtor.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable. The concentration of credit risk is limited due to the customer base being large and unrelated to one another.

Included in the Group's trade receivables balance are debtors with a carrying amount of $3.5 million (2018: $4.0 million) which are past due as at the end of the reporting period for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 56 days (2018: 55 days).

Loss allowance for trade receivables has been measured at an amount equal to lifetime ECL. The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Hence, an amount of $11,000 (2018: $206,000) was written off during the financial year.

8. TRADE AND OTHER RECEIVABLES (CONT'D)

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at beginning of year	1,079	533	59	22
Amount written off during the year	(11)	(206)	-	-
Net increase (decrease) in allowance recognised in profit or loss	289	742	(42)	37
Exchange realignment	(8)	10	-	-
Balance at end of year	1,349	1,079	17	59

For the purpose of impairment assessment, the other receivables is considered to have low credit risk as there has been no significant increase in the risk of default since initial recognition. In determining the ECL, management has taken into consideration the cash receipts, adjusted for factors that are specific to the counterparties and general economic conditions of the industry and assessed that the receivables is subject to immaterial credit loss.

9. INVENTORIES

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Saleable merchandise	7,937	7,200	147	178
Operating supplies	4,538	2,412	-	-
Total	12,475	9,612	147	178

10. COMPLETED PROPERTIES HELD FOR SALE

Group

Location	Title	Description
The Met 125 South Sathorn Road, Bangkok, Thailand	Freehold	11 (2018: 12) condominium units with an aggregate floor area of approximately 25,142 (2018: 27,220) square feet

11. ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Associates (Note 12)	320,890	315,605	-	-
Jointly controlled entities (Note 13)	226,032	203,561	-	-
Total	546,922	519,166	-	-
Amount due from associates – current (Note 12)	7,801	10,830	5,217	5,217
Amount due from jointly controlled entities – current (Note 13)	109,478	107,370	-	-
Total	117,279	118,200	5,217	5,217

12. ASSOCIATES

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cost of investments in associates (1)	370,059	376,745	-	-
Share of post-acquisition results and reserves net of dividend received	(117,170)	(98,134)	-	-
Advances to associates (2)	68,272	37,265	-	-
Impairment loss	(271)	(271)	-	-
Net (Note 11)	320,890	315,605	-	-

(1) During the financial year, equity contribution of $6,504,000 (2018: $30,342,000) was made in an associate of the Group in which a director is deemed to have interest.

(2) Advances to associates are in substance net investment.

For the purpose of impairment assessment, the amount due from associates (classified as current asset) are considered to have low credit risk as there has been no significant increase in the risk of default since initial recognition. In determining the ECL, management has taken into account the financial position of the associates, adjusted for factors that are specific to the associates and general economic conditions of the industry in which the associate operates, in estimating the probability of default of the advances as well as the loss upon default and determines the advances to associates are subject to immaterial credit loss.

As at December 31, 2019, the amount due from associates (current) to the Group and the Company of $7,801,000 (2018: $10,830,000) and $5,217,000 (2018: $5,217,000) respectively are unsecured, interest-free and repayable on demand, except for the amount of $867,000 (2018: $838,000) due to the Group which bears interest at 6.0% (2018: 6.0%) per annum.

Information relating to significant associates is shown in Note 37 to the financial statements.

13. JOINTLY CONTROLLED ENTITIES

	Group	
	2019 $'000	2018 $'000
Cost of investments in jointly controlled entities (1)	239,232	192,986
Share of post-acquisition results and reserves net of dividend received	(101,107)	(67,285)
Advances to jointly controlled entities (2)	91,367	81,320
Impairment loss	(3,460)	(3,460)
Net (Note 11)	226,032	203,561

(1) During the financial year, equity contribution of $32,266,000 (2018: $31,569,000) was made in a jointly controlled entity of the Group in which certain directors are deemed to have interest.

(2) Advances to jointly controlled entities are in substance net investment. During the financial year, advances of $7,878,000 (2018: $9,054,000) was made to jointly controlled entities of the Group in which a director is deemed to have interest.

For the purpose of impairment assessment, the amount due from jointly controlled entities (classified as current asset) are considered to have low credit risk as there has been no significant increase in the risk of default since initial recognition. In determining the ECL, management has taken into account the financial position of the jointly controlled entities, adjusted for factors that are specific to the jointly controlled entities and general economic conditions of the industry in which the jointly controlled entity operates, in estimating the probability of default of the advances as well as the loss upon default and determines the advances to jointly controlled entities are subject to immaterial credit loss.

As at December 31, 2019, the amount due from jointly controlled entities (current) to the Group of $109,478,000 (2018: $107,370,000) is unsecured, interest-free and repayable on demand.

Information relating to significant jointly controlled entities is shown in Note 38 to the financial statements.

14. SUBSIDIARIES

	Company	
	2019 $'000	2018 $'000
Total advances to subsidiaries	1,356,262	1,199,871
Less: Impairment loss	(23,777)	(23,777)
	1,332,485	1,176,094
Less: Amount due from subsidiaries classified as current asset	(915,144)	(779,013)
Non-current advances to subsidiaries	417,341	397,081
Unquoted equity shares, at cost	144,031	131,904
Total	561,372	528,985

As at December 31, 2019, advances to subsidiaries of $417,341,000 (2018: $397,081,000) bear interest at rates ranging from 2.5% to 3.9% (2018: 1.8% to 3.9%) per annum, are unsecured and substantially non-trade in nature.

The amounts due from subsidiaries of $915,144,000 (2018: $779,013,000) are unsecured, interest-free and repayable on demand.

14. SUBSIDIARIES (CONT'D)

For the purpose of impairment assessment, the advances to/amount due from subsidiaries are considered to have low credit risk as the timing of payment is controlled by the Company taking into account cash flow management within the Group and there has been no significant increase in the risk of default on the advances since initial recognition. Accordingly, for the purpose of impairment assessment of the advances, the loss allowance is measured at an amount equal to 12-month expected ECL. In determining the ECL, management has taken into account the financial position of the subsidiaries, adjusted for factors that are specific to the subsidiaries and general economic conditions of the industry in which the subsidiary operates, in estimating the probability of default of the advances as well as the loss upon default and determines the advances to subsidiaries are subject to immaterial credit loss.

As at December 31, 2019, the amounts due to subsidiaries of $40,800,000 (2018: $44,456,000) are unsecured, interest-free and repayable on demand. The advances from subsidiaries of $282,356,000 (2018: $93,031,000) bear interest at rates ranging from 1.0% to 4.3% (2018: 1.2% to 4.3%) per annum and are unsecured.

During the financial year, interest income from subsidiaries amounted to $12,099,000 (2018: $9,736,000).

Information relating to subsidiaries is shown in Note 36 to the financial statements.

15. INVESTMENTS

	Group	
	2019 $'000	**2018 $'000**
Non-current:		
Financial assets measured at FVTPL		
Quoted equity shares	133,124	92,688
Unquoted equity shares	72,110	31,733
Financial assets measured at FVTOCI		
Designated at FVTOCI		
Unquoted equity shares	216	2,779
Measured at FVTOCI		
Quoted debt securities	1,005	963
	206,455	128,163

The Group's investments in equity instruments have been designated as at FVTOCI or FVTPL on an investment-by-investment basis.

The Group's investments in debt instruments have been classified as FVTOCI as they are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and they have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

The fair values of the unquoted equity shares are determined based on the net asset values of these investments which approximate the fair values. The fair values of the quoted equity shares and debt securities are determined based on market prices at the end of the reporting period. The quoted debt securities bear fixed interest at 5.2% per annum and mature on July 19, 2024.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold and long-term leasehold land and buildings $'000	**Leasehold land and buildings $'000**	**Plant and equipment, furniture, fixtures and fittings $'000**	**Construction-in-progress $'000**	**Total $'000**
Group					
Cost:					
At January 1, 2018	823,559	790,832	472,642	79,344	2,166,377
Additions	7,464	4,425	13,961	97,990	123,840
Reclassifications	302	14,900	39,210	(54,412)	-
Disposals	(281)	(8)	(17,024)	-	(17,313)
Exchange realignment	7,243	8,117	3,081	2,060	20,501
At December 31, 2018	838,287	818,266	511,870	124,982	2,293,405
Adoption of SFRS(I) 16	-	77,056	706	-	77,762
At January 1, 2019 (Restated)	838,287	895,322	512,576	124,982	2,371,167
Arising from acquisition of subsidiaries	69,449	-	7,453	-	76,902
Additions	2,039	3,596	10,170	95,822	111,627
Reclassifications	967	96,348	60,665	(157,980)	-
Disposals	(108)	(610)	(6,877)	-	(7,595)
Exchange realignment	17,667	(8,618)	(431)	946	9,564
At December 31, 2019	928,301	986,038	583,556	63,770	2,561,665
Accumulated depreciation:					
At January 1, 2018	132,705	283,094	371,854	-	787,653
Depreciation for the year	8,609	20,776	33,162	-	62,547
Disposals	(183)	(8)	(16,331)	-	(16,522)
Exchange realignment	1,140	3,410	2,300	-	6,850
At December 31, 2018	142,271	307,272	390,985	-	840,528
Adoption of SFRS(I) 16	-	20,840	-	-	20,840
At January 1, 2019 (Restated)	142,271	328,112	390,985	-	861,368
Depreciation for the year	9,677	24,913	38,108	-	72,698
Disposals	(58)	(610)	(6,397)	-	(7,065)
Exchange realignment	2,693	(3,079)	479	-	93
At December 31, 2019	154,583	349,336	423,175	-	927,094

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold and long-term leasehold land and buildings $'000	Leasehold land and buildings $'000	Plant and equipment, furniture, fixtures and fittings $'000	Construction-in-progress $'000	Total $'000
Group					
Impairment loss:					
At January 1, 2018	225	-	-	6,432	6,657
Exchange realignment	-	-	-	153	153
At December 31, 2018	225	-	-	6,585	6,810
Exchange realignment	-	-	-	490	490
At December 31, 2019	225	-	-	7,075	7,300
Carrying amount:					
At December 31, 2018	695,791	510,994	120,885	118,397	1,446,067
At December 31, 2019	773,493	636,702	160,381	56,695	1,627,271

The Group's right-of-use assets comprise of:

	Leasehold land and buildings $'000	Plant and equipment, furniture, fixtures and fittings $'000	Total $'000
Group			
Cost:			
At January 1, 2019	77,056	706	77,762
Reclassification arising from adoption of SFRS(I) 16	267,189	-	267,189
Additions	3,071	61	3,132
Exchange realignment	(1,895)	(2)	(1,897)
At December 31, 2019	345,421	765	346,186
Accumulated depreciation:			
At January 1, 2019	20,840	-	20,840
Reclassification arising from adoption of SFRS(I) 16	62,847	-	62,847
Depreciation	5,005	187	5,192
Exchange realignment	(473)	-	(473)
At December 31, 2019	88,219	187	88,406
Carrying amount:			
At December 31, 2019	257,202	578	257,780

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold and long-term leasehold land and buildings $'000	Plant and equipment, furniture, fixtures and fittings $'000	Construction-in-progress $'000	Total $'000
Company				
Cost:				
At January 1, 2018	232,916	94,958	479	328,353
Additions	-	769	2,398	3,167
Reclassifications	-	2,753	(2,753)	-
Disposals	-	(1,860)	-	(1,860)
At December 31, 2018	232,916	96,620	124	329,660
Additions	-	842	2,419	3,261
Reclassifications	-	1,635	(1,635)	-
Disposals	(1)	(1,754)	-	(1,755)
At December 31, 2019	232,915	97,343	908	331,166
Accumulated depreciation:				
At January 1, 2018	18,778	83,216	-	101,994
Depreciation for the year	420	4,396	-	4,816
Disposals	-	(1,546)	-	(1,546)
At December 31, 2018	19,198	86,066	-	105,264
Depreciation for the year	420	3,971	-	4,391
Disposals	(1)	(1,537)	-	(1,538)
At December 31, 2019	19,617	88,500	-	108,117
Carrying amount:				
At December 31, 2018	213,718	10,554	124	224,396
At December 31, 2019	213,298	8,843	908	223,049

As at December 31, 2019, certain property, plant and equipment with total carrying amount of $1,066 million (2018: $953 million) were mortgaged to banks to secure credit facilities for the Company and respective subsidiaries of the Group.

17. INVESTMENT PROPERTIES

Group

Property Description/Location	**Title**
7 shop units at 21 Cuscaden Road, Ming Arcade, Singapore 249720	Freehold
Office and shop units at 50 Cuscaden Road, Singapore 249724	Freehold
Office and shop units at 583 Orchard Road, Singapore 238884	Freehold
64 shop units at 100 Orchard Road, Concorde Shopping Mall, Singapore 238840	Leasehold 99 years from August 17, 1979

The Group acquired two shop units amounting to $4.0 million during the financial year ended December 31, 2018.

Gross rental income and direct operating expenses arising from investment properties amounted to $26.0 million (2018: $25.8 million) and $8.1 million (2018: $8.6 million) respectively for the year ended December 31, 2019.

For the year ended December 31, 2019, net fair value gain recognised amounted to $3.9 million (2018: $3.2 million).

As at December 31, 2019, certain investment properties amounting to approximately $671 million (2018: $668 million) were mortgaged to banks to secure credit facilities for the respective subsidiaries of the Group.

The fair values of the investment properties at December 31, 2019 and 2018 have been determined on the basis of valuations carried out at the respective year end dates by independent valuers having an appropriate recognised professional qualification based on income capitalisation approach and direct comparison method that reflects prevailing property market conditions and existing tenancies as at the respective dates.

Details of the investment properties and information about the fair value hierarchy as at December 31, 2019 are as follows:

	Total $'000	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Group				
2019				
Investment properties	709,515	-	-	709,515
2018				
Investment properties	705,570	-	-	705,570

The Group considers certain unobservable inputs used by the independent valuers in determining the fair value measurement of the Group's investment properties as sensitive to the fair value measurement. A change in these inputs will have a corresponding increase/decrease in the fair valuation as follows:

a) The higher the rental, the higher the fair value;

b) The higher the capitalisation rate which ranges from 2.8% to 4.3% (2018: 3.0% to 4.5%), the lower the fair value; and

c) The higher the transacted price of comparable units which range from $21,500 to $53,800 (2018: $19,400 to $53,800) per square metre, the higher the fair value.

18. INTANGIBLE ASSETS

	Goodwill $'000	**Franchise rights $'000**	**Total $'000**
Group			
Cost:			
At January 1, 2018	15,201	6,767	21,968
Exchange realignment	-	94	94
At December 31, 2018	15,201	6,861	22,062
Arising from acquisition of a subsidiary	5,599	339	5,938
Exchange realignment	(93)	271	178
At December 31, 2019	20,707	7,471	28,178
Accumulated amortisation:			
At January 1, 2018	-	5,583	5,583
Amortisation charged against other operating expense	-	307	307
Exchange realignment	-	74	74
At December 31, 2018	-	5,964	5,964
Amortisation charged against other operating expense	-	261	261
Exchange realignment	-	248	248
At December 31, 2019	-	6,473	6,473
Impairment loss:			
At January 1, 2018, December 31, 2018 and 2019	688	-	688
Carrying amount:			
At December 31, 2018	14,513	897	15,410
At December 31, 2019	20,019	998	21,017

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill attributable to certain hotel business is approximately $20.0 million (2018: $14.5 million) respectively.

The recoverable amounts of the CGUs are determined from professional valuations based on income approach on properties held by the CGUs.

19. BORROWINGS AND OTHER LONG-TERM LIABILITIES

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Due after twelve months				
Long-term bank loans	598,081	414,588	68,618	132,965
Notes payable	100,495	200,402	99,880	199,741
Other long-term liabilities	1,461	1,753	-	-
	700,037	616,743	168,498	332,706
Due within twelve months				
Current portion of long-term bank loans	56,349	45,404	-	-
Notes payable	99,988	49,986	99,988	49,986
Current portion of other long-term liabilities	269	273	-	-
	156,606	95,663	99,988	49,986
Bankers' guarantees	1,054	1,039	263	263

a) During the year, bank loans (secured) bear floating interest rates ranging from 1.0% to 4.9% (2018: 1.0% to 4.9%) per annum, and certain notes payable (unsecured) and other long-term liabilities (secured) bear fixed interest rates ranging from 3.9% to 5.0% (2018: 3.5% to 5.0%) per annum. The carrying amount of these notes and other long-term liabilities is $202,213,000 and their fair value is $203,309,000 (2018: $252,414,000 and $252,534,000 respectively). The notes and other long-term liabilities are classified under level 2 of the fair value hierarchy and the fair value has been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate. The facilities are repayable from 2020 to 2026 (2018: 2019 to 2026).

b) Securities include legal mortgages on properties of the Company and certain subsidiaries (Notes 16 and 17); subordinated mortgages over certain subsidiaries' lease rights, fixed and floating charges on the assets of the Company and certain subsidiaries; pledge of shares of certain subsidiaries and corporate guarantees from the Company, certain subsidiaries and certain non-controlling shareholders.

c) Bank loans at floating interest rates are contractually repriced on a short-term basis, typically six months or less.

d) The Group has obtained bankers' guarantees in favour of various statutory boards and government regulatory authorities. These guarantees are secured by the assets and undertakings as disclosed in (b) above and/or pledge of fixed deposits (Note 6) of certain subsidiaries.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade payables	72,466	71,255	5,860	6,430
Accrued employee-related expenses	33,392	38,128	8,766	17,094
Accrued operating expenses	21,865	31,171	3,773	3,751
Due to companies in which certain directors have interests*	339	318	-	-
Due to jointly controlled entity	3,655	-	-	-
Interest payable to non-related companies	3,995	3,078	1,144	1,967
Lease liabilities – current (Note 23)	882	-	-	-
Others	8,329	6,236	674	494
Total	144,923	150,186	20,217	29,736

*Amounts due to companies in which certain directors have interests are unsecured, interest-free and repayable on demand.

The average credit period on purchases of goods and services ranges from 1 to 2 months (2018: 1 to 2 months).

21. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cross currency swaps				
Current	6,159	-	6,159	-
Non-current	8,020	16,245	8,020	16,245
Total	14,179	16,245	14,179	16,245

The Group uses cross currency swaps to manage its exposure to exchange rate movements on its investments. At the end of the reporting period, the notional value of outstanding cross currency swaps to which the Group has committed is $100 million (2018: $100 million).

The fair values of swaps entered into at December 31, 2019 are estimated at $14.2 million (2018: $16.2 million). At the Group level, all of these swaps are designated and effective as net investment hedges and the fair values thereof have been deferred in equity. At the Company level, one of the swaps is designated and effective as cash flow hedge and the fair value has been deferred in equity. Fair value of the other swap not designated in hedge accounting relationship have been charged to profit or loss for the year.

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Hedging instruments used in the Group's hedging strategy in 2019:

	Carrying amounts			Changes in fair value used in calculating hedge ineffectiveness					
	Assets/ (Liabilities)		Financial statement line item	Hedging instrument		Hedged item		Hedge ineffectiveness recognised in profit or loss	
	2019 $'000	2018 $'000		2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Group									
Net investment hedge *Foreign currency risk* - Cross currency swap to hedge net investments in foreign operations	14,179	16,245	Derivative financial instruments	(2,066)	3,282	2,066	(3,282)	-	-
Company									
Cash flow hedge *Foreign currency risk* - Cross currency swap to hedge foreign currency receivables	6,159	7,201	Derivative financial instruments	(1,042)	1,781	1,042	(1,781)	-	-

22. DEFERRED TAX ASSETS / LIABILITIES

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred tax assets	(3,283)	(3,391)	-	-
Deferred tax liabilities	20,387	17,330	644	767
Net	17,104	13,939	644	767

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22. DEFERRED TAX ASSETS / LIABILITIES (CONT'D)

The following are the major deferred tax assets and liabilities recognised by the Group and the Company and movements thereon during the year:

	Net accelerated tax depreciation $'000	Other temporary differences* $'000	Total $'000
Group			
At January 1, 2018	8,250	6,467	14,717
Charge to (Reversal from) profit or loss (Note 30)	(1,058)	123	(935)
Charge to other comprehensive income	-	75	75
Exchange realignment	67	15	82
At December 31, 2018	7,259	6,680	13,939
Arising from acquisition of subsidiary	-	6,248	6,248
Reversal from profit or loss (Note 30)	(1,026)	(1,668)	(2,694)
Reversal from other comprehensive income	-	(167)	(167)
Exchange realignment	(25)	(197)	(222)
At December 31, 2019	6,208	10,896	17,104

* Other temporary differences comprise mainly deferred tax liability arising from business combinations.

	Accelerated tax depreciation $'000
Company	
At January 1, 2018	855
Reversal from profit or loss	(88)
At December 31, 2018	767
Reversal from profit or loss	(123)
At December 31, 2019	644

23. LEASE LIABILITIES

The Group as lessee

Disclosure required by SFRS(I) 16

	2019 $'000
Lease liabilities	
Maturity analysis:	
Year 1	10,940
Year 2	10,588
Year 3	11,279
Year 4	11,813
Year 5	11,821
Year 6 onwards	303,738
	360,179
Less: Unearned interest	(266,335)
	93,844
Analysed as:	
Current (Note 20)	882
Non-current	92,962
	93,844

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

24. SHARE CAPITAL AND OPTIONS

	Group and Company			
	2019	2018	2019	2018
	Number of ordinary shares		$'000	$'000
Issued and fully paid:				
At beginning of year	520,786,451	520,434,551	722,593	721,143
Issue of shares	351,900	351,900	1,450	1,450
At end of year	521,138,351	520,786,451	724,043	722,593

The Company has one class of ordinary shares which carries no right to fixed income and has no par value.

Options to subscribe for the Company's ordinary shares may be granted to executives of the Company under the Hotel Properties Employee Share Option Scheme 2010 ("Scheme 2010"). The scheme is administered by the Remuneration Committee. The exercise price of the granted options was determined based on the average last business done price for the shares of the Company for the five market days preceding the date of grant. The Remuneration Committee may at its discretion fix the exercise price at a discount not exceeding 20% to the above price. The vesting period is 2 years for options granted at a discounted exercise price, and 1 year for options granted without discount. The share options have a validity period of 10 years from the date of grant, unless they have been forfeited prior to that date.

24. SHARE CAPITAL AND OPTIONS (CONT'D)

Details of the share options outstanding during the year are as follows:

	Group and Company			
	2019		2018	
	Number of share options	Weighted average exercise price $	Number of share options	Weighted average exercise price $
Outstanding at the beginning of the year	14,225,000	3.08	14,225,000	3.08
Granted during the year	4,675,000	2.91	-	-
Outstanding at the end of the year	18,900,000	3.04	14,225,000	3.08
Exercisable at the end of the year	14,225,000	3.08	11,825,000	3.07

The options outstanding at the end of the year have a weighted average remaining contractual life of 6.1 (2018: 6.6) years.

The estimated weighted average fair value of the options granted during the year was $0.33. The weighted average fair value determined using The Black-Scholes pricing model was based on a weighted average share price of $3.64 at the date of grant, and an expected life of 2 years. The risk-free interest rate was based on the yield curve of Singapore Government securities as at grant date. The expected weighted average volatility was 13% based on historical volatility of the Company's share prices over the previous 2.5 years.

The Company also has a Hotel Properties Limited Performance Share Plan that is administered by the Remuneration Committee. Fully paid shares are awarded to participants taking into consideration certain performance criteria and vesting period. Details of the performance shares outstanding during the year are as follows:

	Group and Company	
	2019 Number of performance shares	2018 Number of performance shares
Outstanding at the beginning of the year	703,800	1,055,700
Released during the year	(351,900)	(351,900)
Outstanding at the end of the year	351,900	703,800

The Group recognised total expenses of $1,000,000 (2018: $1,167,000) related to equity-settled share-based payment transactions during the year.

25. TREASURY SHARES

	Group and Company			
	2019	2018	2019	2018
	Number of ordinary shares		$'000	$'000
At beginning of year	-	-	-	-
Purchased during the year	220,300	-	841	-
At end of year	220,300	-	841	-

The Company acquired 220,300 of its own shares through purchases on the Singapore Exchange during the year. The total amount paid to acquire the shares was $841,000 and has been deducted from shareholders' equity. The shares are held as treasury shares. The Company intends to reissue these shares to executives under the share option and performance share plans.

26. OTHER RESERVES

	Exchange fluctuation reserve $'000	Hedge reserve $'000	Option reserve $'000	Other capital reserve $'000	Total $'000
Group					
Balance as at January 1, 2018	(8,047)	(1,500)	12,080	(8,095)	(5,562)
Effect of adoption of SFRS(I) 1 and 9	4,454	-	-	(13,560)	(9,106)
Balance as at January 1, 2018, as restated	(3,593)	(1,500)	12,080	(21,655)	(14,668)
Total comprehensive loss for the year	(3,018)	-	-	(58)	(3,076)
Recognition of share-based payments	-	-	1,167	-	1,167
Transfer during the year	-	-	(1,450)	-	(1,450)
Balance as at December 31, 2018	(6,611)	(1,500)	11,797	(21,713)	(18,027)
Total comprehensive income (loss) for the year	21,766	-	-	(2,489)	19,277
Recognition of share-based payments	-	-	1,000	-	1,000
Acquisition of additional interests in a subsidiary from non-controlling interests	-	-	-	(3,772)	(3,772)
Transfer during the year	-	-	(1,450)	-	(1,450)
Balance as at December 31, 2019	15,155	(1,500)	11,347	(27,974)	(2,972)

	Hedge reserve $'000	Option reserve $'000	Total $'000
Company			
Balance as at January 1, 2018	(560)	12,080	11,520
Total comprehensive income for the year	70	-	70
Recognition of share-based payments	-	1,167	1,167
Transfer during the year	-	(1,450)	(1,450)
Balance as at December 31, 2018	(490)	11,797	11,307
Total comprehensive loss for the year	(196)	-	(196)
Recognition of share-based payments	-	1,000	1,000
Transfer during the year	-	(1,450)	(1,450)
Balance as at December 31, 2019	(686)	11,347	10,661

Hedge reserve records the fair value changes on the derivative financial instruments designated as hedging instruments in cash flow hedges that are determined to be an effective hedge.

Option reserve represents the equity-settled share options and performance shares granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options and performance shares. The expense for services received will be recognised over the vesting period.

The exchange fluctuation reserve is used to record foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency and exchange differences arising from translation of monetary items that form part of a net investment in a foreign entity.

26. OTHER RESERVES (CONT'D)

Other capital reserves include the cumulative fair value changes of financial assets at FVTOCI until they are derecognised or impaired, as well as reserve on consolidation which represents the difference between the fair value of the consideration paid and the amount by which the non-controlling interest are reduced during the acquisition of additional interests from non-controlling shareholders. An amount of $13,560,000 was reclassified from other capital reserves to retained earnings as at January 1, 2018, upon adoption of SFRS(I) 9 when the Group designated certain available-for-sale investments as financial assets at FVTPL.

27. PERPETUAL CAPITAL SECURITIES

The Company issued $150 million in aggregate principal amount of 4.650% perpetual capital securities on May 5, 2017 and $160 million in aggregate principal amount of 4.40% perpetual capital securities on October 22, 2019. The securities are recorded at the proceeds received, net of direct issue costs.

The securities are perpetual and confer a right to receive distribution payments. Such distributions are payable semi-annually in arrear unless the Company, at its sole discretion, elect to defer any distribution in accordance with the conditions of the securities. The rates of distribution applicable to the securities are as follows:

(i) for the $150 million perpetual capital securities, from May 5, 2017 to May 5, 2022 (the "First Reset Date") at 4.650% per annum; from the First Reset Date to May 5, 2027 (the "Step-Up Date") at the applicable Reset Distribution Rates as defined in the conditions of the securities; and from the Step-Up Date to each subsequent reset date occurring on each date falling every five years after the Step-Up Date with each such date, a "Reset Date", the applicable Reset Distribution Rate as defined in the conditions of the securities.

(ii) for the $160 million perpetual capital securities, from October 22, 2019 to October 22, 2024 (the "First Reset Date") at 4.40% per annum; from the First Reset Date to October 22, 2029 (the "Step-Up Date") at the applicable Reset Distribution Rates as defined in the conditions of the securities; and from the Step-Up Date to each subsequent reset date occurring on each date falling every five years after the Step-Up Date with each such date, a "Reset Date", the applicable Reset Distribution Rate as defined in the conditions of the securities.

The securities constitute direct, unsecured and subordinated obligations of the Company and rank *pari passu* and without any preference or priority among themselves. The securities may be redeemed at the option of the Company on May 5, 2022 or October 22, 2024, as applicable, or on any distribution payment date thereafter and otherwise upon the occurrence of certain redemption events specified in the conditions of the securities.

28. REVENUE

	Group	
	2019 $'000	2018 $'000
Sales of completed properties held for sale	1,320	45,643
Hotel revenue	526,760	505,253
Rental income	26,592	26,397
Management fee	1,687	2,180
Total	556,359	579,473

29. PROFIT BEFORE INCOME TAX

This is determined after charging (crediting):

	Group	
	2019 $'000	2018 $'000
Staff costs (including share-based payments)	164,414	164,461
Cost of defined contribution plans included in staff costs	9,313	8,807
Cost of inventories recognised as expense	44,173	72,452
Depreciation and amortisation	72,959	62,854
Finance costs on lease liabilities	10,277	-
Audit fees paid to auditors:		
Auditors of the Company	551	597
Other auditors	626	604
Non-audit fees paid to auditors:		
Auditors of the Company	87	67
Other auditors	166	73
Loss allowance for trade receivables*	289	742
Net foreign exchange loss (gain)*	1,145	(1,880)
Net fair value (gain) loss in held-for-trading investments*	(2,648)	294
Net fair value loss (gain) in investments*	8,900	(4,041)
Interest income*	(900)	(1,552)
Dividend income (gross)*	(2,324)	(1,346)
Net (gain) loss on disposal of property, plant and equipment*	(136)	8

* These are included in other operating (income) expenses.

30. INCOME TAX EXPENSE

	Group	
	2019 $'000	2018 $'000
Current tax	22,007	16,472
Deferred tax (Note 22)	(2,694)	(935)
	19,313	15,537
Under (Over) provision in prior years	6,769	(720)
Tax on share of profits from partnership classified as jointly controlled entity	3,778	14,249
	29,860	29,066

30. INCOME TAX EXPENSE (CONT'D)

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2018: 17%) to profit before income tax and share of results of associates and jointly controlled entities as a result of the following differences:

	Group	
	2019 $'000	2018 $'000
Profit before income tax and share of results of associates and jointly controlled entities	55,650	60,996
Tax calculated at a tax rate of 17% (2018: 17%)	9,461	10,369
Non-deductible items (net)	6,471	3,162
Tax exemption	(429)	(483)
Utilisation of unabsorbed tax losses brought forward	(33)	(12)
Utilisation of unabsorbed capital and investment allowances brought forward	(431)	(12)
Deferred tax asset on tax losses arising during the year not recorded	3,460	2,213
Effect of different tax rate of overseas operations	814	300
	19,313	15,537
Effective tax rate	34.7%	25.5%

Subject to the agreement with the relevant tax authorities and compliance with certain conditions of the relevant tax legislations, in the respective countries in which the subsidiaries operate, the Group has unrecognised tax losses and capital and investment allowances totaling approximately $56,274,000 and $10,685,000 (2018: $51,965,000 and $12,488,000) respectively which are available for set off against future taxable income of the respective subsidiaries. No deferred tax asset has been recognised in respect of these due to unpredictability of future profit stream. Tax losses approximating $42,269,000 (2018: $37,480,000) will expire within the next 5 years.

31. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group net profit attributable to owners of the Company after deducting provision for distribution to perpetual capital securities holders divided by the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

Diluted earnings per share is based on Group earnings and adjusted weighted average number of ordinary shares (excluding treasury shares) to reflect the effect of all potentially dilutive ordinary shares, assuming the full exercise of outstanding share options and release of performance shares during the year.

	2019 $'000	2018 $'000
Profit attributable to owners of the Company less distribution to perpetual capital securities holders	48,799	114,348

31. EARNINGS PER SHARE (CONT'D)

	2019 No. of shares ('000)	2018 No. of shares ('000)
Weighted average number of ordinary shares used to compute basic earnings per share (excluding treasury shares)	520,883	520,748
Adjustment for potential dilutive ordinary shares	1,308	1,496
Weighted average number of ordinary shares used to compute diluted earnings per share (excluding treasury shares)	522,191	522,244
Basic earnings per share	9.37 cents	21.96 cents
Diluted earnings per share	9.35 cents	21.90 cents

32. DIVIDENDS

In 2018, the Company declared and paid a first and final one-tier tax exempt dividend of 4 cents per ordinary share of the Company, and a one-tier tax exempt special dividend of 6 cents per ordinary share of the Company, totaling $52,079,000 in respect of the financial year ended December 31, 2017.

In 2019, the Company declared and paid a first and final one-tier tax exempt dividend of 4 cents per ordinary share of the Company, and a one-tier tax exempt special dividend of 6 cents per ordinary share of the Company, totaling $52,114,000 in respect of the financial year ended December 31, 2018.

Subsequent to December 31, 2019, the directors of the Company recommended that a first and final one-tier tax exempt dividend be paid at 4 cents per ordinary share of the Company, and a one-tier tax exempt special dividend be paid at 6 cents per ordinary share of the Company, totaling $52,092,000 for the financial year ended December 31, 2019, based on the number of issued shares (excluding treasury shares) as at year end. The proposed dividends are not accrued as a liability for the current financial year in accordance with SFRS(I) 1-10 – *Events After The Reporting Period*.

33. CAPITAL COMMITMENTS

As at the end of the financial year, the Group has capital commitments contracted but not provided for in the financial statements in respect of the following:

	Group	
	2019 $'000	2018 $'000
Capital expenditure	19,533	30,041
Associates, jointly controlled entities and other investments	173,661	225,803

34. OPERATING LEASE COMMITMENTS

The Group as lessee

Disclosure required by SFRS(I) 16

At December 31, 2019, the Group is committed to $92,000 for short-term leases.

Disclosure required by SFRS(I) 1-17

At December 31, 2018, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group
	2018 $'000
Future minimum lease payable:	
Within 1 year	10,442
Within 2 to 5 years	44,058
After 5 years	297,503
Total	352,003

The Group as lessor

Disclosure required by SFRS(I) 16

Operating leases, in which the Group is the lessor, relate to investment properties and certain property, plant and equipment owned by the group with lease terms of between 1 to 4 years, with 3 years extension option for selected leases. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Maturity analysis of operating lease payments:

	Group
	2019 $'000
Year 1	29,875
Year 2	18,404
Year 3	7,346
Year 4	141
Total	55,766

34. OPERATING LEASE COMMITMENTS (CONT'D)

Disclosure required by SFRS(I) 1-17

At the end of the reporting period, the Group has contracted with tenants for the following minimum lease receivable:

	Group
	2018 **$'000**
Future minimum lease receivable:	
Within 1 year	30,122
Within 2 to 5 years	28,521
Total	58,643

As at December 31, 2018, the tenancy arrangements ranged from one to four years. Included in the future minimum lease receivable was an amount of $12,617,000 relating to tenancy arrangements with companies in which certain directors are deemed to have interests. Rental income earned during the year ended December 31, 2018 is disclosed in Note 28 to the financial statements.

35. SEGMENT INFORMATION

a) The segment information of the Group is organised into the following reportable segments:

Hotels

These refer mainly to the operations of the hotels and the shopping galleries of the Group as well as the provision of hotel management services. Income is derived mainly from the rental of rooms and shop units, sale of food and beverage and management fee.

Properties

These refer to the rental and sale operations on residential properties and commercial units. Sales and profit from the condominium development projects in Singapore are recognised based on percentage of completion method, and those from overseas projects are recognised based on completion of construction method.

Others

These refer to distribution and retail operations, activities on quoted and unquoted investments and others.

b) The following segment information is prepared on the same basis as the Group's accounting policies described in Note 2:

i) Segment revenue and expenses are revenue and expenses reported in the Group's income statement that either are directly attributable to a segment or can be allocated on a reasonable basis to a segment.

ii) Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at cost plus a percentage profit mark-up. These transfers are eliminated on consolidation. Share of results of associates and jointly controlled entities are allocated as they are specifically attributable to a segment.

iii) Segment assets are all operating assets that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets exclude interest-producing assets. Investments in associates and jointly controlled entities are included as segment assets of the Group.

iv) Segment liabilities are all operating liabilities of a segment and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities exclude interest-bearing liabilities and income tax liabilities.

v) Segment revenue and non-current assets are analysed based on the location of those assets.

c) Information by business segment:

	Hotels		Properties		Others		Elimination		Consolidation	
Group	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**
REVENUE										
External sales	527,849	506,830	28,504	72,637	6	6	-	-	556,359	579,473
Inter-segment sales	-	-	456	421	-	-	(456)	(421)	-	-
Total revenue	527,849	506,830	28,960	73,058	6	6	(456)	(421)	556,359	579,473
RESULTS										
Earnings before interest, tax and fair value changes in investment properties	86,480	64,659	7,329	14,384	(4,548)	4,669	-	-	89,261	83,712
Segment results	86,480	64,659	7,329	14,384	(4,548)	4,669	-	-	89,261	83,712
Finance costs									(38,456)	(27,479)
Interest income									900	1,552
Share of results of equity accounted investees	(972)	(1,493)	30,781	94,818	(911)	(569)	-	-	28,898	92,756
Fair value changes in investment properties	-	-	3,945	3,211	-	-	-	-	3,945	3,211
Income tax expense									(29,860)	(29,066)
Non-controlling interests									2,455	(3,363)
Net profit									57,143	121,323
OTHER INFORMATION										
Segment assets	1,749,977	1,526,827	746,811	742,150	212,275	150,262	-	-	2,709,063	2,419,239
Investment in equity accounted investees	326,927	305,498	333,336	327,767	3,938	4,101	-	-	664,201	637,366
Unallocated corporate assets									155,747	98,321
Consolidated total assets									3,529,011	3,154,926

35. SEGMENT INFORMATION (CONT'D)

c) Information by business segment (cont'd):

Group	Hotels 2019 $'000	Hotels 2018 $'000	Properties 2019 $'000	Properties 2018 $'000	Others 2019 $'000	Others 2018 $'000	Elimination 2019 $'000	Elimination 2018 $'000	Consolidation 2019 $'000	Consolidation 2018 $'000
Segment liabilities	227,057	132,951	10,066	11,765	515	5,238	-	-	237,638	149,954
Unallocated corporate liabilities									892,510	748,704
Consolidated total liabilities									1,130,148	898,658
Additions to non-current assets (excluding fair value changes)	141,437	173,944	58,007	38,397	-	-	-	-	199,444	212,341
Depreciation and amortisation	72,192	61,998	764	853	3	3	-	-	72,959	62,854
Non-cash expenses (income) other than depreciation, amortisation and impairment loss	1,672	258	(213)	(1,452)	6,140	(3,756)	-	-	7,599	(4,950)

d) Information by geographic regions:

Group	Revenue 2019 $'000	Revenue 2018 $'000	Non-current assets 2019 $'000	Non-current assets 2018 $'000
Singapore	188,310	230,148	1,191,974	1,216,559
The Maldives	186,610	187,173	519,486	422,456
The rest of Asia	157,382	139,399	738,540	620,994
United Kingdom and Europe	598	603	320,044	295,272
Others	23,459	22,150	134,681	130,932
	556,359	579,473	2,904,725	2,686,213

Others consist of mainly U.S.A., Australasia and Africa.

36. SUBSIDIARIES

Information relating to subsidiaries is as follows:

Subsidiary	Principal Activity	Country of Incorporation / Place of Business	Group's Effective Interest 2019 %	Group's Effective Interest 2018 %
Held by the Company				
Cleaton Investments Pte Ltd	Investment holding company	Singapore	100^	93.3
HPL Hotels & Resorts Pte Ltd	Hotel management and investment holding company	Singapore	100	100
HPL Investment & Development Pte Ltd	Investment holding company	Singapore	100	100
HPL Leisure Holdings Pte Ltd	Investment holding company	Singapore	100	100
HPL Orchard Place Pte Ltd	Investment holding company	Singapore	100	100
HPL Properties Pte Ltd	Property development, hotelier and investment holding company	Singapore	100	100
HPL Properties (Australasia) Pte Ltd	Investment holding company	Singapore	100	100
HPL Properties (Indian Ocean) Pte Ltd	Investment holding company	Singapore	70	70
HPL Properties (Pacific Ocean) Pte Ltd	Investment holding company	Singapore	70	70
HPL Properties (SEA) Pte Ltd	Investment holding company	Singapore	100	100
HPL Properties (West) Pte Ltd	Investment holding company	Singapore	100	100
HPL Properties (West Asia) Pte Ltd	Investment holding company	Singapore	100	100
HPL Singapore Pte Ltd	Investment holding company	Singapore	100	100
HPL Tourism & Leisure Pte Ltd	Investment holding company	Singapore	100	100
Luxury Holdings Pte Ltd	Investment holding company	Singapore	100	100
Maxford Investments Pte Ltd	Investment holding company	Singapore	100	100
Super Vista Sdn Bhd (1)	Hotelier	Malaysia	100	100

36. SUBSIDIARIES (CONT'D)

Subsidiary	Principal Activity	Country of Incorporation / Place of Business	Group's Effective Interest 2019 %	Group's Effective Interest 2018 %
Held by subsidiaries of the Company				
21st Century Holding Pte Ltd	Investment holding company	Singapore	100	100
Allegro Investments Pte Ltd	Investment holding company	Singapore	100	100
Amberwood Investments Pte Ltd	Investment holding company	Singapore	100	100
Asia Hotel Growth Fund (1)	Investment holding company	Thailand	100	100
Astrid Holdings Co., Ltd (1)	Investment holding company	Thailand	49**	49**
Bayford Investments Pte Ltd	Investment holding company	Singapore	100	100
Baywood Investments Pte Ltd	Investment holding company	Singapore	100	100
Belitung Investments Pte Ltd*	Investment holding company	Singapore	100	-
Berkley Investments Pte Ltd	Investment holding company	Singapore	100	100
Boathouse Holding Co., Ltd (1)	Investment holding company	Thailand	49**	49**
Boathouse Kata Co., Ltd (1)	Hotelier	Thailand	74	74
Campden Hill Investment LLP (1)	Investment holding company	United Kingdom	100	100
Chatsworth Development Management Pte Ltd	Project management company	Singapore	100	100
Concorde Hotel Management Inc. (7)	Investment holding company	U.S.A.	100	100
Concorde Hotel New York Inc. (7)	Investment holding company	U.S.A.	100	100
Concorde Hotels & Resorts (Malaysia) Sdn Bhd (1)	Hotel management	Malaysia	100	100
Coralbell Pty Ltd (7)	Investment holding company	Australia	100	100
East Phuket Holdings Pte Ltd	Investment holding company	Singapore	100	100
Eastpoint Investments Limited (1)	Investment holding company	United Kingdom	100	100
Hermill Investments Pte Ltd	Investment holding company	Singapore	100	100
Hotel Holdings USA Inc (5)	Investment holding company	U.S.A.	100	100
Hotel Properties Lanka Investments (Private) Limited (2)	Investment holding company	Sri Lanka	100	100

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36. SUBSIDIARIES (CONT'D)

Subsidiary	Principal Activity	Country of Incorporation / Place of Business	Group's Effective Interest 2019 %	Group's Effective Interest 2018 %
Held by subsidiaries of the Company				
HPL (Campden) Pte Ltd	Investment holding company	Singapore	100	100
HPL (Eaton) Ltd (1)	Dormant	United Kingdom	100	100
HPL (Europe) Pte Ltd *	Investment holding company	Singapore	100	-
HPL Gateway Investments Pte Ltd	Investment holding company	Singapore	100	100
HPL Hotels Pty Ltd (7)	Provision of administrative services	Australia	100	100
HPL Investers Pte Ltd	Trading in quoted investments and share dealing	Singapore	100	100
HPL (Kensington) Pte Ltd	Investment holding company	Singapore	100	100
HPL (Mayfair) Pte Ltd	Investment holding company	Singapore	100	100
HPL (Paddington) Pte Ltd	Investment holding company	Singapore	100	100
HPL Properties Management Pte Ltd	Investment holding company	Singapore	100	100
HPL Properties (North Asia) Pte Ltd	Investment holding company	Singapore	100	100
HPL Resorts (Maldives) Private Limited (2)	Hotelier and investment holding company	Maldives	70	70
HPL Retail Pte Ltd	Trading in quoted investments and investment holding company	Singapore	100	100
HPL Services Pte Ltd	Privilege card services operations and investment holding company	Singapore	100	100
HPL (Southbank) Pte Ltd	Investment holding company	Singapore	100	100
HPL Tulip Pte Ltd	Investment holding company	Singapore	100	100
HPL Tulip Holdings Pte Ltd	Investment holding company	Singapore	100	100
HPL (UK) Limited (1)	Provisions of information and services	United Kingdom	100	100
HPL (Whitechapel) Pte Ltd	Investment holding company	Singapore	100	100

36. SUBSIDIARIES (CONT'D)

Subsidiary	Principal Activity	Country of Incorporation / Place of Business	Group's Effective Interest 2019 %	Group's Effective Interest 2018 %
Held by subsidiaries of the Company				
HRH Merchandise (M) Sdn Bhd [1]	Retailer	Malaysia	100	100
Kata Boathouse Holdings Pte Ltd	Investment holding company	Singapore	100	100
Laem Ka Properties Co. Ltd [3]	Hotelier and property developer	Thailand	90	90
Landaa Giraavaru Private Limited [2]	Hotelier	Hong Kong / Maldives	70	70
Landeal Properties Pte Ltd	Investment holding company	Singapore	100	100
Leisure Beach Private Limited [2]	Developer and hotelier	Maldives	70	70
Leisure Development Koror Inc.	Hotel development	Palau	70	70
Leisure Frontiers Private Limited [2]	Hotelier	Maldives	70	70
Leisure Holidays Private Limited [2]	Developer and hotelier	Maldives	70	70
Leisure Horizon Private Limited [2]	Developer and hotelier	Maldives	70	70
Luxury Complex Pte Ltd	Investment holding company	Singapore	100	100
Luxury Hotels (1989) Pte Ltd	Hotelier	Singapore	100	100
Luxury Properties Pte Ltd	Investment holding company	Singapore	100	100
McMing Investments Pte Ltd	Investment holding company	Singapore	100	100
McShope Investments Pte Ltd	Investment holding company	Singapore	100	100
Minwyn Investments Pte Ltd	Investment holding company	Singapore	100	100
Moonstone Investments Pte Ltd	Investment holding company	Singapore	100	100
Naka Yai Holdings Co. Limited [1]	Investment holding company	Thailand	49**	49**
Naka Yai Hotel Co. Limited [1]	Hotelier	Thailand	74	74
Naka Yai Land Co. Limited [1]	Hotelier	Thailand	74	74
Nawarat Land Pte Ltd	Investment holding company	Singapore	70	70
NYC 55., Corp. [4]	Hotelier	U.S.A.	100	100
Palmco Hotels Sdn Bhd [1]	Hotelier	Malaysia	100	100

36. SUBSIDIARIES (CONT'D)

Subsidiary	Principal Activity	Country of Incorporation / Place of Business	Group's Effective Interest 2019 %	Group's Effective Interest 2018 %
Held by subsidiaries of the Company				
Pebble Bay (Thailand) Co. Ltd [3]	Property development	Thailand	74	74
PT Amanda Arumdhani [1]	Hotelier	Indonesia	100	100
PT Amanda Citra [7]	Dormant	Indonesia	100	100
PT Amanda Natha [1]	Hotelier	Indonesia	100	100
PT Amanda Pramudita [1]	Hotelier	Indonesia	100	100
PT Amanda Surya [7]	Investment holding company	Indonesia	100	100
PT Bali Girikencana [1]	Hotelier	Indonesia	100^	93.3
Quin Properties Pte Ltd	Investment holding company	Singapore	100	100
Seaside Hotel (Thailand) Co. Ltd [1]	Hotelier	Thailand	74	74
Seaside Properties (Thailand) Co. Ltd [3]	Hotelier	Thailand	74	74
South West Pacific Investments Limited [6]	Hotelier / Casino operator	Vanuatu	100	100
Sovereign Builders & Development Sdn Bhd [1]	Investment holding company	Malaysia	100	100
Straits Realty Co. Ltd [1]	Investment holding company	Thailand	74	74
Supreme Prospects Sdn Bhd [1]	Hotelier	Malaysia	100	100
Suseem Pty Ltd [7]	Dormant	Australia	100	100
Tangalla Bay Hotels Private Limited [2]	Hotelier	Sri Lanka	46**	46**
The Island Development Pte Ltd	Investment holding company	Singapore	100	100
Travel Bug Touring Pte Ltd	Investment holding company	Singapore	100	100
Weligama Hotel Properties Ltd [#(2)]	Hotelier	Sri Lanka	49**	-
Wesclove Investments Pte Ltd	Investment holding company	Singapore	100	100
Xspand Investments Pte Ltd	Investment holding company	Singapore	100	100
Yarra Investments Pte Ltd	Property development and investment holding company	Singapore	100	100

36. SUBSIDIARIES (CONT'D)

All companies are audited by Deloitte & Touche LLP, Singapore except for the following:

(1) Audited by overseas practices of Deloitte Touche Tohmatsu

(2) Audited by overseas practices of KPMG International

(3) Audited by overseas practices of Ernst & Young

(4) Audited by overseas practices of BDO International Limited

(5) Audited by Cohen & Schaeffer P.C.

(6) Audited by Barrett & Partners

(7) Not required to be audited by law in country of incorporation and subsidiary not considered material.

* Incorporated during the current financial year.

\# Acquired during the current financial year. In April 2019, the Group acquired this subsidiary to expand its portfolio of hotels.

^ Acquired additional equity interest during the year.

** This company is considered a subsidiary as the Group is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company.

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	2019 $'000	2018 $'000	2019 $'000	2018 $'000
HPL Resorts (Maldives) Private Limited	Maldives	30%	30%	471	5,791	78,917	83,751
Individually immaterial subsidiaries with non-controlling interests				(2,926)	(2,428)	20,214	22,406
Total				(2,455)	3,363	99,131	106,157

36. SUBSIDIARIES (CONT'D)

Summarised financial information in respect of HPL Resorts (Maldives) Private Limited and its subsidiaries is set out below:

	2019 $'000	2018 $'000
Current assets	54,918	42,159
Non-current assets	551,578	446,786
Current liabilities	(53,816)	(57,623)
Non-current liabilities	(289,580)	(152,108)
Equity attributable to owners of the Company	184,183	195,463
Non-controlling interests	78,917	83,751
Revenue	186,610	187,173
Expenses	(185,040)	(167,871)
Profit for the year	1,570	19,302
Profit attributable to owners of the Company	1,099	13,511
Profit attributable to the non-controlling interests	471	5,791
Profit for the year	1,570	19,302
Other comprehensive (loss) income attributable to owners of the Company	(2,532)	3,646
Other comprehensive (loss) income attributable to the non-controlling interests	(618)	1,291
Other comprehensive (loss) income for the year	(3,150)	4,937
Total comprehensive (loss) income attributable to owners of the Company	(1,433)	17,157
Total comprehensive (loss) income attributable to the non-controlling interests	(147)	7,082
Total comprehensive (loss) income for the year	(1,580)	24,239
Net cash inflow from operating activities	38,857	63,025
Net cash outflow from investing activities	(86,262)	(79,352)
Net cash inflow from financing activities	53,926	11,635
Net cash inflow (outflow)	6,521	(4,692)

37. ASSOCIATES

Information relating to significant associates is as follows:

Associate	Principal Activity	Country of Incorporation / Place of Business	Group's Effective Interest 2019 %	Group's Effective Interest 2018 %
Ankerite Pte Ltd (3)	Property development	Singapore	25	25
Bankside Quarter (Jersey) Limited (2)	Investment holding company	Jersey	30	30
Leisure Ventures Pte Ltd (1)	Investment holding company	Singapore	50	50
Morganite Pte Ltd (3)	Property development	Singapore	22.5	22.5

(1) Audited by Deloitte & Touche LLP, Singapore

(2) Audited by overseas practices of Deloitte Touche Tohmatsu

(3) Audited by KPMG Singapore

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with SFRS(I)s adjusted by the Group for equity accounting purposes.

Ankerite Pte Ltd

	2019 $'000	2018 $'000
Current assets	19,400	90,556
Current liabilities	(11,932)	(23,948)
Revenue	38,178	73,966
Profit for the year, representing total comprehensive income for the year	18,136	21,207
Dividends received from the associate during the year	19,100	12,875

Reconciliation of the above summarised financial information to the carrying amount of the interest in Ankerite Pte Ltd recognised in the consolidated financial statements:

	2019 $'000	2018 $'000
Net assets of Ankerite Pte Ltd	7,468	66,608
Proportion of the Group's ownership interest	25%	25%
Intercompany eliminations	(36)	(255)
Carrying amount of the Group's interest	1,831	16,397

37. ASSOCIATES (CONT'D)

Bankside Quarter (Jersey) Limited and its subsidiaries

	2019 $'000	2018 $'000
Current assets	506,749	395,778
Non-current assets	286,845	253,320
Current liabilities	(8,891)	(142,812)
Non-current liabilities	(516,411)	(198,419)
Revenue	596	8,876
Profit (Loss) for the year	5,601	(4,676)
Other comprehensive income (loss) for the year	9,643	(12,012)
Total comprehensive income (loss) for the year	15,244	(16,688)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Bankside Quarter (Jersey) Limited and its subsidiaries recognised in the consolidated financial statements:

	2019 $'000	2018 $'000
Net assets of Bankside Quarter (Jersey) Limited and its subsidiaries	268,292	307,867
Proportion of the Group's ownership interest	30%	30%
Intercompany eliminations	(1,465)	(505)
Shareholder's advances	33,572	-
Carrying amount of the Group's interest	112,595	91,855

Leisure Ventures Pte Ltd and its subsidiaries

	2019 $'000	2018 $'000
Current assets	33,948	35,575
Non-current assets	367,205	326,547
Current liabilities	(26,471)	(25,861)
Non-current liabilities	(135,082)	(96,709)
Revenue	65,236	74,361
Loss for the year	(7,079)	(6,381)
Other comprehensive income for the year	1,828	800
Total comprehensive loss for the year	(5,251)	(5,581)

37. ASSOCIATES (CONT'D)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Leisure Ventures Pte Ltd and its subsidiaries recognised in the consolidated financial statements:

	2019 $'000	2018 $'000
Net assets of Leisure Ventures Pte Ltd and its subsidiaries	239,600	239,552
Proportion of the Group's ownership interest	50%	50%
Carrying amount of the Group's interest	119,800	119,776

Morganite Pte Ltd

	2019 $'000	2018 $'000
Current assets	37,574	61,865
Current liabilities	(17,568)	(31,807)
Revenue	-	235,432
Profit for the year, representing total comprehensive income for the year	12,748	52,928
Dividends received from the associate during the year	5,130	10,350

Reconciliation of the above summarised financial information to the carrying amount of the interest in Morganite Pte Ltd recognised in the consolidated financial statements:

	2019 $'000	2018 $'000
Net assets of Morganite Pte Ltd	20,006	30,058
Proportion of the Group's ownership interest	22.5%	22.5%
Carrying amount of the Group's interest	4,501	6,763

Aggregate information of associates that are not individually material

	2019 $'000	2018 $'000
The Group's share of profit	2,669	2,470
The Group's share of other comprehensive income (loss)	435	(952)
The Group's share of total comprehensive income	3,104	1,518
Aggregate carrying amount of the Group's interests in these associates	82,163	80,814

38. JOINTLY CONTROLLED ENTITIES

Information relating to significant jointly controlled entities is as follows:

Jointly Controlled Entity	Principal Activity	Country of Incorporation / Place of Business	Group's Effective Interest	
			2019 %	2018 %
GC Campden Hill LLP	Property development	United Kingdom	50	50
Great Western Enterprises Ltd	Investment holding company	Jersey	70	70
Ten Acre (Mayfair) Ltd	Investment holding company	Jersey	65	65

All companies are audited by overseas practices of Deloitte Touche Tohmatsu.

Summarised financial information in respect of each of the Group's material jointly controlled entities is set out below. The summarised financial information below represents amounts shown in the jointly controlled entity's financial statements prepared in accordance with SFRS(I)s adjusted by the Group for equity accounting purposes.

GC Campden Hill LLP

	2019 $'000	2018 $'000
Current assets	38,011	123,728
Current liabilities	(15,735)	(30,394)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	13,161	7,205
Revenue	152,714	445,802
Profit for the year	34,630	146,583
Other comprehensive income (loss) for the year	1,318	(1,957)
Total comprehensive income for the year	35,948	144,626
Dividends received from the jointly controlled entity during the year	53,502	162,832
The above profit for the year include the following:		
Interest income	40	991

38. JOINTLY CONTROLLED ENTITIES (CONT'D)

Reconciliation of the above summarised financial information to the carrying amount of the interest in GC Campden Hill LLP recognised in the consolidated financial statements:

	2019 $'000	2018 $'000
Net assets of GC Campden Hill LLP	22,276	93,334
Proportion of the Group's ownership interest	50%	50%
Carrying amount of the Group's interest	11,138	46,667

Great Western Enterprises Ltd and its subsidiary

	2019 $'000	2018 $'000
Current assets	505,363	386,337
Current liabilities	(44,627)	(37,290)
Non-current liabilities	(237,308)	(176,442)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	7,591	24,230
Non-current financial liabilities (excluding trade and other payables and provisions)	(237,308)	(176,442)
Revenue	-	1,662
(Loss) Profit for the year	(247)	1,521
Other comprehensive income (loss) for the year	7,894	(9,101)
Total comprehensive income (loss) for the year	7,647	(7,580)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Great Western Enterprises Ltd and its subsidiary recognised in the consolidated financial statements:

	2019 $'000	2018 $'000
Net assets of Great Western Enterprises Ltd and its subsidiary	223,428	172,605
Proportion of the Group's ownership interest	70%	70%
Intercompany eliminations	(25,947)	(25,673)
Shareholder's advances (1)	-	-
Carrying amount of the Group's interest	130,453	95,151

(1) There is an amount of approximately $23 million (December 31, 2018: $23 million) due from Great Western Enterprises Ltd and its subsidiary classified as current asset as at reporting date.

38. JOINTLY CONTROLLED ENTITIES (CONT'D)

Ten Acre (Mayfair) Ltd and its subsidiaries

	2019 $'000	2018 $'000
Current assets	29,403	47,842
Current liabilities	(4,637)	(23,354)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	1,022	6,982
Revenue	21,319	38,364
Profit for the year	7,335	11,889
Other comprehensive income (loss) for the year	743	(1,094)
Total comprehensive income for the year	8,078	10,795
Dividends received from the jointly controlled entity during the year	5,828	17,200
The above profit for the year include the following:		
Interest income	-	491

Reconciliation of the above summarised financial information to the carrying amount of the interest in Ten Acre (Mayfair) Ltd and its subsidiaries recognised in the consolidated financial statements:

	2019 $'000	2018 $'000
Net assets of Ten Acre (Mayfair) Ltd and its subsidiaries	24,766	24,488
Proportion of the Group's ownership interest	65%	65%
Intercompany eliminations	(1,531)	(2,412)
Carrying amount of the Group's interest	14,567	13,505

Aggregate information of jointly controlled entities that are not individually material

	2019 $'000	2018 $'000
The Group's share of loss for the year	(1,224)	(4,415)
The Group's share of other comprehensive income (loss) for the year	1,016	(3,857)
The Group's share of total comprehensive loss for the year	(208)	(8,272)
Aggregate carrying amount of the Group's interests in these jointly controlled entities	69,874	48,238

39. SUBSEQUENT EVENTS

Subsequent to the end of the financial year and up to the date of authorisation of the financial statements:

(a) The Group acquired 80% interest in a newly set up jointly controlled entity, HPL Dolomites (UK) Limited, which has entered into a sale and purchase agreement to acquire 90% of the equity interest in Alpina Dolomites SRL ("AD") for a purchase consideration of approximately €41 million. AD has interest in an existing 5-star luxury hotel in Italy; and

(b) The COVID-19 outbreak has impacted the global economy, which hospitality being one of the hardest hit industry. Global travel demand has declined as a result of precautionary measures against COVID-19 such as travel bans and trip cancellations. As the situation relating to COVID-19 remains uncertain, it is currently not possible to ascertain the full financial impact it may have on the financial performance of the Group in 2020. Notwithstanding this, management has assessed that the Group is still able to maintain sufficient liquidity to enable the Group to continue as a going concern for at least the next 12 months from the end of the reporting period.

ADDITIONAL INFORMATION

The Corporate Governance Report describes Hotel Properties Limited's ("HPL") corporate governance practices and structures that were in place during the financial year ended December 31, 2019 ("FY2019"), with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the "2018 Code"), and as applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Singapore Companies Act. This report is divided into four main sections, namely:

(1) Board Responsibilities
(2) Board Affairs
(3) Accountability and Audit
(4) Shareholder and Stakeholder Engagement

BOARD RESPONSIBILITIES

Board Composition & Guidance

Principle 2: Board Composition and Guidance

Principle 4: Board Membership

For FY2019, the Board comprised eight Directors of whom, three are executive Directors, two are non-executive/non-independent Directors and three are non-executive/independent Directors. Consistent with the 2018 Code, the Company has no alternate director on its board.

The Chairman of the Board is Mr. Arthur Tan Keng Hock (non-executive and independent). The executive Directors are Mr. Ong Beng Seng (Managing Director), Mr. Christopher Lim Tien Lock (Group Executive Director) and Mr. Stephen Lau Buong Lik (Executive Director).

The majority of our Directors is non-executive and includes professionals with financial and commercial backgrounds. This provides Management with the benefit of an external diverse and objective perspective of issues that are brought before the Board.

The Board has no dissenting view on the Chairman's statement for the year in review.

Key information regarding the Directors of the Company is provided as follows:-

Mr. Arthur Tan Keng Hock

Date of appointment as Director	:	July 5, 1996
Date of appointment as Chairman	:	May 14, 2013
Date of last re-election	:	April 27, 2017
Nature of Appointment	:	Non-Executive and Independent
Board Committees served on	:	Member of Audit Committee from July 5, 1996 to March 13, 1997 and since May 14, 2013 till present Chairman of Audit Committee from March 13, 1997 to May 13, 2013 Member of Remuneration Committee from May 14, 2013 and Chairman of Remuneration Committee since May 28, 2019

On May 14, 2013, Mr. Arthur Tan was appointed as Non-Executive Chairman of HPL.

Mr. Arthur Tan is the Managing Director of Advance Investment Management Capital Pte Ltd. Mr. Tan, who has been an investment banker for over 15 years, has held senior management positions including Managing Director of Smith New Court (Thailand) Co. Ltd, Director of Merrill Lynch (Singapore) Pte Ltd, Director, Corporate Finance, of Schroders International Merchant Bank Limited, Executive Director of Guthrie GTS Limited and directorships in various listed companies. He graduated from the National University of Singapore with a bachelor's degree in Business Administration.

Mr. Ong Beng Seng

Date of appointment as Director	:	March 5, 1980
Date of last re-election	:	April 29, 2019
Nature of Appointment	:	Managing Director
Board Committees served on	:	Member of the Remuneration Committee since November 1, 2002

Mr. Ong Beng Seng is the co-founder of the Company with more than 30 years of experience in the hotel and property development, hotel management, real estate and retail industries. He is responsible for all aspects of strategic planning and business development activities of the HPL Group. He joined Motor & General Underwriters Investment Holdings Ltd in 1972. In 1977, Mr. Ong joined his father-in-law, Mr. Peter Y. S. Fu in Kuo International as an oil trader. The move also thrusted him into hotel and property development. Mr. Ong is an associate member of the Chartered Insurance Institute of England.

Mr. Christopher Lim Tien Lock

Date of appointment as Director	:	January 7, 1998
Date of last re-election	:	April 29, 2019
Nature of Appointment	:	Group Executive Director

Mr. Lim Tien Lock, Christopher is the Group Executive Director of HPL. He is responsible for the overall management of the HPL Group. Prior to joining HPL in 1989, Mr. Lim held the position of Director and Head of Corporate Finance of N M Rothschild and Sons (Singapore) Limited with 10 years of experience in the field of investment banking. He graduated from the National University of Singapore with a bachelor's degree in Business Administration.

Mr. Leslie Mah Kim Loong

Date of appointment as Director	:	August 5, 1997
Date of last re-election	:	April 26, 2018
Nature of Appointment	:	Non-Executive and Independent
Board Committees served on	:	Chairman of Audit Committee since May 14, 2013 Member of the Audit Committee from November 1, 2002 and Chairman of the Nominating Committee since July 28, 2009

Mr. Leslie Mah is a Life member of the Institute of Singapore Chartered Accountants. Mr. Mah retired as an Executive Director of Eu Yan Sang International Limited in 2009. Prior to joining Eu Yan Sang, Mr. Mah was an Executive Director and Company Secretary of Cerebos Pacific Limited for 15 years. Prior to his tenure at Cerebos, he was Finance Director of Harper Gilfillan Limited for 10 years. He also sits on the board of Stamford Tyres Corporation Ltd as an Independent Director.

Mr. David Fu Kuo Chen

Date of appointment as Director	:	August 5, 2005
Date of last re-election	:	April 29, 2019
Nature of Appointment	:	Non-Executive and Non-Independent
Board Committees served on	:	Member of Nominating Committee since August 5, 2005

Mr. David Fu is a Director of Avant Hotel (S) Pte Ltd. He graduated from the University of Southern California. He also sits on the board of NSL Ltd.

Mr. Stephen Lau Buong Lik

Date of appointment as Director	:	May 13, 2008
Date of last re-election	:	April 27, 2017
Nature of Appointment	:	Executive Director

Mr. Stephen Lau was appointed on May 13, 2008 as an Executive Director. He holds a B.A. Hons major in Accounting. He is a Member of the Institute of Chartered Accountants in England and Wales. He is currently Head of the Hotel Division. Previously, he headed positions in the Retail and Leisure divisions of the Company.

Mr. William Fu Wei Cheng

Date of appointment as Director	:	November 6, 2009
Date of last re-election	:	April 27, 2017
Nature of Appointment	:	Non-Executive and Non-Independent

Mr. William Fu graduated with a Bachelor of Accountancy Degree from the University of Singapore in 1969. After graduation, Mr. Fu acquired his financial experience from working for several listed companies before he joined the Kuo Group of Companies in Hong Kong.

Mr. Wong Liang Ying

Date of appointment as Director	:	May 28, 2019
Date of last re-election	:	N.A.
Nature of Appointment	:	Non-Executive and Independent
Board Committees served on	:	Member of Audit Committee since May 28, 2019 Member of Nominating Committee since May 28, 2019 Member of Remuneration Committee since May 28, 2019

Mr. Wong Liang Ying holds a Bachelor's degree in Business Administration from the University of Singapore. Mr. Wong was with the Singapore Exchange Limited ("SGX") first as Head of Listings and then Head of China until his retirement in March 2018. In his role with SGX, Mr. Wong was also a member of various collaboration councils set up by Singapore with various provinces in China to promote economic trade and investment activities. Prior to joining SGX in April 2006, Mr. Wong was part of the senior management team at OCBC Bank. Before OCBC Bank, Mr. Wong was with the Schrodes Group for 20 years and held senior management positions with the group in various Asian countries. Mr. Wong also sits on the board of Mapletree North Asia Commercial Trust Management Ltd as an Independent Non-Executive Director.

Board Diversity Policy

The Board has a formal Board Diversity Policy, setting out its policy and framework for promoting diversity on the Board. The Board recognises that a diverse Board is an important element which will drive the Company's strategic objectives for sustainable development. This is achieved by enhancing the decision-making process of the Board through the perspectives derived from the various skills, business experience, industry discipline, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the Directors. When reviewing and assessing the composition of the Board and making recommendations to the Board for the appointment of Directors, the Nominating Committee will consider all aspects of diversity in order to arrive at an optimum balanced composition of the Board. Having regard to the depth and breadth of commercial knowledge, management expertise as well as business experience of individual Directors, the Nominating Committee is of the view that the current Board comprises persons who, as a group, provide core competencies necessary to govern and manage the Company's affairs. Accordingly, the Nominating Committee is of the view that the current Board is appropriate in view of the nature and scope of the Company's operations.

Board's Roles & Directors' Duties

Principle 1: Board's Conduct of its Affairs

For FY2019, the Board had met at least four times a year and as warranted by circumstances. The Company's Constitution provides for telephonic and videoconference meetings. The number of meetings held in the year and the attendance of the Directors are as follows:

Name of Directors	HPL Board	Audit Committee	Remuneration Committee	Nominating Committee	General Meetings of shareholders
	No. of Meetings held : 4	No. of Meetings held : 4	No. of Meetings held : 1	No. of Meetings held : 1	No. of Meetings held : 1
	No. of Meetings Attended	No. of Meetings Attended	No. of Meetings Attended	No. of Meetings Attended	No. of Meetings Attended
Ong Beng Seng	4	N.A.	1	N.A.	1
Christopher Lim Tien Lock	4	N.A.	N.A.	N.A.	1
Arthur Tan Keng Hock	4	4	1	N.A.	1
Leslie Mah Kim Loong	4	4	N.A.	1	1
Michael S. Dobbs-Higginson #	1	1	1	1	N.A.
David Fu Kuo Chen	4	N.A.	N.A.	1	1
Stephen Lau Buong Lik	4	N.A.	N.A.	N.A.	1
William Fu Wei Cheng	4	N.A.	N.A.	N.A.	1
Wong Liang Ying ##	2	2	N.A.	N.A.	N.A.

N.A. = Not Applicable

Resigned on March 1, 2019

Appointed on May 28, 2019

During FY2019, the non-executive Directors have met without the presence of Management, and the independent Chairman provided feedback to the Board as appropriate.

All Directors exercise due diligence and independent judgement and make decisions objectively in the best interest of HPL Group. The principal responsibilities of the Board are to:

- approve the broad policies, strategies and financial objectives of the Company and monitor its performance;
- approve major funding proposals, investments, disposals and capital expenditure;
- review the Company's financial performance and authorising announcements issued by the Company;
- oversee and review the processes for evaluating risk policies, including the adequacy and effectiveness of internal controls and risk management;
- approve the nominations of Board Directors; and
- assume responsibility for corporate governance and compliance with the Companies Act (Chapter 50) of Singapore ("Companies Act") and the rules and requirements of regulatory bodies.

Matters which are specifically reserved for the full Board's decisions are those involving material acquisitions and disposals of assets, corporate or financial restructuring, share issuances and dividends. Additionally, the Board delegates certain of its functions to the Committee of Directors, Audit, Risk Management, Nominating and Remuneration Committees.

The Committee of Directors, established in May 1993, comprises three Directors, namely Messrs Ong Beng Seng, Christopher Lim Tien Lock and David Fu Kuo Chen. The Committee of Directors is governed by written terms of reference and is authorised and delegated by the Board to approve and/or carry into effect certain operational and administrative matters, as stipulated in the regulations of the Committee of Directors.

The Company worked closely with its company secretaries and professionals to provide its Directors with regular updates on relevant legal, regulatory and technical developments. Changes to regulations and accounting standards are monitored closely by Management. The Directors are provided with updates, reports and press releases issued by regulatory authorities and institutes on directors' duties and responsibilities, corporate governance, changes in financial reporting standards in Singapore, developments in Companies Act and Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Rules, so as to update and refresh them on matters that may affect or enhance their performance as Board or Board Committee members. Appropriate external trainings will be arranged where necessary.

Upon the appointment of a new director, the Company will provide him/her with a formal letter, setting out his/her duties and obligations. Appropriate external trainings will be arranged for the newly appointed director where necessary. During FY2019, a new Director, Mr. Wong Liang Ying was appointed as a non-executive independent Director.

Conflict of Interest

In keeping with the Company's core values of ethics and integrity, the Board ensures that directors are not placed in situations where there is a conflict between their duties to the Company and their own personal interests. Where there is any director facing a conflict of interest, he or she discloses and recuses himself or herself from meetings and decisions involving the issue. Directors provide a disclosure of interests in transactions, property and offices at least annually or as and when such an interest occurs.

Dealings in securities

In compliance with Rule 1207 (19) of the SGX-ST Listing Manual, during FY2019, the Company issues quarterly reminders to its Directors, officers and employees on the restrictions in dealings in listed securities of the Company during the period commencing (i) two weeks prior to the announcement of financial results of each of the first three quarters of the financial year, and (ii) one month before the announcement of full year results, and ending on the date of such announcements. Directors, officers and employees were also reminded not to trade in listed securities of the Company at any time while in possession of unpublished price sensitive information and to refrain from dealing in the Company's securities on short-term considerations.

Interested Person Transactions ("IPTs")

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out procedures for review and approval of the Company's IPTs. Details of the significant IPTs for FY2019 are as follows:

CORPORATE GOVERNANCE REPORT

Name of Interested Person	Aggregate value of all IPTs during FY2019 (excluding transactions below $100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions below $100,000)
	$'000	$'000
***Associates of Mr. Ong Beng Seng / Mr. David Fu Kuo Chen**		
Rental income	8,243	-
Management fee income	458	-
Management fee expense	1,113	-
Provision of proportionate financial assistance	14,382	-

All the above IPTs were done on commercial terms.

Note:

* Associate in relation to a director, chief executive officer or controlling shareholder means:

- his immediate family;
- the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
- any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.

Role of Chairman & Managing Director

Principle 3: Chairman and Chief Executive Officer

The Company has a separate Chairman and Managing Director. The Chairman is a non-executive and independent director who bears responsibility for the workings of the Board while the Managing Director is the most senior executive in the Company who bears executive responsibility for the management of the Company and Group. The Chairman, Managing Director and Group Executive Director set the Board meeting agenda in consultation with the other Directors. Both the Chairman and Managing Director are responsible for the adherence by Management with Corporate Governance policies as laid down by the Board. The Chairman and the Managing Director are not immediate family members.

BOARD AFFAIRS

Remuneration Matters

Principle 6: Procedures for Developing Remuneration Policies

Principle 7: Level and Mix of Remuneration

Principle 8: Disclosure on Remuneration

The Remuneration Committee was formed on November 1, 2002 and comprises three Directors, of whom two, including the Chairman, are non-executive and independent Directors.

The Remuneration Committee is chaired by Mr. Arthur Tan Keng Hock. The other members are Mr. Wong Liang Ying and Mr. Ong Beng Seng. The Board is of the view that it is appropriate for the Group's Managing Director, Mr. Ong Beng Seng to remain as a member of the Remuneration Committee as he does not receive monthly remuneration from the Group and is not eligible for grants under the Company's Executive Share Option Scheme and Performance Share Plan.

The Remuneration Committee is governed by written terms of reference and its principal responsibilities are to:

- review periodically and recommend to the Board an appropriate framework of compensation practices to attract, retain and motivate management staff of the required calibre to manage the Group successfully;
- review and recommend senior management remuneration package and that of the executive Directors whose remuneration packages include a variable bonus component which is performance-related, and also stock options and performance shares which have been designed to align their interests with those of the shareholders;
- review Company's obligations arising in the event of termination of executive Directors and key management personnel's contract of service;
- review the recommendation of the executive Directors, for approval of the Board, the Directors' fees and such payment as may be payable pursuant to Article 73 of the Company's Constitution;
- administer the Hotel Properties Limited Performance Share Plan 2017 approved by the shareholders on April 27, 2017 ("HPL PSP 2017"); and
- administer the Hotel Properties Employee Share Option Scheme 2010 which was approved by the shareholders on April 29, 2010 ("Scheme 2010").

While none of the members of the Remuneration Committee specialises in the area of executive compensation, the Committee is entitled to have access to independent industry data and professional advice if necessary. Moreover, they have unrestricted access to the Company's records and information so as to enable them to carry out their duties.

For FY2019, there were no termination, retirement and post-employment benefits granted to Directors, the Managing Director and the top five key management personnel.

The remuneration for executive Directors and senior management is structured to link rewards to corporate and individual performance. The Company exercises its discretion and independent judgment in ensuring that the amount and mix of compensation are aligned with the interests of shareholders, in a manner that promotes stewardship and long term value creation. The overall level of remuneration is not considered to be excessive that will stimulate risk-taking behaviour beyond the Company's risk appetite.

The remuneration policy for executive Directors and senior management staff consists of both fixed and variable components. The fixed component includes salary and CPF contributions. The variable component comprises a bonus element, share options and performance shares which are performance-based. At the moment, the Company does not use any contractual provisions to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

Non-executive Directors are paid Directors' fees that are based on corporate and individual responsibilities and are subject to approval of the shareholders at the Annual General Meeting ("AGM") of the Company.

The Remuneration Committee recommends the payment of the Directors' fees, subject to approval by shareholders at the AGM.

Non-executive Directors have no service contracts and their terms are specified in the Articles.

Details of remuneration and benefits of Directors for FY2019 are set out below:

	Fee** %	**Salary** %	**Bonus and Other benefits*** %	**Total** %
Between $3,500,000 and $3,750,000				
Christopher Lim Tien Lock	2	24	74	100
Between $2,750,000 and $3,000,000				
Ong Beng Seng	2	-	98	100
Stephen Lau Buong Lik	2	28	70	100
Below $250,000				
Michael S. Dobbs-Higginson#	100	-	-	100
Arthur Tan Keng Hock	100	-	-	100
Leslie Mah Kim Loong	100	-	-	100
David Fu Kuo Chen	100	-	-	100
William Fu Wei Cheng	100	-	-	100
Wong Liang Ying##	100	-	-	100

* exclude share options and performance shares which are disclosed in the Directors' Statement

** these fees are subject to approval by shareholders as a lump sum at the AGM for FY2019

Mr Michael S. Dobbs-Higginson resigned as a Director on March 1, 2019

Mr Wong Liang Ying appointed as a Director on May 28, 2019

The key management team, together with the Managing Director, leads various departments and businesses segments, in accordance to their respective commercial and fiduciary roles. Their responsibilities include managing corporate affairs and executing duties with the highest standards of integrity and professionalism.

As the Company aims to promote a team-based performance culture to encourage collaboration and teamwork, team incentives have been integrated with organisational objectives to drive collective performance. Accordingly, the Company has decided not to disclose remuneration of its key management personnel, thereby minimising individual comparisons which may affect employee morale. Information relating to the remuneration of directors and other members of key management during the year has been disclosed in the Notes to Financial Statements on page 65 of this Annual Report. The Company believes that this will not be prejudicial towards shareholders' interest, as the quantum of remuneration and long-term incentives awarded to key management are aligned with the Company's strategic objectives. Additionally, the Remuneration Committee considers the overall business performance as well as the affordability of the payout for the Company, in order to determine the payout quantum for its key management personnel.

There is no employee who is related to a Director or the Managing Director whose remuneration exceeds $100,000 in the Group's employment for FY2019.

The Remuneration Committee administers the Scheme 2010 in accordance with the rules as approved by shareholders. Executive Directors (except Mr. Ong Beng Seng who is also a deemed substantial shareholder of the Company) were granted share options under the Scheme 2010 but not the non-executive Directors. The Company holds the view that, at this point in its development, the interests of maintaining the objectivity and independence of the non-executive Directors is best served by a cash-based remuneration package. The objectives of Scheme 2010 is to motivate the executives of the Group to optimise their performance standards and efficiency and to retain key executives whose contributions are important to the long term growth and profitability of the Group.

In addition to Scheme 2010, the shareholders have approved the HPL PSP 2017 on April 27, 2017 to give the Company greater flexibility to align the interests of the employees, especially key executives, with those of shareholders. It is also intended that the HPL PSP 2017 complements the Scheme 2010 in its continuing effects to reward, retain and motivate employees to achieve superior performance which creates and enhances economic value for shareholders.

Other details of Scheme 2010 and HPL PSP 2017 are found in the Directors' Statement.

Succession Planning

Principle 4: Board Membership

The Board supports the principle that Board renewal is a necessary and continual process, for good governance and ensuring that the Board has the skills, expertise and experience which are relevant to the evolving needs of the Company's business. The Board seeks to refresh its membership progressively and in an orderly manner. In this respect, Board succession planning is carried out through the annual review by the Nominating Committee of the Board's composition as well as when a Director gives notice of his or her intention to retire or resign. The outcome of that assessment is reported to the Board. Following the resignation of Mr. Michael S. Dobbs-Higginson on March 1, 2019, a new director, Mr. Wong Liang Ying has been appointed with effect from May 28, 2019.

In terms of succession planning for key management personnel, the successors to the key positions are identified and development plans will be instituted for them. The Nominating Committee is kept aware of the succession and development plans of key management personnel.

Board Membership & Performance

Principle 4: Board Membership

Principle 5: Board Performance

The Nominating Committee was formed on November 1, 2002 and currently comprises three non-executive Directors, of whom two are independent Directors. The Nominating Committee is chaired by Mr. Leslie Mah Kim Loong, a non-executive and independent Director. Mr. Mah is not associated with the substantial shareholders of the Company. The other members are Mr. Wong Liang Ying and Mr. David Fu Kuo Chen.

The Nominating Committee annually reviews the size and composition mix of the Board, various Committees and the independence of each Director. It is governed by written terms of reference that seek to establish an objective and transparent process for:

- the appointment or re-appointment of members of the Board and of the various Board Committees;
- evaluating and assessing the effectiveness of the Board as a whole, and the contribution by each individual Director to the effectiveness of the Board;
- reviewing and making recommendations to the Board on succession plans for Directors, in particular, the Chairman, Managing Director and key management personnel;
- determining the independence of Directors; and
- reviewing the multiple board representations of each Director individually (if any) to ensure that sufficient time and attention is given to the affairs of the Company.

The process for selecting, appointing, identifying and re-electing non-executive Directors to the Board is as follows:

(a) The Nominating Committee will at least annually carry out proactive review of the Board composition and on each occasion that an existing non-executive Director gives notice of his intention to retire or resign. This is to assess the collective skills of non-executive Directors represented on the Board to determine whether the Board, as a whole, has the skills required to achieve the Company's strategic and operational objectives;

(b) In carrying out the review, the Nominating Committee will take into account that the Board composition should reflect balance in matters such as skill representation, tenure, experience, age spread and diversity;

(c) The Nominating Committee will assist to identify suitable candidates for appointment to the Board having regard to the skills required and the skills represented on the Board;

(d) External consultants may be used from time to time to access a wide base of non-executive Directors;

(e) The Nominating Committee will make recommendations to the Board on candidates it considers appropriate for appointment. New Directors are appointed by way of board resolutions;

(f) With regard to the re-election of existing Directors each year, the Nominating Committee will advise the Board of those Directors who are retiring in accordance with the provisions of the Constitution of the Company;

(g) The Nominating Committee will make recommendations to the Board as to whether the Board should support the re-election of a Director retiring in accordance with the provisions of the Constitution; and

(h) In making recommendations, the Nominating Committee will undertake a process of review of the retiring non-executive Director's performance during the period in which the non-executive Director has been a member of the Board.

The above process will be reviewed periodically at the discretion of the Board.

New Directors will submit themselves for re-election at the forthcoming AGM of the Company. Article 80 of the Company's Constitution requires at least one third of the Board to retire by rotation at every AGM. All directors shall retire at least once every three years.

With effect from January 1, 2019, all directors, including the executive directors, must submit themselves for re-nomination and re-appointment at least once every three years, in accordance to Rule 720(5) of the SGX-ST Listing Manual.

Accordingly, the directors due for re-nomination and re-appointment at the forthcoming AGM under Rule 720(5) of the SGX-ST Listing Manual/Article 80 of the Company's Constitution are Messrs Arthur Tan Keng Hock, Stephen Lau Buong Lik and William Fu Wei Cheng while Mr. Wong Liang Ying will be re-nominated and re-appointed under Article 70 of the Company's Constitution. Other than Mr. William Fu Wei Cheng who has expressed his intention to retire at the forthcoming AGM and will not be seeking re-election as a Director, the rest of the retiring Directors have offered themselves for re-election.

After assessing the contribution and performance of the retiring Directors, the Nominating Committee has recommended the re-election of Messrs Arthur Tan Keng Hock, Stephen Lau Buong Lik and Wong Liang Ying at the forthcoming AGM. The Board has accepted the recommendations of the Nominating Committee.

Each member of the Nominating Committee abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters in which he is interested.

Information relating to Directors seeking re-election as set out in Appendix 7.4.1 to the SGX-ST Listing Manual, is set out on pages 125 to 126.

For the purpose of its evaluation of the Directors' performance, the Nominating Committee focuses on whether the Directors, individually or collectively possesses the background, experience, competencies in finance and management skills critical to the Company's business as well as whether each Director, with his special contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

The Nominating Committee has adopted a system of assessing the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. Board Assessment is conducted by the external company secretary and a consolidated report is submitted to the Nominating Committee. The Board assessment as a whole considered the following key performance criteria:

- Board size and composition;
- Effectiveness of Board processes;
- Board performance in fulfilling fiduciary and supervisory duties; and
- Board committee performance.

The assessment of individual directors considered the following key performance criteria:

- Directors' duties;
- Level of commitment (including attendance records, level of preparation for meetings);
- Technical expertise (e.g. financial, business-specific competencies); and
- Inter-personal relationships with other Directors and senior management.

The Nominating Committee is responsible for assessing the independence of the Directors on an annual basis. Each Director is required to complete a Confirmation of Independence checklist, which is drawn up in accordance with the guidelines provided by the 2018 Code and the SGX-ST Listing Rules, and the Nominating Committee requires each independent Director to complete and execute a form declaring and affirming his own independence and confirming that there exist no conditions that would impair his independence. This declaration of independence is tabled before the Nominating Committee, and if accepted, the Director's independence is then recommended by the Nominating Committee to the Board.

As at December 31, 2019, two independent Directors have served on the Board for more than nine years. They are Mr. Arthur Tan Keng Hock and Mr. Leslie Mah Kim Loong. The Nominating Committee takes the view that a Director's independence cannot be determined solely and arbitrarily on the basis on the length of time. A Director's contribution in terms of experience, expertise, professionalism, integrity, objectivity and independent judgment in engaging and challenging Management in the best interests of the Company as he performs his duties in good faith, are more critical measures in ascertaining his independence than the number of years served on the Board. Hence, the Board does not impose a limit on the length of service of the independent Directors. However, the Board and Nominating Committee will exercise due and careful review, taking into consideration other factors, in assessing the independence of a Director. These factors include, inter alia, if the Directors has any interest, business, relationship and/or any other material contractual relationships with the Company which could reasonably be perceived to compromise his independence and interfere with the exercise of his independent business judgment. After due and careful rigorous review, taking into account the views of the Nominating Committee (with Mr. Leslie Mah Kim Loong abstaining), the Board is of the view that Mr. Arthur Tan Keng Hock and Mr. Leslie Mah Kim Loong are independent in the light of the 2018 Code and Rule 210(5)(d) of the SGX-ST Listing Rules.

The Board notes that, with effect from January 1, 2022, Messrs Arthur Tan Keng Hock and Leslie Mah Kim Loong would have to comply with the requirements of Rule 705(5)(d)(iii) of the SGX-ST Listing Manual, for purposes of continuing to be designated as independent Directors and the Company will take the necessary steps, where appropriate, to comply with such requirements.

The Nominating Committee has assessed that each Director in the Company is able to and has been adequately carrying out his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments.

The Board is of the view that setting a maximum number of listed company board representations would not be meaningful as the contributions of the Directors would depend on many other factors such as whether they were in full time employment and their other responsibilities.

Access to information

Principle 1: Board's Conduct of its Affairs

In order to ensure that the Board is able to fulfil its responsibilities, Management provides the Board with quarterly financial statements, all relevant information on material events and transactions are circulated to Directors as and when they arise. Whenever necessary, senior management staffs are invited to attend the Board/Committee meetings to answer queries and provide detailed insights into their areas of responsibilities.

Where a decision has to be made before a Board meeting, a Directors' resolution is circulated in accordance with the Constitution of the Company and the Directors are provided with all necessary information to enable them to make informed decisions.

In addition, Directors have separate and independent access to the advice and services of the company secretary, who is responsible to the Board for ensuring board procedures are followed and advising on the implementation of compliance requirements pursuant to the relevant statutes and regulations. The company secretary assists in scheduling Board and Committee meetings and prepares agenda in consultation with the Board Chairman, Committee Chairman and Executive Directors. The company secretary attends all Board and Committee meetings and prepares minutes. The appointment and removal of the company secretary is a matter for the Board as a whole.

Each Director also has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Company's operations or undertakings in order to fulfil their roles and responsibilities as Directors.

In line with the SGX-ST Listing Manual, the Board provides a negative assurance statement to the shareholders in its quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

In addition, the Company, had pursuant to the amended Rule 720(1) of the SGX-ST Listing Manual, received undertakings from all its Directors and executive officers that they each shall, in the exercise of their powers and duties as Directors and officers comply with the best of their abilities with the provisions of the SGX-ST Listing Manual and will procure the Company to do so.

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

Risk Management and Internal Control Systems

The Board has received assurance from the Managing Director, Group Financial Controller and other Senior Management that (a) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances and (b) regarding the effectiveness of the Company's risk management and internal control systems.

The Audit Committee, together with Management meets with the internal auditors and external auditors to review accounting, auditing and financial reporting matters to ensure that an effective system of controls is maintained in the Company. The Audit Committee is tasked to oversee the implementation of an effective system of internal controls as well as putting in place a risk management framework to continually identify, evaluate and manage significant business risks of the Company. During FY2019, the Board engaged an external consultant to review the Company's business operations as well as its existing internal control and risk management systems. The Board subsequently decided to establish a separate Risk Management Committee to provide oversight, guidance, direction, and necessary resources to support the implementation of an enterprise-wide Risk Management ("ERM") policy, through the Finance Department. Such risk management activities includes setting and communicating the 'tone from the top', and ensuring effective implementation and compliance with the ERM policy.

The internal auditors and external auditors have, during the course of their audits, carried out a review of the effectiveness of key internal controls within the scope of their audits. Material non-compliance and internal control weaknesses noted during their respective audits and their recommendations are reported to the Audit Committee (if any). It was noted that there were no systemic issues to be highlighted. The Audit Committee has reviewed the internal auditors' and external auditors' comments and findings to ensure that there are adequate internal controls in the Company and follow up on actions implemented in their next audit review.

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by Management, the Board was satisfied that there were adequate and effective internal controls (including financial, operational, compliance and information technology controls) and risk management systems. The Audit Committee concurs with the Board's comment.

The Board notes that the system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives.

In this regard, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Principle 10: Audit Committee

Audit Committee Mandate

The Audit Committee was formed in 1991 and was re-constituted on November 1, 2002 in compliance with the spirit of the 2018 Code.

The Audit Committee comprises three non-executive Directors namely, Mr. Leslie Mah Kim Loong, Mr. Arthur Tan Keng Hock and Mr. Wong Liang Ying, all of whom are independent Directors. The Audit Committee is chaired by Mr. Leslie Mah Kim Loong, a Life Member of the Institute of Singapore Chartered Accountants. The Board considers Mr. Leslie Mah, who has extensive and practical financial management knowledge and experience, is well qualified to chair the Audit Committee. The Board is satisfied that the Audit Committee members, collectively have many years of experience in accounting, finance and business management and are appropriately qualified to discharge their responsibilities. The Audit Committee does not comprise former partners or directors of the Company's existing auditing firm or auditing corporation.

The Audit Committee is governed by written terms of reference under which it performs the following main functions:

- reviews with the external auditors, the audit plan, impact of new, revised or proposed changes in accounting standards, significant financial reporting issues and results of their examination and evaluation of accounting controls;
- reviews with the internal auditors, the scope and results of internal audit procedures and their evaluation of the internal control systems;
- reviews the quarterly and full year announcements of the results and financial position of the Company and the Group and the financial statements of the Company and consolidated financial statements of the Group prior to their submission to the Board;
- reviews interested person transactions;
- reviews the co-operation given by the Company's officers to the internal and external auditors;
- makes recommendations to the Board on the appointment of the internal and external auditors;
- reviews with the external and internal auditors the adequacy and effectiveness of the Group's internal control systems within the scope of their audits, including financial, operational, compliance and information technology controls;
- reviews the independence of the external auditors annually and the aggregate amount of fees paid to the external auditors for that financial year; and
- commissions and reviews the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any law, rule or regulation which is likely to have a material impact on the Company's operating results or financial position.

The Audit Committee meets with the internal and external auditors separately (without the presence of the Company's Management) at least once a year to review any matter that might be raised.

The Audit Committee received co-operation from Management and was not obstructed or impeded by Management in carrying out its functions during the year. Throughout the year, there was no instance of any suspected misdeed or irregularity, which was likely to have a material impact on the Group's operating results and financial position.

The Audit Committee has full discretion to invite any Director or executive officer of the Company to attend its meetings.

To keep abreast of the changes in financial reporting standards and related issues which have a direct impact on financial statements, discussions are held with the external auditors where applicable when they attend the Audit Committee meetings quarterly.

The Audit Committee reviewed the scope and results of the audit carried out by the external auditors, the independence and objectivity of the external auditors. The Audit Committee has conducted an annual review of all non-audit services by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the auditors. The fees paid to the external auditors are disclosed on page 84 of this Annual Report.

The Company has complied with Rules 712, 715 and 716 of the SGX-ST Listing Manual in relation to its auditors. The Audit Committee has recommended to the Board the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Company at the forthcoming AGM.

Significant financial statement reporting matter

The external auditors have included the valuation for investment properties as a Key Audit Matter ("KAM") in the auditor's report for the financial year ended December 31, 2019. The Audit Committee discussed the KAM with the external auditors and concurred with the basis and conclusions to be included in the auditors' report. For more information on the KAM, please refer to page 23 of this Annual Report.

Internal Audit

The internal audit function is currently outsourced to One e-Risk Services Pte Ltd which reports directly to the Audit Committee. The internal auditors support the Audit Committee in their role to assess the effectiveness of the Company's overall system of operational and financial controls. The Audit Committee is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience. The Audit Committee is also satisfied that the internal audit function is independent, effective and adequately resourced.

The Audit Committee reviews and approves the internal audit plan proposed by the internal auditors. Material non-compliance and internal control weaknesses noted during the internal audits are reported together with the internal auditors' recommendations to the Audit Committee. There were no material weaknesses identified by the Board or the Audit Committee for FY2019.

Whistle-blowing

The Company has in place a Whistle-Blowing Policy ("Policy"), which provides an independent feedback channel that is directed to the AC Chairman, through which matters of concern about possible improprieties such as suspected fraud, corruption, dishonest practices, may be reported in good faith, without fear of reprisal. Appropriate investigation and follow up action will be taken on any such report, and the Audit Committee will be duly informed. There have been no reported incidents pertaining to whistle-blowing for FY2019.

SHAREHOLDER & STAKEHOLDER ENGAGEMENT

Principle 11: Shareholder Rights and Engagement

Dividend Policy

The Company does not have a fixed dividend policy. The frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow and general business conditions, development plans and other factors as the Directors may deem appropriate. Notwithstanding the above, the Company has been declaring final dividends at year end. Any payouts are clearly communicated to shareholders via announcements on SGXNET when the Company releases its financial results.

Investor Relations

All shareholders of the Company receive the Annual Report and Notice of AGM which can be accessed from the Company's website. The Company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders. At general meetings of the Company, shareholders have the opportunity to vote in person or by proxy, would be informed of the voting procedures. At AGMs, shareholders are given the opportunity to air their views and ask questions regarding the Company and its businesses. The Chairman of each of the Audit Committee, Nominating Committee and Remuneration Committee, external auditors, Management are also present to address shareholders' queries. The Company currently does not publish minutes of general meetings of shareholders on its corporate website as minutes of general meetings which include substantial comments or queries from shareholders and responses from the Board, are available to shareholders upon written request.

The Company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting.

To promote greater transparency and equitable standards of participation, the Company has conducted the voting of all its resolutions by employing electronic poll voting for all its resolutions passed at its AGM held since 2016. The detailed results of the electronic poll voting on each resolution tabled at the AGM, including the total number of votes cast for or against each resolution tabled, were released immediately at the AGM and announced to SGX-ST via SGXNET thereafter.

Except for a member who is a relevant intermediary as defined under Section 181(6) of the Companies Act, a member is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. A "Relevant Intermediary" means:

(i) a banking corporation licensed under the Banking Act of Singapore (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(ii) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act of Singapore (Chapter 289), and who holds shares in that capacity; or

(iii) the Central Provident Fund Board established by the Central Provident Fund Act of Singapore (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

For FY2019, the Company was not able to implement absentia voting methods such as voting via emails or fax since security, integrity of the information, authentication of the identity of shareholders and other pertinent issues have not been satisfactorily resolved. The Company will take into account any measures and legislations that may be introduced by the relevant authorities as a result of the current environment in formulating the framework and procedures to effect additional methods of voting.

Principle 12: Engagement with Shareholders

Communication with Shareholders

The Company is committed to treat all shareholders fairly and equitably, and keep all its shareholders and other stakeholders informed of its corporate activities, including changes in the Company or its business which would be likely to materially affect the price or value of its shares, on a timely basis. Price sensitive announcements including quarterly and full-year results are released through SGXNET and subsequently posted on the Company's website.

Results and annual reports are announced or issued within the mandatory period, through the 'Investor Relations' section found on the corporate website. The Company makes available all media releases, financial results, annual reports, SGXNET announcements and other corporate information relating to the HPL Group on its corporate website www.hotelprop.com.sg. Members of the public may communicate with the Company via the 'Contact us' section of the Company's corporate website.

Principle 13: Managing Stakeholder Relationships

Business Conduct and Ethics

The Company has in place a Code of Business Conduct which sets out the business practices, standards and ethical conduct expected of all employees in the course of their employment with the Company. The Code of Business Conduct covers various aspects of the business operations of the Company such as conflicts of interest, fraud, and workplace discrimination. In addition, all employees are required to observe and maintain high standards of integrity in carrying out their roles and responsibilities, and to comply with relevant and applicable laws and regulations, as well as with Company policies.

Sustainability Strategy

Management understands the increasing importance of sustainability in all areas of the business. It adopts an integrated approach of evaluating the Company's sustainability performance in tandem with the Company's objectives. The Company publishes an annual Sustainability Report that provides more details on its Environmental, Social and Governance ("ESG") activities and identifies the key aspects through material assessment by relevant stakeholders (Guests, Investors and Management, Employees, Local Community and Suppliers). The key aspects are occupational health and safety, training and education of employees, energy and water consumption.

STATISTICS OF SHAREHOLDINGS
AS AT MARCH 19, 2020

No. of shares (excluding treasury shares[1])	:	521,121,551
Class of shares	:	Ordinary Shares
Voting rights	:	1 Vote per Share
No. of treasury shares[1]	:	368,700

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	72	2.47	751	0.00
100 - 1,000	609	20.89	465,730	0.09
1,001 - 10,000	1,792	61.45	6,651,032	1.28
10,001 - 1,000,000	424	14.54	20,263,209	3.89
1,000,001 AND ABOVE	19	0.65	493,740,829	94.74
TOTAL	**2,916**	**100.00**	**521,121,551**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	NASSIM DEVELOPMENTS PTE. LTD.	117,347,282	22.52
2	DBS NOMINEES (PRIVATE) LIMITED	99,394,142	19.07
3	68 HOLDINGS PTE LTD	85,000,000	16.31
4	RAFFLES NOMINEES (PTE.) LIMITED	60,433,190	11.60
5	MORGAN STANLEY ASIA (S) SEC PTE LTD	27,273,565	5.23
6	FU KUO CHEN DAVID	26,026,307	4.99
7	DB NOMINEES (SINGAPORE) PTE LTD	25,126,200	4.82
8	FU CHRISTINA MRS CHRISTINA ONG	23,457,308	4.50
9	CITIBANK NOMINEES SINGAPORE PTE LTD	10,505,150	2.02
10	REEF HOLDINGS PTE LTD	2,951,000	0.57
11	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,914,911	0.56
12	OCBC SECURITIES PRIVATE LIMITED	2,896,400	0.56
13	LEE PINEAPPLE COMPANY PTE LTD	2,750,000	0.53
14	PHILLIP SECURITIES PTE LTD	2,003,872	0.38
15	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,269,800	0.24
16	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,169,300	0.22
17	MORPH INVESTMENTS LTD	1,158,802	0.22
18	LAU ENG TIONG	1,032,000	0.20
19	LAU BUONG LIK STEPHEN	1,031,600	0.20
20	TEO KAR TIN	992,500	0.19
	TOTAL	**494,733,329**	**94.93**

Based on the information available to the Company, as at March 19, 2020, approximately 11.48% of the issued ordinary shares of the Company (excluding treasure shares) are held in the hands of the public. Hence, Rule 723 of the Listing Manual of the SGX-ST has accordingly been complied with.

[1] As per The Central Depository (Pte) Limited's report.

SUBSTANTIAL SHAREHOLDERS
AS AT MARCH 19, 2020

As shown in the Company's Register of Substantial Shareholders

Substantial Shareholder	Direct/ Beneficial Interest No. of Shares	%*	Deemed Interest No. of Shares	%*
68 Holdings Pte. Ltd.	179,020,924	34.35	-	-
Ong Beng Seng	109,812,255	21.07	205,429,232 (1)	39.42
Cuscaden Partners Pte. Ltd.	-	-	179,020,924 (2)	34.35
Nassim Developments Pte. Ltd.	117,347,282	22.52	-	-
WPS Capital Pte. Ltd.	-	-	117,347,282 (3)	22.52
City Fairy Limited	-	-	117,347,282 (3)	22.52
Wheelock Investments Limited	-	-	117,347,282 (3)	22.52
Wheelock and Company Limited	-	-	117,347,282 (3)	22.52

Notes:

(1) Mr. Ong Beng Seng is deemed to have an interest in the shares held by 68 Holdings Pte. Ltd., held by his spouse and held by Reef Holdings Pte. Ltd.

(2) Cuscaden Partners Pte. Ltd. is deemed to have an interest in the shares held by 68 Holdings Pte. Ltd.

(3) WPS Capital Pte. Ltd., City Fairy Limited, Wheelock Investments Limited, Wheelock and Company Limited are deemed to have an interest in the 117,347,282 shares held by Nassim Developments Pte. Ltd.

* Based on 521,121,551 ordinary shares (excluding treasury shares) as at March 19, 2020.

Approximately 11.48% of the issued ordinary shares are held in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has accordingly been complied with.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr. Arthur Tan Keng Hock, Mr. Stephen Lau Buong Lik and Mr. Wong Liang Ying are the Directors seeking re-election at the 2020 annual general meeting of the Company (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of SGX-ST is set out below:

Name of Director	Mr. Arthur Tan Keng Hock	Mr. Stephen Lau Buong Lik	Mr. Wong Liang Ying
Date of appointment	July 5, 1996	May 13, 2008	May 28, 2019
Date of last re-appointment (if applicable)	April 27, 2017	April 27, 2017	N.A.
Age	63	65	65
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this re-appointment (including rationale, selection criteria, and the search and nomination process)	The Board has considered, among others, the recommendation of the NC and has reviewed and considered the qualifications, expertise, work experience and suitability of Mr Arthur Tan Keng Hock for re-election as the Non-Executive and Independent Chairman of the Company. The Board has accepted the NC's recommendation and concluded that Mr Tan continues to possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. The Board of Directors will continue to benefit from Mr Tan's leadership.	The Board has considered, among others, the recommendation of the NC and has reviewed and considered the performance, contributions, qualifications, expertise, work experience and suitability of Mr Stephen Lau Buong Lik for re-election as the Executive Director of the Company. The Board has accepted the NC's recommendation and concluded that Mr Lau continues to possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board has considered, among others, the recommendation of the NC and has reviewed and considered the qualifications, expertise, work experience and suitability of Mr. Wong Liang Ying for re-election as the Non-Executive Independent Director of the Company. The Board has accepted the NC's recommendation and concluded that Mr Wong continues to possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive. Responsible for overseeing the Hotel Division of the Group.	Non-Executive

ADDITIONAL INFORMATION
ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Mr. Arthur Tan Keng Hock	Mr. Stephen Lau Buong Lik	Mr. Wong Liang Ying
Job Title (e.g. Lead ID, AC Chairman, AC Member, etc.)	Non-Executive Chairman Chairman of Remuneration Committee Member of Audit Committee	Executive Director	Independent Director Member of Audit Committee Member of Nominating Committee Member of Remuneration Committee
Professional qualifications	Bachelor of Business Administration from National University of Singapore	Bachelor of Arts majoring in Accounting / Member of the Institute of Chartered Accountants in England and Wales	Bachelor of Business Administration from the University of Singapore
Working experience and occupation(s) during the past 10 years	Managing Director of Advance Investment Management Capital Pte Ltd	Executive Director of Hotel Properties Limited	EVP and Head of Listings/ Head of China of Singapore Exchange Ltd (Exchange operator) 2006 - 2018
Any relationship (including immediate family relationships) with any existing director/ existing executive officer of the Company and/or substantial shareholder or any of its principal subsidiaries	Nil	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil
Other Principal Commitments including Directorships			
Past 5 years	Nil	Nil	Nil
Present	Directorship Advance Investment Management Capital Pte Ltd	Directorships Executive Director of Hotel Properties Limited Director of Hotel Properties Limited's subsidiaries and associated companies.	Directorship Mapletree North Asia Commercial Trust Management Ltd

Messrs Arthur Tan Keng Hock, Stephen Lau Buong Lik and Wong Liang Ying have each:

- Provided an undertaking set out in Appendix 7.7 under Rule 720(1) of SGX-ST.
- Individually confirmed that on each of the questions as set out in paragraphs (a) to (k) of Appendix 7.4.1 to the Listing Manual of the SGX-ST, the answer is "No".

The shareholding interest in the Company and its subsidiaries of each of these Directors are disclosed in the Directors' Statement on pages 18 to 22.

The disclosure on prior experience as a director of an issuer listed on the Exchange and details of prior experience is not applicable as disclosure is applicable to the appointment of Director only.

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