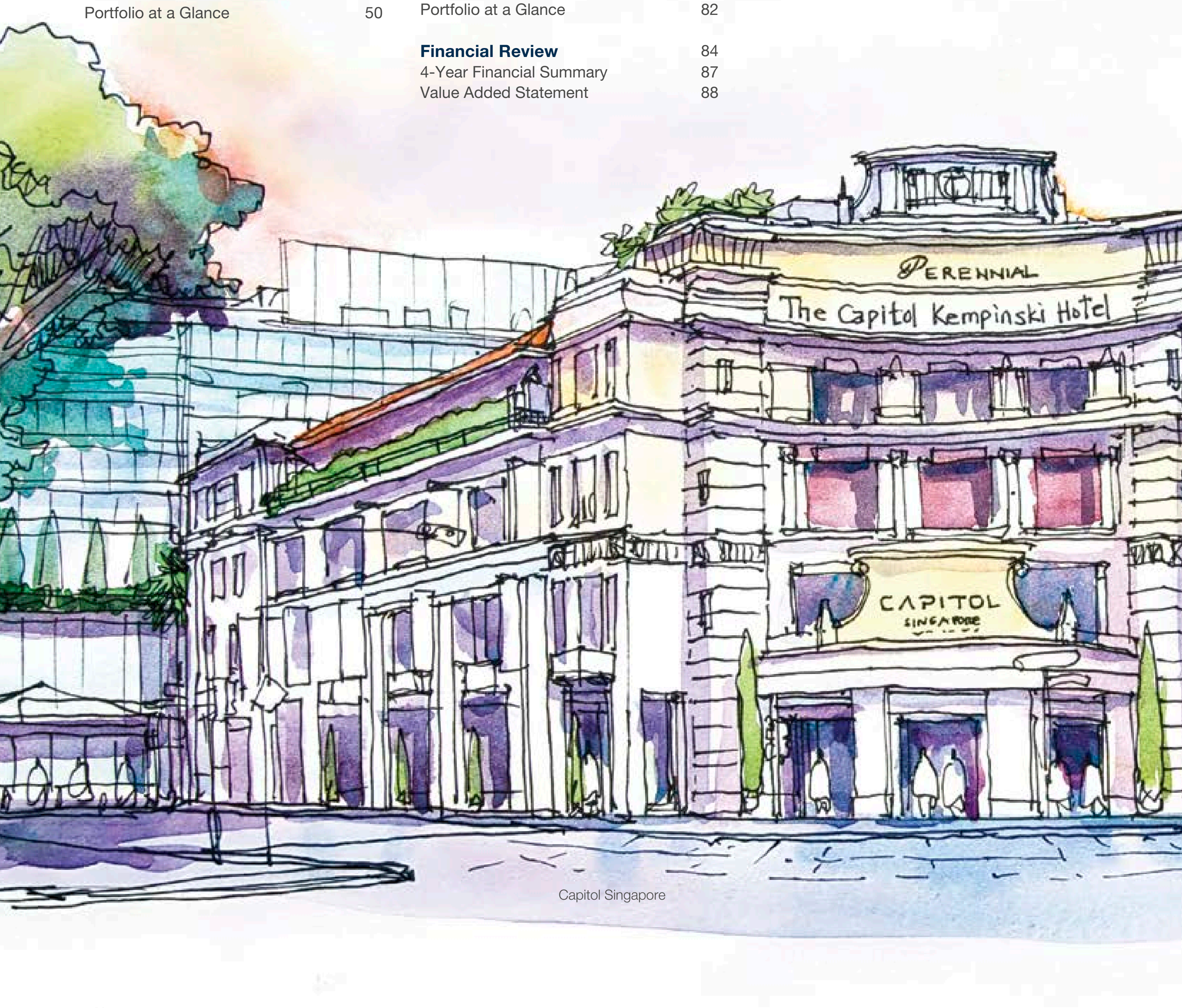
PERENNIAL 鹏瑞利

谱写新篇章

Painting a New Chapter

Perennial Real Estate Holdings Limited
Annual Report 2018



Capitol Singapore

Painting a
New Chapter

2018 marks another significant year for Perennial as the synergies of its integrated strategy sees the company advancing on many fronts.

In realising its vision, Perennial transformed a palette of opportunity into a landscape of integrated real estate and healthcare businesses. As Perennial paints a new chapter, it continues to make decisive strokes in its strategy to build a sustainable business that delivers value for all of its stakeholders.

谱写新篇章

Corporate Profile

Perennial Real Estate Holdings Limited ("**Perennial**") is an integrated real estate and healthcare company headquartered and listed in Singapore. As a real estate owner, developer and manager, Perennial focuses strategically on large-scale mixed-use developments and has a presence in China, Singapore, Malaysia, Indonesia and Ghana with a combined portfolio spanning about 65 million square feet in gross floor area.

Perennial is also a healthcare services owner, operator and provider in China with two core business segments, being hospitals and medical centres as well as eldercare and senior housing.

In China, Perennial is a dominant commercial developer with large-scale mixed-use integrated developments. Four of Perennial's developments, Chengdu East High Speed Railway ("**HSR**") Integrated Development, Xi'an North HSR Integrated Development, Tianjin South HSR Integrated Development and Kunming South HSR Integrated Development, are regional healthcare and commercial hubs which are situated adjacent to four of the country's largest HSR stations and incorporate medical, healthcare and eldercare facilities. Other notable projects in Perennial's portfolio include Beijing Tongzhou Integrated Development, Shenyang Longemont Integrated Development, Zhuhai Hengqin Integrated Development, Perennial Jihua Mall in Foshan and Perennial Qingyang Mall in Chengdu.

In Singapore, Perennial has invested in and manages prime iconic properties located in the Civic District, Central Business District and Orchard Road precinct, such as Capitol Singapore, CHIJMES, AXA Tower, 111 Somerset, Chinatown Point and House of Tan Yeok Nee.

VISION

To be a leading global integrated real estate and healthcare company committed to enriching the lives of those we serve and delivering value to all of our stakeholders.

MISSION

To build a sustainable business, establish strong lasting relationships, and create long-term growth for our shareholders.

CORE VALUES

TEAMWORK

We value and empower our people, embrace diversity and work in unity to achieve our corporate goals.

INTEGRITY

We believe in fair business practices and uphold a high standard of integrity, moral conduct and governance in our dealings with internal and external parties.

EXCELLENCE

We are passionate about our work, innovative and entrepreneurial in spirit, and push the boundaries in pursuit of outstanding performance.

SUSTAINABILITY

We are socially, environmentally and economically responsible and treat our stakeholders with respect and compassion.

See Sustainability Summary Report
on page 89 for more information

企业介绍

鹏瑞利置地集团有限公司（以下简称“**鹏瑞利置地集团**”）总部位于新加坡，是新加坡证券交易所主板上市的综合性房地产和医疗健康公司。作为集持有、开发和管理于一体的房地产公司，鹏瑞利置地集团主要投资于大规模的综合性房地产开发项目，投资组合遍布于中国、新加坡、马来西亚、印尼和加纳，物业总建筑面积约6,500万平方尺。

同时，鹏瑞利置地集团亦是面向中国的医疗健康服务产业持有者、运营商和提供商，并着重于医院和医疗中心及养老护理和老年公寓这两大核心业务板块。

在中国，鹏瑞利置地集团是一家业界领先的商业地产开发商，持有大型综合开发项目。当中的四个项目，即成都东站综合项目、西安北站综合项目、天津南站综合项目和昆明南站综合项目，更是毗邻中国四个主要高铁中转站，并且是集医疗、健康和养老设施为一体的区域医疗健康和商业枢纽。其它主要的项目包括北京通州综合项目、沈阳龙之梦综合项目、珠海横琴综合项目、佛山鹏瑞利季华广场和成都鹏瑞利青羊广场。

在新加坡，鹏瑞利置地集团投资并管理位于市中心行政区、中央商业区和乌节路核心地段的标志性优质物业，包括新加坡首都、赞美广场、安盛保险大厦、111索美塞、唐城坊和陈旭年宅第。

愿景

成为一家全球领先的综合性房地产和医疗健康公司，致力于丰富我们服务对象的生活，并提供价值给我们所有的利益相关者。

使命

建立可持续发展业务，树立稳固持久的关系，并为股东创造长期利益增长。

核心价值

团队精神

我们重视我们的员工，接受人才多样性，并以团结一心的态度实现我们共同的企业目标。

正直

我们相信公平的商业惯例，在与内部和外部各方打交道时秉承高标准的诚信、道德操守和治理。

卓越

我们秉持对工作的热忱，保持创新和进取的精神以突破界限、追求卓越的表现。

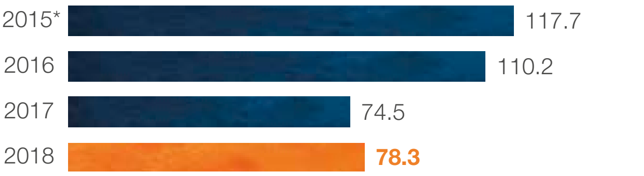
可持续性

我们对社会、环境和经济负责，并以最尊敬的心对待我们的利益相关者。

参阅页面 89了解更多关于
我司的可持续性简报

Financial Highlights

REVENUE
(S$'m)

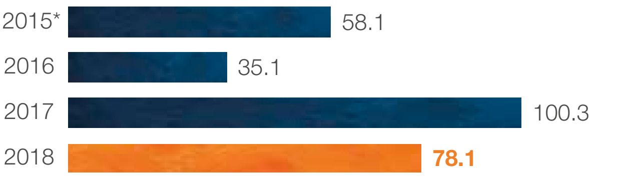


FY2018 revenue increased by 5.0% mainly attributable to the consolidation of revenue from Capitol Singapore and new revenue stream from Perennial International Health and Medical Hub, Chengdu ("**PIHMH**"), which commenced operations in 2Q 2018. This increase was partially offset by the absence of revenue from 111 Somerset and lower management fee post the sale of the Group's 20.2% equity stake in FY2017 as part of its capital recycling strategy.

EARNINGS BEFORE INTEREST AND TAX ("EBIT")
(S$'m)

FY2018 EBIT increased by 71.3% mainly due to higher fair value gains as the respective development properties achieved certain key milestones and were identified for lease, and operating properties improved on their performance. The higher EBIT was partially offset by the absence of a one-off gain from the partial divestment of 111 Somerset totalling S$55.7 million.

PROFIT AFTER TAX AND MINORITY INTEREST ("PATMI")
(S$'m)



PATMI decreased by 22.2% in FY2018 due to the absence of divestment gain, higher finance costs arising from the consolidation of Capitol Singapore's debt post-acquisition of the 50% stake to take full ownership of the asset, new loans to fund investments, higher interest rate, and the non-capitalisation of interest expenses for PIHMH upon its completion of works.

EARNINGS PER SHARE ("EPS")
(cents)

Lower EPS compared to FY2017's 6.02 cents due to lower PATMI.

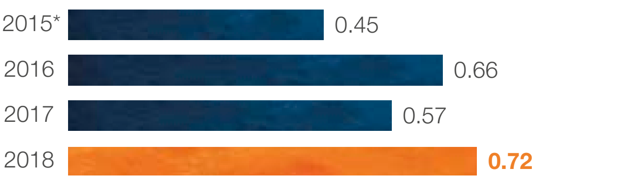
TOTAL ASSETS
(S$'b)

FY2018 total assets increased by 14.4% due to the consolidation of Capitol Singapore as well as higher valuation of investment properties held through subsidiaries and associates.

DIVIDEND PER SHARE
(cents)

Proposed dividend of 0.4 cents per share for FY2018.

GEARING RATIO
(times)



Net gearing increased from 31 December 2017's ratio of 0.57x due to consolidation of Capitol Singapore's debt and new loans and borrowings to fund investments.

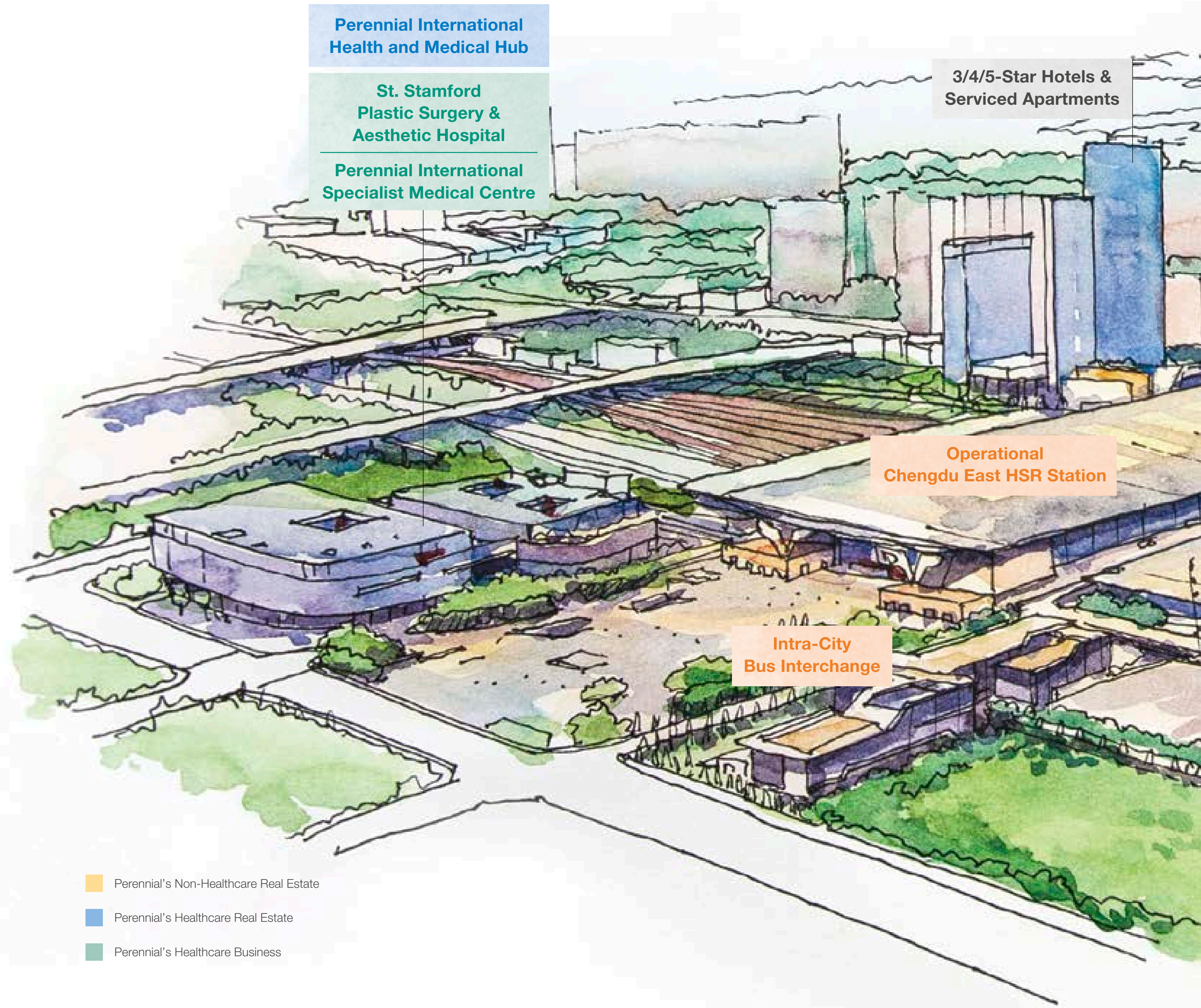
NET ASSET VALUE ("NAV") PER SHARE
(S$)

NAV decreased by 1.1% from 31 December 2017's NAV per share of S$1.663 mainly attributable to depreciation of RMB which resulted in RMB-denominated assets been translated into lower value.

* In FY2015, the Company changed its financial year end from 30 June to 31 December. Unaudited 12-month results are presented for purposes of comparison.

An Integrated Masterpiece

The opening of Perennial International Health and Medical Hub ("**PIHMH**") in Chengdu in 2018 marks a significant milestone for Perennial. As Perennial's first High Speed Railway ("**HSR**") Regional Healthcare and Commercial Hub, PIHMH is the fruition of Perennial's integrated real estate and healthcare strategy. PIHMH sets in motion the execution of similar iconic projects across China.



浑然一体

Over 90%

committed occupancy for PIHMH
(as at 31 December 2018)

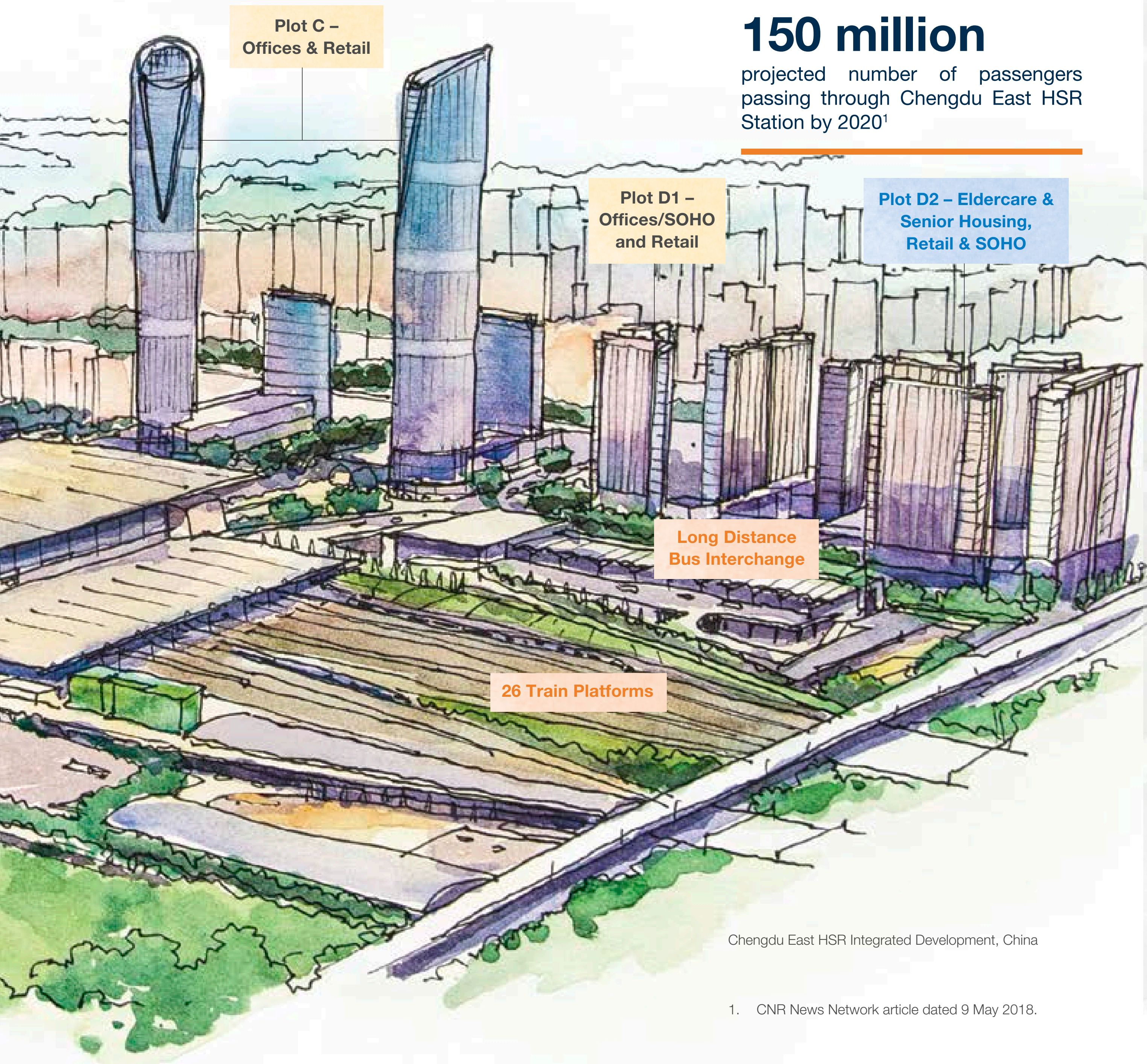
Approximately

100 million

population catchment reached within two-hour travel radius from Chengdu East HSR Station

150 million

projected number of passengers passing through Chengdu East HSR Station by 2020[1]



Chengdu East HSR Integrated Development, China

1. CNR News Network article dated 9 May 2018.

A Canvas
of Potential

Perennial focuses on large-scale healthcare-centric mixed-use developments in close proximity to HSR stations or transportation hubs. Its integrated strategy creates various lines of management businesses to deliver multiple income streams to generate stable recurrent income. The synergy between various components within the development also increases the value of its real estate and healthcare businesses.

SOUTHWEST CHINA

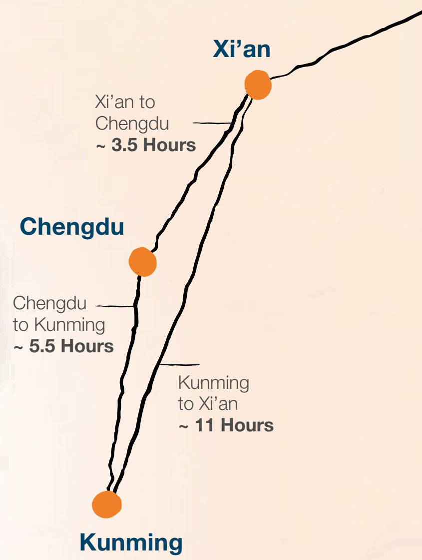
Chengdu East HSR Integrated Development

Adjacent to Chengdu East HSR Station, one of the largest HSR stations in China[1].

SOUTHWEST CHINA

Kunming South HSR Integrated Development

Adjacent to Kunming South HSR Station, the largest HSR station in Southwest China[1].



4 prime

HSR healthcare and commercial hubs adjacent to four of the largest HSR stations in China

3 strategically located

along China's Belt and Road Initiative route

32 million sq ft

total gross floor area

NORTHEAST CHINA

Tianjin South HSR Integrated Development

Adjacent to Tianjin South HSR Station,
a future key interchange hub to Jing-Jin-Ji megalopolis.

刻画入微

Tianjin

Tianjin
to Xi'an
~ **6 Hours**

NORTHWEST CHINA

Xi'an North HSR Integrated Development

Adjacent to Xi'an North HSR Station,
the largest HSR station in China[1].

1. Sina article dated 4 November 2016.

The Art of Integrated Care

Perennial pursues its asset-light healthcare business through Renshoutang, one of the largest private integrated eldercare operators in Shanghai. Renshoutang offers facilities that integrate eldercare, medical care, nursing care and rehabilitation care under one roof. New facilities also tap on smart technology and offer customised menu (endorsed by Chinese Nutrition Society) to elevate the standard of care for the elderly.

融会贯通

Shanghai Renshoutang Nursing Home, China

About 6,000
operating beds;

Over 9,650
committed pipeline of beds;

Over 13,500
potential pipeline of beds;

Over 400 million[1]
projected elderly population in China above 60 years old by 2035

Only 7.3 million[2]
eldercare beds available in China as at 2017, signalling a supply gap

1. United Nations, Department of Economic and Social Affairs, World Population Prospects 2017.
2. Ifeng News article dated 3 August 2018.

Chairman's Statement

2018 was a turbulent year marked by uncertainties in many markets partly as a result of the US-China trade tensions. However, this global weakness did not slow our growth momentum. We continued to make progress towards our vision of becoming a sizeable real estate and healthcare company.

Our integrated strategy in real estate and healthcare is based on long-term trends. It is also guided by a clearly defined business model that sets us apart. As owner, developer and manager of our real estate properties and as owner, operator and provider of healthcare services, we are uniquely positioned to create synergy throughout our value chain. We are also able to extract and capture the full value of our multiple income streams. In addition, we bring to this strategy our ability to identify quality assets at strategic locations, acquire them at the right price, and create value from these assets for our stakeholders.

In the year, we continued to focus on integrated rather than standalone developments, specifically those that are in close proximity to high speed railway stations or transportation hubs to meet the demand of today's consumers for well-connected one-stop destinations.

This strategy has allowed us to grow our China real estate and healthcare businesses during the year. Strategically, our healthcare business benefits from the synergy with our real estate business and allows us to meet the burgeoning medical and healthcare needs of the increasingly affluent Chinese populace.

We strive to be at the forefront of corporate governance practices and have made efforts to live up to the spirit of the Code. This is reflected in our voluntary early adoption of the revised Code 2018.

A CULTURE OF GOOD GOVERNANCE

Our corporate performance is built on the strength of our governance. For this reason, we welcome the introduction of the revised Code of Corporate Governance ("**Code**") for listed companies in August 2018.

We strive to be at the forefront of corporate governance practices and have made efforts to live up to the spirit of the Code. This is reflected in our voluntary early adoption of the revised Code 2018.

In terms of our diversity policy, we believe that diversity of skills, experience, knowledge, gender, age and qualifications is vital to bringing multiplicity of perspectives into the boardroom. In the year under review, the Nominating Committee assessed the diversity of the Board as appropriately balanced, as it comprises a good dimension of skills sets, experience and knowledge of the real estate and healthcare industries. The Nominating Committee also assessed the Directors as having the necessary core competencies to provide diverse and objective perspectives on the Board's deliberations.

Furthermore, our Independent Directors make up more than half of the Board. This demonstrates the Board's firm commitment towards good corporate governance to ensure accountability and transparency to all of our stakeholders.

VALUE CREATION AND REMUNERATION

At Perennial, we align our remuneration policy with our strategy and the long-term value creation of the Company.

This direct linking of value creation with remuneration ensures that we always act in the best interest of shareholders and our wider stakeholders. It also spurs us to pursue long-term business objectives and sustainable growth for Perennial.

SUSTAINABILITY AND STAKEHOLDER ENGAGEMENT

While we met most of our sustainability targets for FY2018, we will continue to dedicate efforts towards strengthening our performance from a sustainability perspective.

Above all, we greatly value the stakeholder engagement process. This process is one that shapes our material environmental, social and governance vectors.

Through proactive engagement with stakeholders, the Board continually demonstrates its commitment to addressing their concerns and reaffirms the Company's commitment to sustainability issues.

Above all, we greatly value the stakeholder engagement process. This process is one that shapes our material environmental, social and governance vectors.

A WORD OF THANKS

Finally, I would like to express my gratitude to my fellow Directors for their commitment and invaluable advice, and Perennians for their hard work and dedication in bringing Perennial to where it is today. My deep appreciation too, to all other stakeholders, for your support through the years.

Mr Kuok Khoon Hong
Chairman
13 March 2019

主席致辞

2018年是动荡的一年，中美贸易紧张局势造成了许多市场的不确定性。然而，这种全球性的弱势并没有减缓我们的增长势头。我们继续向着成为一家规模庞大的房地产和医疗健康公司的愿景迈进。

我们在房地产和医疗领域的综合战略基于长期趋势。该战略以明确的商业模式为引导，使我们与众不同。作为房地产业主，开发商和管理者并作为医疗健康服务的拥有者，运营商和供应商，我们处于独特的地位，从而在整个价值链中创造协同效应。我们还能够汲取和收获多种收入来源的全部价值。此外，我们运用此战略识别地段优越的优质资产，以合适的价格收购这些资产，并利用这些资产为我们的利益相关者创造价值。

在这一年中，我们继续专注于综合而非独立项目的开发，特别是那些毗邻高速铁路站或交通枢纽的开发项目，以满足当今消费者对连通性绝佳的一站式目的地的需求。

这一战略使我们能够于2018财年在中国的房地产和医疗健康业务中实现增长。从战略上，我们的医疗健康业务受益于与房地产业务的协同效应，使我们能够满足日渐富裕的中国人民日益增长的医疗和健康需求。

我们努力走在治理实践的前沿，并努力实践准则的精神。这种精神反映在我们于今年自愿提前采纳新修订的上市公司《公司治理准则2018》。

善治文化

我们的企业业绩建立在我们治理的基础上。因此，我们热烈欢迎于2018年8月修订的上市公司《公司治理准则》。

我们努力走在治理实践的前沿，并努力实践准则的精神。这种精神反映在我们于今年自愿提前采纳新修订的上市公司《公司治理准则2018》。

就我们的多元化政策而言，我们认为技能，经验，知识，性别，年龄和资格的多样性对于将多种观点纳入董事会至关重要。回顾本年度，提名委员会对于董事会的多样性的评估是适当平衡的，因为它包括房地产和医疗健康行业的技能组合，经验和知识的良好维度。提名委员会还进行了评估并认为董事们具备必要的核心能力，从而为董事会的审议提供多元化和客观的观点。

此外，我们的独立董事占董事会的一半以上。这表明了董事会对良好公司治理的坚定承诺，以确保我们所有利益相关者的问责和透明度。

价值创造与薪酬

在鹏瑞利，我们将薪酬政策与我们的战略和公司的长期价值创造保持一致。

这种价值创造与薪酬的直接联系确保了我们始终以股东和更广泛的利益相关者的最佳利益行事。它还促使我们追求长期业务目标和鹏瑞利的可持续增长。

可持续发展和利益相关者参与

我们在2018财年实现了大部分可持续发展目标，我们也将继续致力于从可持续发展的角度加强我们的业绩。

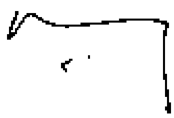
最重要的是，我们非常重视利益相关者参与这一流程。该流程有助塑造我们的物质环境，社会责任和治理。

通过与利益相关者的积极合作，董事会不断展现致力于解决他们所关注的事项的承诺，并重申公司对可持续发展的承诺。

最重要的是，我们非常重视利益相关者参与这一流程。该流程有助塑造我们的物质环境，社会责任和治理。

鸣谢

最后，我要感谢我的同侪董事们的付出和宝贵的建议，以及全体职员的辛勤工作和奉献精神，使鹏瑞利达到今天的水平。我也非常感谢所有其他利益相关者多年来的支持。



郭孔丰先生
主席
2019年3月13日

CEO's Statement

FY2018 marked a new and exciting chapter on many fronts for Perennial as an integrated real estate and healthcare company, even as we faced down weak global market sentiment in the year.

Dear Shareholders,

PAINTING A NEW CHAPTER

FY2018 marked a new and exciting chapter on many fronts for Perennial as an integrated real estate and healthcare company, even as we faced down weak global market sentiment in the year.

The acquisition of a 50% stake in Capitol Singapore took centre stage in the year. Added to our existing 50% share, the acquisition means we now have full ownership. This opens up a new chapter for us as it allows us to harness the full potential of the prime integrated development with direct subway connection, and strengthens our presence in Singapore's downtown Civic District.

Another milestone event was the official opening of Perennial International Health and Medical Hub ("**PIHMH**") which marked the birth of our first integrated real estate and healthcare signature development.

Located within the Chengdu East High Speed Railway Integrated Development in China, PIHMH represents an operating model of our vision of high speed railway ("**HSR**") one-stop regional healthcare and commercial hubs. This showcase project not only allows Perennial to establish a track record for developing healthcare-centric large-scale mixed-use developments, it also propels us onwards to the next chapter of our integrated real estate and healthcare business roadmap for China.

To grow our HSR portfolio, we leveraged on the Perennial-led US$1.2 billion healthcare joint venture ("**JV**") established in January 2018 and successfully acquired two more sites near HSR stations, being the Tianjin South HSR Integrated Development and Kunming South HSR Integrated Development.

Together with Chengdu East HSR Integrated Development and Xi'an North HSR Integrated Development, the latest acquisitions mean that our HSR portfolio now comprises four prime projects that are adjacent to four of China's largest HSR stations, with a total gross floor area ("**GFA**") of about 33 million square feet ("**sq ft**"). As the owner of one of the largest HSR portfolios in China, our position as a market leader is firmly established.

GROWTH IN HEALTHCARE

We are also a healthcare services owner, operator and provider in China. In this business line, we focus on two core business segments: Hospitals and Medical Centres, and Eldercare and Senior Housing.

We enjoyed another year of growth for these two business segments, led largely by growth in the Eldercare and Senior Housing segment.

The road ahead for this sector looks bright. China's population is ageing at an unprecedented rate[1]. Integration of elderly care service and medical service is a clear development priority for the elderly care sector in China. Further, China's continued investment in its HSR infrastructure to extend its coverage within the country and beyond, via its Belt and Road Initiative ("**BRI**"), and affluent urbanites' higher propensity to spend on quality healthcare and medical care services will generate a wealth of opportunities for Perennial.

Our HSR regional healthcare and commercial hubs with their comprehensive suite of medical and healthcare related offerings make us optimally placed to take advantage of these opportunities.

AN EXCITING FORAY INTO PURE PLAY RESIDENTIAL DEVELOPMENT

Separately, we also wrote a new chapter in the Singapore and Indonesia markets, where we made our first investment in pure play residential development in both countries. The Indonesian investment marked our maiden venture into Indonesia.

VALUE CREATION FOR OUR REAL ESTATE AND HEALTHCARE BUSINESSES

Our integrated real estate and healthcare business strategy — as owner, developer and manager on the real estate front and as owner, operator and provider on the healthcare services front — creates various lines of management businesses. In turn, these management businesses, ranging from development and hospitality to healthcare, provide multiple income streams that generate stable recurrent income. The strategy also allows us to harness the synergies that can be created between the various components in large-scale mixed-used developments.

Currently, our China assets under development account for approximately 32% of portfolio property value but constitute approximately 56% of the total GFA in our portfolio. Over time, when the construction of these development assets are completed and the properties are launched, they will enhance the value of both our real estate and healthcare businesses, through profit growth and increase in net asset value.

FINANCIAL REVIEW AND CAPITAL MANAGEMENT

The Group registered a total profit after tax and minority interest of S$78.1 million in FY2018.

This is 22.2% lower than S$100.3 million in FY2017 due to the absence of divestment gain from the sale of a 20.2% equity stake in 111 Somerset, higher finance costs arising from the consolidation of Capitol Singapore's debt following the acquisition of the 50% stake to take full ownership of the asset, new loans to fund investments, higher interest rate and the non-capitalisation of interest expenses for PIHMH upon its completion of works.

A first and final dividend of 0.4 cents per share has been proposed and will be

1. World Bank Report offers options for Elderly Care in China dated 13 December 2018.

payable on 22 May 2019 after shareholders' approval.

In FY2018, the Group issued S$120 million 3.9% Notes due 2021 and S$180 million 5.95% Notes due 2020 under its S$2 billion Multicurrency Debt Issuance Programme. The proceeds were partially utilised to fund the redemption of S$100 million 4.25% Notes due in 2018 under the programme and retail bonds of S$300 million.

As at 31 December 2018, the Group's Net Debt to Equity Ratio stands at 0.72 times, higher than the 0.57 times logged as at 31 December 2017. The increase is largely due to the consolidation of Capitol Singapore's debt as well as new loans and borrowings to fund investments.

We have established a strong network of local and foreign financial institutions that provided the Group with continued support. The impeccable reputation of our sponsors, who own over 82% of Perennial, further boosts our relationships with our bankers. The strength of these relationships has allowed us to diversify our sources of funding.

This year, we will focus on capital recycling efforts to enhance our balance sheet and will redeploy the proceeds for strategic investments. We are actively managing our cash flow and will remain prudent in our capital management in view of the current global volatile business environment.

REAL ESTATE BUSINESS REVIEW

Singapore

In FY2018, the market sentiment in Singapore remained positive despite political and trade upheavals around the world. The country continued to attract foreign investors, which supported capital values. Meanwhile, the Singapore property market saw fierce bidding for land which drove up land costs and positive rental growth across various sectors. Amidst this environment, we stayed disciplined in our investments; we rigorously drove the operating performance of our existing assets and focused on enhancing the value of our properties through creative asset enhancement and proactive asset management.

Upon gaining full ownership of Capitol Singapore, we launched a repositioning exercise to realise the full potential of the integrated development. Kempinski Hotels S.A. was chosen from among more than 15 renowned hotel brands and operators to operate The Capitol Kempinski Hotel Singapore, the hotel component of the development. The hotel also strengthened its food and beverage ("**F&B**") offerings for locals and tourists by launching 15 Stamford by Alvin Leung, a new concept by the celebrity chef.

Capitol Singapore also secured a myriad of new-to-market local and international brands at its retail component Capitol Piazza. The fresh brands include IWG's premium co-working space concept No18, which will open its 20,600 sq ft Asia flagship, and Taiwanese artisan bakery Wu Pao Chun, which will be debuting its first overseas outlet.

As part of our capital recycling exercise, we relaunched Eden Residences Capitol for sale in February 2019 in a bid to ride on the improving residential market sentiment.

A number of core assets within the Singapore portfolio achieved strong committed occupancy to provide stable income for the Group.

Increasingly recognised as one of the top F&B and lifestyle destinations in the city, CHIJMES clocked full occupancy. Chinatown Point, which enjoys over 90% committed occupancy, successfully leased more than 90% of new stores created as a result of the completion of its Phase 1 asset enhancement works.

We also own two prime grade 'A' office buildings – AXA Tower and 111 Somerset - that were acquired at attractive pricing. These buildings carry significant value and we believe that they are ready to ride on the buoyancy of the office market.

AXA Tower's total committed occupancy stands at 93%, with a suite of quality tenants. Meanwhile, major upgrading works at 111 Somerset and AXA Tower are in smooth progress. The new retail podium at 111 Somerset received its Temporary Occupation Permit in January 2019 and the anchor tenant as well as a number of F&B tenants have commenced operations.

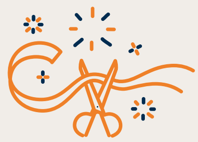
During the year, we also made our maiden foray into pure play residential development by embarking on a project to develop a 360,130 sq ft freehold site (formerly Goodluck Garden) in a prime suburban district. The project is undertaken through a 40-60 JV with subsidiaries of Hong Kong-listed CNQC International Holdings Limited and its minority partners.

HIGHLIGHTS OF THE YEAR

ACQUIRED 50% STAKE IN CAPITOL SINGAPORE

Added to our existing 50% share, the acquisition means we now have full ownership, allowing us to harness the full potential of the prime integrated development.

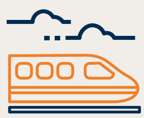
See page 46 for more information



OFFICIAL OPENING OF PIHMH

First integrated real estate and healthcare signature development, allows Perennial to establish a track record for developing healthcare-centric large-scale mixed-use developments.

See page 56 for more information



LEVERAGED ON THE PERENNIAL-LED US$1.2 BILLION HEALTHCARE JOINT VENTURE

Acquired two more sites near HSR stations, being the Tianjin South HSR Integrated Development and Kunming South HSR Integrated Development.

See page 60 and 62 for more information

CEO's Statement

China

In FY2018, China posted 6.6% growth, its slowest rate in almost three decades, as the world's second largest economy weakened from the impact of the US-China trade war. To counter the cooling down of the economy, the government intends to launch a stimulus package meant to stimulate domestic consumption. This move is a positive one for our businesses, which serve local consumers in first-tier and second-tier provincial capitals and cities.

PIHMH, our first HSR project, opened in June 2018 and achieved committed occupancy of approximately 91% as at 31 December 2018. The majority of the medical and healthcare related mini-anchor tenants have commenced operations, while anchor tenant Gleneagles Chengdu Hospital is expected to commence operations in 2H 2019. The development currently hosts a holistic suite of medical and healthcare related offerings including rehabilitation, surgical, plastic surgery and aesthetics, imaging, maternal and child, paediatrics and gynaecology services. The healthcare-centric development is also complemented by a bevy of F&B, lifestyle and fashion businesses to support the community within the precinct.

Building works are well underway at our second HSR project Xi'an North HSR Integrated Development, which is adjacent to the Xi'an North HSR Station, the largest HSR train station in China. In the year, we increased our stake in Plot 5, which is designated for healthcare usage, from 51% to 65.7% to better align the investment with our integrated real estate and healthcare plans for the development.

In July 2018, we successfully acquired Tianjin South HSR Integrated Development at a land tender price of RMB718 million (approximately S$150.3 million), marking the first asset for the Perennial-led healthcare JV and the third HSR project for Perennial.

In December 2018, we acquired Kunming South HSR Integrated Development at a land tender price of RMB341.5 million (approximately S$67.6 million). With this, we added the second HSR project to the Perennial-led healthcare JV and the fourth project to Perennial's HSR portfolio.

We now own four HSR developments that benefit from either China's BRI or the planned Jing-Jin-Ji megalopolis in North China. In particular, our HSR developments in Chengdu and Kunming have significantly strengthened our presence in Southwest China.

Separately, the transformation of Tongzhou District into the sub-centre of Beijing has started to take shape. Some departments of the municipal government have moved into the district in end-2018. Our strategically located Beijing Tongzhou Integrated Development is poised to benefit from the eventual transformation of the precinct into a world-class city with excellent amenities and connectivity.

Other Markets

FY2018 saw the completion of site preparation works at The Light City in Penang. This year, we expect to launch the first residential phase, Mezzo The Light City, subject to market conditions. Separately, we entered into our maiden investment in Indonesia through a JV to develop a residential site in Sentul City, Greater Jakarta.

In the Eldercare and Senior Housing business segment, three new facilities commenced operations in the year, increasing Renshoutang's portfolio from 3,577 beds in FY2017 to 5,927 beds in FY2018.

HEALTHCARE BUSINESS REVIEW

In FY2018, the Group's asset-light healthcare services business in China continued its focus on the two core business segments of Hospitals and Medical Centres and Eldercare and Senior Housing. The Group's portfolio of total operating beds grew 64.6% to reach 6,382 in-patient beds from 3,877 a year earlier. This was mainly driven by the growth of Renshoutang, the Group's Eldercare and Senior Housing business arm, which added 2,350 in-patient beds to the portfolio in the year under review.

In the Hospitals and Medical Centres business segment, significant developments include St Stamford Plastic Surgery and Aesthetic Hospital and Perennial International Specialist Medical Centre commencing operations as mini-anchor tenants at PIHMH.

In the Eldercare and Senior Housing business segment, three new facilities commenced operations in the year, increasing Renshoutang's portfolio from 3,577 beds in FY2017 to 5,927 beds in FY2018. The new facilities comprised Renshoutang Fengxian Yixian Eldercare and Retirement Home in Shanghai (the first Government-Built-Privately-Operated facility in the district), Wuhan Jiuzhoutong Renshoutang Xiehe Eldercare and Retirement Home (Renshoutang's first public-private-partnership ("**PPP**") facility), and Shanghai Yichang Eldercare and Retirement Home.

Growth in this segment has yet to translate into operating earnings due to the setup costs incurred for the new facilities, which offset the recurrent earnings from the operational facilities. Once the new facilities are operationally stabilised, more meaningful contribution can be expected.

This year, another four new facilities in Changzhou, Shanghai and Zhenjiang are expected to commence operations in 1H 2019, adding over 1,900 beds to the portfolio. The upcoming facilities will expand Renshoutang's presence into a new city — Changzhou — and strengthen its existing presence in Shanghai and Zhenjiang. To date, Renshoutang has secured a committed pipeline and potential pipeline of over 9,650 and 13,500 beds respectively.

We will continue to leverage on the successful three-pronged leasing, PPP and acquisition model to achieve scale, with an emphasis on the asset-light leasing model to strengthen our balance sheet. In addition, we will tap on smart technology in our new-generation facilities to manage our facilities more efficiently and to elevate the standard of care for our seniors.

In January 2019, we announced the proposed divestment of our 20% equity stake in Shenzhen Aidigong Modern Maternal and Child Health Management Co., Ltd. This divestment will allow us to extract maximum profit and return on equity

We will continue to leverage on the successful three-pronged leasing, PPP and acquisition model to achieve scale, with an emphasis on the asset-light leasing model to strengthen our balance sheet.

on our investment. It will also allow us to sharpen our focus on our two core healthcare business segments.

SUSTAINABILITY

In the year under review, we sought to lift our sustainability efforts. We expanded the coverage of our Sustainability Report 2018 to enfold all six operational real estate assets in Singapore and two operational properties in China. We will progressively include coverage of our healthcare business and operations in other countries over time.

On the corporate social responsibility ("**CSR**") front, for Perennial's Singapore CSR Day on 27 October 2018, we collaborated with Lions Befrienders and Asian Film Archive to bring close to 400 low-income seniors for a nostalgic day out to watch a restored film at the Capitol Theatre. The event took place in conjunction with World Day for Audiovisual Heritage, an UNESCO designated day to recognise audiovisual as part of the world's heritage.

In China, PIHMH launched its inaugural 'Autism Awareness at Fun Marketplace' event. This inclusive and accessible event helped spread awareness on autism and promoted interaction between special needs students and mainstream students in a joyous, fun and upbeat manner.

We continued to meet our environmental, social and governance obligations. For instance, in the area of workplace health and safety, Perennial recorded zero fatality rate across its operations in Singapore and China in FY2018. The Company also achieved zero injury rate, lost day rate and occupational disease rate in the year.

In FY2018, we also strived to incorporate energy-efficient technology in each of our asset enhancement initiative. Wherever possible, we consciously opt for LED lightings and LED motion-sensor lamps. At CHIJMES, for instance, the use of Airbitat Smart Coolers at outdoor refreshment areas in place of conventional air conditioning systems lowered electricity consumption by up to 62%.

PRIORITIES IN FY2019

For the past two years, our operating performance had been subdued as a number of key assets were either under construction, such as PIHMH, or undergoing major asset enhancement works, such as 111 Somerset and AXA Tower. Capitol Singapore's performance was also adversely affected by shareholders' issues.

Even as we pursue new projects, we will actively explore capital recycling opportunities to maximise returns and rebalance our portfolio while strengthening recurrent income streams.

We have now moved on to a new chapter and are at a stage where we can step up the performance of these assets to generate additional yield.

This year, we will continue to focus on Singapore and China and assess opportunities in new growth markets. Even as we pursue new projects, we will actively explore capital recycling opportunities to maximise returns and rebalance our portfolio, while strengthening recurrent income streams. Amid the uncertain global economic outlook, we will also invest more cautiously and manage our resources prudently.

In Singapore, we will focus on driving operating performance and completing enhancement initiatives. With the completion of works at 111 Somerset, we will accelerate strata sale of the office units to ride on the favourable office market sentiment. Concurrently, we will also unlock value by actively pursuing a strata or en bloc sale strategy for AXA Tower.

In China, our focus will be on improving the operating performance of PIHMH, replicating the enhanced HSR model in Xi'an, Tianjin and Kunming, and exploring strata sale opportunities in our Chengdu and Beijing projects. We will also accelerate the growth of the Hospital and Medical Centres and Eldercare and Senior Housing business segments to drive the implementation of the Group's integrated real estate and healthcare strategy in China.

Our integrated real estate and healthcare strategy in China has served us well. We have carved a reputation for being a dominant player in the HSR regional healthcare and commercial real estate space and an emerging player in the medical, healthcare and eldercare services arena. We have built core competencies in creating large-scale integrated developments comprising various asset classes - including healthcare - and will continue to leverage on the Perennial-led healthcare JV as an asset-light platform to expand our HSR portfolio in China.

Outside of our core markets, we will explore opportunities in Southeast Asia to diversify our existing portfolio and achieve first-mover advantage in high growth and untapped emerging markets.

Finally, we are strengthening our in-house capabilities in real estate management, healthcare management and capital management to support our growth. We will focus on training our people to ensure career and capability development, build a strong talent pipeline and promote diversity to drive innovation and creativity. We will also embark on digital transformation initiatives to achieve our strategic goals and deliver enhanced value to our stakeholders in our next chapter of growth.

ACKNOWLEDGEMENT

On behalf of our Board of Directors, I would like to express my gratitude to all who have supported us in this transformative year of growth and expansion.

In particular, I wish to thank our shareholders, tenants, patients, residents, partners, customers and the analyst and media community for their continued support and confidence in Perennial.

Mr Pua Seck Guan
Chief Executive Officer
13 March 2019

首席执行官致辞

2018财年，尽管市场情绪低迷，但鹏瑞利作为一家集房地产与医疗健康业务为一体的企业，在诸多战线上谱写了振奋人心的新篇章。

尊敬的各位股东，

2018财年，尽管市场情绪低迷，但鹏瑞利作为一家集房地产与医疗健康业务为一体的企业，在诸多战线上谱写了振奋人心的新篇章。

新加坡首都50%股权收购构成去年工作的核心。再加上我们原有的50%股份，这起收购意味着我们现在拥有了全部股权，从而在集团历史上掀开了新的一页，让我们能够在这个直通地铁的优质综合项目中充分发挥其全部潜力，并巩固我们在新加坡市中心行政区的地位。

另外一个重要里程碑事件就是鹏瑞利国际医疗健康中心的正式开业，这标志着公司首个标志性房地产与医疗健康综合项目的诞生。

鹏瑞利国际医疗健康中心地处成都东站综合项目，顺应了公司打造高铁一站式区域医疗健康与商业中心的愿景，并且代表了这方面的经营模式。作为标志性项目，它一方面使鹏瑞利在以医疗健康为中心的大型综合项目方面有了不俗的业绩，另一方面也让我们在中国的房地产与医疗健康综合业务路线图上掀开了新的篇章。

为发展高铁综合项目资产组合，鹏瑞利于2018年1月牵头成立了一家融资12亿美元的医疗健康合资企业。以此为依托，我们在高铁站附近成功收购了两个项目地块，即天津南站综合项目和昆明南站综合项目。

最近的这两项收购再加上成都东站综合项目及西安北站综合项目，意味着我们的高铁综合项目资产组合目前已在中国四大高铁站周边布局了四个优质项目，总建筑面积约3300万平方英尺。作为中国最大高铁综合项目资产组合之一的拥有者，我们确立了牢固的市场领先地位。

医疗健康业务增长

在中国，我们还是医疗健康服务产业的持有者、运营商和提供商。在这一业务范围内，我们重点进军两大核心业务版块：医院和医疗中心，以及养老护理和老年公寓。

去年这两大业务版块再度迎来增长，而养老护理和老年公寓起到主要拉动作用。

该产业前景光明。中国的人口老龄化速度前所未有[1]。养老护理服务与医疗服务的整合是中国养老产业明确的优先发展方向。此外，中国还通过“一带一路”倡议，持续投资高铁基础设施、扩大高铁设施的国内外覆盖；与此同时，城市富裕人口对优质医疗健康服务的消费意愿日趋强烈，所有这些都将为鹏瑞利带来诸多机遇。

而我们的高铁区域医疗健康与商业中心具有一整套完善的医疗健康相关业务，让我们在抓住这些机遇方面占据了先机。

涉足纯住宅开发，取得斐然成果

另外，我们首次投资纯住宅项目，在新加坡和印尼市场开启了新的篇章。对印尼的投资也是我们首次试水印尼市场。

房地产与医疗健康业务的价值创造

我们推行房地产与医疗健康综合业务战略，在房地产战线上是业主、开发商和管理者，在健康服务战线上则是持有者、运营商和提供商，从而创造了多条管理业务线。这些管理业务涵盖开发、酒店和医疗健康。它们提供的多个收入来源产生了稳定的经常性收入。通过这一战略，我们还可充分发挥大型综合项目中各版块间的协同效应。

目前在华的开发中资产约占物业投资组合价值的32%，但却达到资产组合总建筑面积的56%左右。随着时间推移，一旦这些开发项目完工、物业投入使用，就会通过利润增长和资产净值的提高，强化房地产与医疗健康业务的价值。

财务回顾与资本管理

2018财年，集团纳税及少数股东权益后盈利总额为7,810万新元。

与2017财年的1.003亿新元相比，利润下降22.2%。其原因包括：2017财年有出售111索美塞20.2%股权的收益，源自收购新加坡首都综合项目50%股权实现对其全资拥有的相关债务整合，新增投资贷款，利率上涨等诸多因素的财务成本上升，以及鹏瑞利国际医疗健康中心完工后利息费用资本化的终止。

公司建议派发每股0.4新加坡分的首期及末期股息，该股息将在股东批准后于2019年5月22日派发。

2018财年，集团通过20亿新元的多币种债券发行计划，分别发行了1.2亿新元和1.8亿新元的债券，前者年利率为3.9%，2021年到期；后者年利率为5.95%，2020年到期。发债所得部分用于赎回该计划中2018年到期的1亿新元债券（利率4.25%），以及3亿新元的零售债券。

截至2018年12月31日，集团的净负债权益比率为0.72倍，高于截至2017年12月31日的0.57倍。这一上涨的主要原因在于新加坡首都综合项目债务的整合及新增投资贷款。

1.“世界银行报告为中国的老年人护理提供选择”2018年12月13日新闻稿。

我们在本地和国外建立了稳定的金融机构网络，为集团提供持续的支持。发起人对鹏瑞利占股超过82%，他们毫无瑕疵的声誉进一步强化了我们与银行之间的关系。凭借这些稳固的关系，我们实现了资金来源的多元化。

今年我们将重点开展资本循环，以强化资产负债表，并将收益重新部署到战略投资项目。考虑到当前全球商业环境不稳定，我们对现金流开展主动管理，并将保持审慎的资本管理。

房地产业务回顾

新加坡

2018财年，尽管世界政治和贸易格局剧烈动荡，新加坡的市场情绪依然保持积极向上。新加坡持续吸引外资，对资本价值起到支撑作用。同时，新加坡地产市场面临激烈的土地竞价，从而推高土地成本，并导致各行业租金增长。在这种环境中，我们严格遵守投资纪律，大力推进现有资产的经营业绩，同时以创造性的资产增值和主动式资产管理为手段，重点提高现有资产的价值。

在取得新加坡首都综合项目的全部股权后，我们对其重新定位，以充分发挥这一综合开发项目的全部潜力。

从超过15家知名的酒店品牌和运营商中脱颖而出，凯宾斯基酒店公司将经营该开发项目的酒店产业 — 新加坡首都凯宾斯基酒店。为强化该酒店对当地居民及游客的餐饮供应，由名厨梁经伦（Alvin Leung）推出了名为15 Stamford的新型理念。

新加坡首都综合项目还在其零售产业 — Capitol Piazza — 中引入了众多新面市的本地和国际品牌。这些新品牌包括雷格斯（IWG）的优质共享办公概念No18，它将开办20,600平方英尺的亚洲旗舰店；台湾面包师傅吴宝春也将在这里开办第一家海外门店。

作为资本循环的一部分，我们在2019年2月将Eden Residences Capitol重新上市销售，力图搭上住宅市场情绪看涨的快车。

新加坡资产组合的若干核心资产实现了可观的入驻率，可为集团带来稳定的收入。

赞美广场日渐被视为新加坡顶级餐饮和生活方式目的地之一，目前该项目实现了全部入驻。唐城坊的入驻率超过90%，在完成一期资产增值工程之后新店出租率达到90%以上。

我们还拥有两座“A级”优质写字楼 — 安盛保险大厦和111索美塞，二者均由我们以优惠价格购入。这两座大楼具有重大价值，我们相信它们已经准备就绪，可以借力于写字楼市场的东风。

安盛保险大厦的总入驻率为93%，拥有一系列优质租户。与此同时，111索美塞和安盛保险大厦的大规模升级改造进展顺利。111索美塞新建的零售垫楼已于2019年1月取得临时入伙证，主力租户和一些餐饮租户已开始营业。

2018年，我们还在郊区优质地段开发了一个360,130平方英尺的永久地契纯住宅项目（原好运花园），从而首次试水纯住宅开发项目。公司与港交所上市的青建国际控股有限公司的子公司成立了一家40-60合资公司，并通过该合资公司及其少数股东权益合伙人开展这一项目。

中国

2018年，受中美贸易争端冲击，中国这个世界第二大经济体仅实现6.6%的增长，增速为近三十年来最低。为遏止经济下行，政府意欲通过出台一揽子刺激计划来拉动国内消费。我们的业务以一二线省会及其他城市的当地消费者为服务对象，因此将从中受惠。

我们的第一个高铁项目 — 鹏瑞利国际医疗健康中心 — 已于2018年6月开业，截至2018年12月31日入驻率已经达到91%左右。绝大部分医疗健康相关次主力租户已经开业，主力租户 — 成都鹰阁医院 — 预计将于2019年第二季度开业。该开发项目目前入驻了一整套医疗健康相关业务，其中包括康复、外科、整形外科和美容医学、影像

年度亮点

50+50=100%

收购了新加坡首都50%股权

再加上我们原有的50%股份，这起收购意味着我们现在拥有了全部股权，让我们能够在这个直通地铁的优质综合项目中充分发挥其全部潜力。

参阅页面46
了解更多资料

鹏瑞利国际医疗健康中心正式开业

首个标志性房地产与医疗健康综合项目，使鹏瑞利在以医疗健康为中心的大型综合项目方面有了不俗的业绩。

参阅页面56
了解更多资料

依托鹏瑞利牵头成立了一家融资12亿美元的医疗健康合资企业

成功收购了两个项目地块，即天津南站综合项目和昆明南站综合项目。

参阅页面60和62
了解更多资料

医学、母婴、儿科和妇科服务。这个以健康为中心的开发项目还辅之以一系列餐饮、生活方式和时尚产业，为周边社区提供服务。

西安北站综合项目是我们第二个高铁综合项目。该项目紧邻中国最大的高铁站 一 西安北站，目前建设工程进展顺利。去年，我们将指定用于医疗的第5地块的持股比例从51%增至65.7%，提高了此项投资与我们该房地产和医疗综合开发计划的一致性。

2018年7月，我们以人民币7.18亿元（约合1.503亿新元）的土地投标价格，成功收购了天津南站综合项目。该项目是由鹏瑞利牵头的医疗健康合资企业的第一项资产，也是鹏瑞利的第三个高铁项目。

2018年12月，我们以人民币3.415亿元（约合6,760万新元）的土地投标价格，收购了昆明南站综合项目。通过该项目，我们为鹏瑞利牵头的医疗健康合资企业添购了第二项资产，这也成为鹏瑞利高铁投资组合的第四个项目。

我们目前拥有的四个高铁开发项目将受惠于中国的"一带一路"倡议以及华北地区的京津冀一体化项目。特别地，成都和昆明高铁开发项目显著巩固了公司在中国西南部地区的地位。

此外，通州北京城市副中心已经蔚然成型。市政府部分机关已于2018年底开始迁入。北京通州综合项目占据战略要地，在周边地区建设一流设施和交通并向世界一流城市逐渐转型的过程中将受益匪浅。

其他市场

2018财年，槟城The Light City完成场地准备。预计今年将根据市场情况推出一期住宅项目 一 Mezzo The Light City。另外，我们还通过一家合资公司在大雅加达特区Sentul City开发一个住宅项目，实现了公司在印尼的首次投资。

在养老护理和老年公寓业务领域，去年有三座新设施开始运营，从而将人寿堂的投资组合从2017财年的3,577张床位增至2018财年的5,927张床位。

医疗健康业务回顾

2018财年，集团继续围绕医院和医疗中心以及养老护理和老年公寓这两大核心版块在华开展医疗健康轻资产服务业务。集团既设床位总数从一年前的3,877张增至6,382张，同比增长64.6%。人寿堂作为集团的养老护理和老年公寓业务分支，构成了这一增长的主要动力，去年为投资组合增加了2,350张床位。

医院和医疗中心业务领域的重大开发项目包括圣丹福国际美容整形医院和鹏瑞利国际名医馆，二者皆已开始运营，并且是鹏瑞利国际医疗健康中心的次主力租户。

在养老护理和老年公寓业务领域，去年有三座新设施开始运营，从而将人寿堂的投资组合从2017财年的3,577张床位增至2018财年的5,927张床位。新设施包括上海奉贤区逸仙颐养院（奉贤区第一家政府建设民间经营的养老院）、武汉九州通人寿堂协和颐养院（人寿堂首家PPP养老项目）以及上海颐长敬老院。

由于新设施建设成本抵消了运营设施的经常性收益，这一领域的增长还需假以时日才能转变成经营收益。预计新设施在经营稳定后可以带来更有意义的贡献。

预计2019年上半年广州、上海和镇江还将有四座新设施投入运营，为投资组合增加超过1,900张床位，从而把人寿堂的覆盖范围延伸到新的城市 一 广州，并强化人寿堂在上海和镇江的现有地位。迄今为止，人寿堂拥有预设床位9,650张、潜在计划床位13,500张。

我们将继续利用成功的三管齐下战略，通过租赁、公私合作和并购实现规模化增长，并以轻资产租赁模式为重点，强化资产负债表。此外，我们还将在新一代设施中通过智能技术来提高设施管理效率和养老护理标准。

2019年1月，我们宣布拟转让深圳爱帝宫母婴健康管理公司的20%股权。这次转让将使我们从投资中获得最大利润和资产回报率。这也将使我们更加专注于医疗健康业务的两大核心版块。

我们将继续利用成功的三管齐下战略，通过租赁、公私合作和并购实现规模化增长，并以轻资产租赁模式为重点，强化资产负债表。

可持续发展

2018年，可持续发展工作进一步加强。《2018年可持续发展报告》覆盖范围扩大，涵盖新加坡全部六处房地产经营资产以及在华两处经营物业。我们今后将逐渐覆盖其他国家的医疗健康业务。

在企业社会责任战线上，我们在2018年10月27日的鹏瑞利新加坡企业社会责任

日活动中，与狮子乐龄之友协会及亚洲电影资料馆联合举办怀旧日活动，邀请400位低收入乐龄人士前往新加坡首都剧院观看修复版电影。活动当天还是联合国教科文组织为宣传视听资料的世界遗产地位而指定的世界视听遗产日。

在中国，鹏瑞利国际医疗健康中心启动了首届“欢乐游园 玩转市集”(Autism Awareness at Fun Marketplace) 活动。这次活动提高了社会对自闭症的认识，促进有特殊需要的学生和主流学生之间以快乐有趣、积极向上的方式开展互动。

我们持续履行自身的环境、社会和治理义务。例如，在工作场所卫生与安全领域，2018财年鹏瑞利在新加坡和中国实现了零死亡率。同年公司还实现了受伤率、工作日损失率和职业疾病率为零。

2018财年，我们还努力将高效节能技术融入所有资产增值工程。我们尽可能有意识地选用LED照明和LED运动感测灯具。例如，赞美广场在户外休闲区使用Airbitat智能冷气机替代传统空调系统，耗电下降高达62%。

2019财年优先工作

过去两年中，多项重要资产处于在建阶段或者正在开展大型资产增值工程，前者例如鹏瑞利国际医疗健康中心，后者例如111索美塞和安盛保险大厦，导致经营业绩受到抑制。新加坡首都综合项目的业绩也因股东纠纷而受到不利影响。

即便在寻求新项目时，我们也会积极探索资本循环机会，从而在最大化回报并重新平衡投资组合的同时，强化经常性收入来源。

我们现在已经进入了新的篇章，正处于提升这些资产的业绩以产生更多收益的阶段。

今年，我们将继续以新加坡和中国为重点，并对新的增长市场进行机会评估。即便在寻求新项目时，我们也会积极探索资本循环机会，从而在最大化回报并重新平衡投资组合的同时，强化经常性收入来源。在全球经济前景不明的情况下，我们的投资将会更加小心，资源管理也将更加慎重。

在新加坡，我们将重点提高经营业绩，并完成资产增值计划。随着111索美塞工程的竣工，我们将趁写字楼市场情绪有利之际，加快写字楼的分层销售。同时，我们也会积极执行安盛保险大厦的分层销售或整体销售策略，实现价值释放。

在中国，我们将重点提高鹏瑞利国际医疗健康中心的经营业绩，并在西安、天津和昆明的复制增强型高铁模式，同时探索成都和北京项目的分层销售机会。此外还将加快医院和医疗中心以及养老护理和老年公寓业务领域的发展，推动集团在华房地产与医疗健康综合业务战略的实施。

目前在华房地产与医疗健康综合业务战略成果斐然。作为高铁区域医疗健康与商业房地产领域的主导企业、医疗保健和养老服务领域的新兴企业，我们已然颇具声望。在打造集各类资产（包括医疗保健）于一身的大规模综合开发项目方面，我们已经建立了核心能力。今后我们将继续以鹏瑞利牵头的医疗健康合资公司作为轻资产平台，扩大我们在华的高铁投资组合。

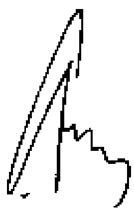
除核心市场之外，我们还将评估东南亚商机，实现现有投资组合的多元化，并在尚未开发的高增长新兴市场中斩获先机。

最后，我们将通过强化企业内部的房地产管理、医疗健康管理和资本管理实力，为公司发展提供依托。我们将以员工培训为重点，确保职业发展与能力提升、建立强大的人才储备，同时通过促进多元化来推动创造和创新。我们将着手实施数字转型计划，在实现战略目标的同时强化股东价值，谱写发展的新篇章。

特别鸣谢

过去一年是转型的一年，也是发展壮大的一年。我谨代表董事会向这一年里支持我们的全体同仁致以诚挚的谢意。

特别地，我希望向全体股东、租户、医疗消费者、居民、商业伙伴、客户以及分析师和媒体界表示真诚的感谢，感谢大家对鹏瑞利持续的支持和信心。



潘锡源先生
首席执行官
2019年3月13日

Our Presence

Real Estate and Healthcare Businesses with a Presence in Five Countries[1], including Fifteen Cities across China

REAL ESTATE BUSINESS

Total Gross Floor Area of about

65 million

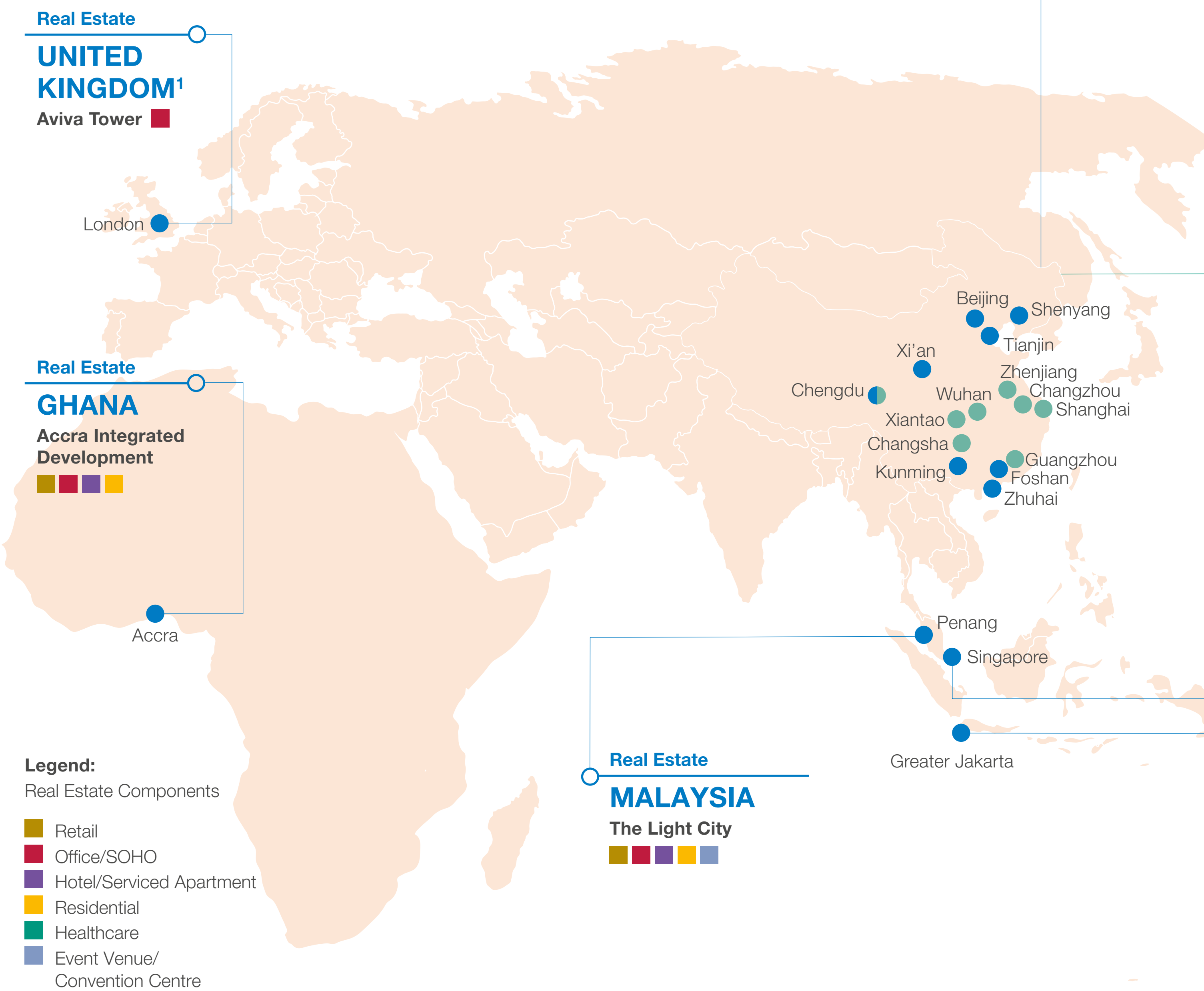
square feet in five countries[1]

HEALTHCARE BUSINESS

Total of
6,382
Operating beds in China

Over
9,650
Committed Pipeline of beds in China

Over
13,500
Potential Pipeline of beds in China



1. Perennial will hold an effective interest of 20% in Aviva Tower, United Kingdom, if the call option is exercised upon confirmation of the execution of redevelopment plans by its owners.

Real Estate

CHINA

Seven large-scale integrated developments connected to major transportation hubs in first-tier and second-tier provincial capitals and two suburban malls

CHENGDU

Chengdu East HSR Integrated Development

Perennial International Health and Medical Hub

Plot C

Plot D1

Plot D2

Perennial Qingyang Mall

XI'AN

Xi'an North HSR Integrated Development

Plot 4

Plot 5

TIANJIN

Tianjin South HSR Integrated Development

KUNMING

Kunming South HSR Integrated Development

BEIJING

Beijing Tongzhou Integrated Development

Phase 1

Phase 2

SHENYANG

Shenyang Longemont Integrated Development

Shenyang Longemont Shopping Mall

Shenyang Red Star Macalline Furniture Mall

Shenyang Longemont Offices

ZHUHAI

Zhuhai Hengqin Integrated Development

FOSHAN

Perennial Jihua Mall

Healthcare

CHINA

Two key business segments in China spanning eight cities

HOSPITALS AND MEDICAL CENTRES

St. Stamford Modern Hospital

Guangzhou

St. Stamford Plastic Surgery and Aesthetic Hospital

Chengdu

Perennial International Specialist Medical Centre

Chengdu

ELDERCARE AND SENIOR HOUSING

Renshoutang

Changsha, Changzhou, Chengdu, Shanghai, Wuhan, Xiantao, Zhenjiang

Real Estate

INDONESIA

Residential Development in Sentul City

Real Estate

SINGAPORE

Six developments located within the Central Business District, Civic District and Orchard Road Precinct, and directly connected or in close proximity to Mass Rapid Transit Stations. One residential development located in a prime suburban district.

Capitol Singapore

CHIJMES

Chinatown Point

AXA Tower

111 Somerset

House of Tan Yeok Nee

Goodluck Garden

Note: All artist's impressions and illustrations contained in this annual report may differ from the actual view of the properties.

Our Milestones

BUSINESS JOURNEY

2014

Commencement of Business

- Commenced business on 28 October 2014 as a real estate company with a presence in Singapore and China following the reverse takeover of St. James Holdings Limited. Listing was transferred from Catalist to the Mainboard of Singapore Exchange Securities Trading Limited on 26 December 2014.

2015

Strategic Move into China Healthcare Business

- Entered into first healthcare partnership, a 40-60 Joint Venture ("**JV**") with Guangdong Boai Medical Group Co., Ltd ("**Guangdong Boai**") holding a 60% stake, to expand into the hospital and medical services business in China.
- Repositioned a development retail asset in Chengdu as Perennial International Health and Medical Hub ("**PIHMH**") to pursue Perennial's integrated real estate and healthcare strategy.

Strengthened Singapore Real Estate Business

- Syndicated a consortium of investors to acquire AXA Tower at an agreed property price of S$1.17 billion and held a 31.2% equity interest in the consortium.

Maiden Foray into New Growth Markets

Malaysia

- Entered into a 50-50 JV with IJM Land Berhad to acquire and develop an over MYR3 billion (approximately S$1 billion) waterfront integrated development in Penang.

Ghana

- Entered into a 55-45 JV with Shangri-La Asia Limited holding a 45% stake to develop an over US$250 million (approximately S$352 million) integrated development in Accra.

2016

Strengthened Healthcare Business in China

Hospitals and Medical Centres

- Launched St. Stamford International Medical, a new brand for Perennial's hospital and medical services partnership with Guangdong Boai.
- Introduced the first Perennial owned-and-managed specialist medical centre concept in China called Perennial International Specialist Medical Centre at PIHMH.

Eldercare and Senior Housing

- Entered into an Investment Agreement to acquire an effective interest of 49.9% in Renshoutang, the largest integrated eldercare services operator in Shanghai, to become its largest single shareholder.

Reconstituted the Singapore Portfolio

- Divested the entire 1.5% interest in 112 Katong and 23% interest in its asset manager, Katong AMC Pte Ltd.
- Acquired an additional effective interest of approximately 43.7% in Chinatown Point, increasing Perennial's effective interest from 1.5% to 45.2%.

Secured Access to a New Developed Market

United Kingdom

- Secured a call option to acquire a 20% stake in Aviva Tower, London, which is set for redevelopment. Post-redevelopment, the £1 billion office landmark building will be named 1 Undershaft and will be the tallest building in the City of London.

2017

Capital Recycling to Maximise Returns

- Partially divested 20.2% interest in 111 Somerset, reducing Perennial's effective interest in the property from 50.2% to 30%.
- Acquired an additional effective interest of 5.4% in Chinatown Point, increasing Perennial's effective interest in the property from 45.2% to 50.6%.

SUSTAINABILITY JOURNEY

2015

- Launched the NUS-Perennial Scholarship for students pursuing their undergraduate studies at the National University of Singapore's Department of Real Estate.
- Perennial Qingyang Mall embarked on its annual 'Give the Children a Warm Winter' campaign in Chengdu, where winter clothing was collected and delivered to over 1,000 families residing in Chengdu's rural areas.

2016

- Conducted first materiality assessment based on Global Reporting Initiative ("**GRI**") sustainability reporting framework to identify environmental, social and governance factors.
- Capitol Singapore won the Urban Redevelopment Authority Architectural Awards 2016, Restoration and Innovation Category, for the exemplary restoration of a gazetted heritage building.
- Partnered the Singapore Association of the Visually Handicapped to host Singapore's inaugural International White Cane Day 2016 at CHIJMES, raising over S$268,000. A Mass Heritage Trail Walk with White Canes jointly undertaken by over 250 blind and sighted participants was successfully placed into the Singapore Book of Records.

2017

- Collaborated with Focus on the Family Singapore ("**Focus**") to launch its inaugural mother-and-child bonding programme known as *Create with Mum* aimed at fostering strong family bonds. Concurrently sponsored the production of The Rain Tree book by Lee Seow Ser, with the first print gifted to libraries and children centric beneficiary organisations in Singapore. The second print was sold to raise funds to support mums in challenging situations to attend the *Create with Mum* programme.
- Raised breast cancer awareness by hosting the Estee Lauder Breast Cancer Foundation 25th Anniversary light-up, where CHIJMES was one of four Singapore icons illuminated in pink. Staff volunteers also helped raised funds for Breast Cancer Foundation Singapore at Perennial's Singapore properties.
- AXA Tower was awarded the PUB Water Efficiency Award in the Office Category, which recognises top water efficiency performers.

Strategic Investment in United Engineers

- Led a consortium in the acquisition of an aggregate 33.7% stake in United Engineers Limited ("**United Engineers**"), a company listed on the Mainboard of Singapore Exchange, and a 10% stake in WBL Corporation Limited, a subsidiary of United Engineers, at a total consideration of approximately S$617 million. Perennial has an effective stake of 32.5% and 10.9% in the consortium and United Engineers respectively.

2018

Opened First HSR Healthcare and Commercial Development

- PIHMH, the first-of-its-kind one-stop medical, healthcare and retail integrated development adjacent to the Chengdu East High Speed Railway ("**HSR**") Station, commenced operations.

- Acquired an additional 14.7% stake in Plot 5 of Xi'an North HSR Integrated Development which is designed for medical-related usage, increasing Perennial's stake from 51% to 65.7%.

Gained Full Ownership of Capitol Singapore

- Acquired remaining 50% interest in Capitol Singapore at approximately S$130 million to wholly-own the integrated development.

Established JV to Grow China HSR Portfolio

- Led a consortium of partners to establish an up to US$1.2 billion (approximately S$1.6 billion) JV with an initial capital commitment of US$500 million (approximately S$672 million) in January 2018. Perennial holds a 45% stake in the JV, which invests in HSR Healthcare and Commercial Developments in China.
- JV invests in Tianjin South HSR Integrated Development, adjacent to the Tianjin South HSR Station, at a land tender price of RMB718 million (approximately S$150.3 million).

- JV invests in Kunming South HSR Integrated Development, adjacent to the Kunming South HSR Station, at a land tender price of RMB341.5 million (approximately S$67.6 million).

Entry into Pure-play Residential Development in Singapore

- Entered into a 40-60 JV with Qingjian Group of Companies, with Perennial holding a 40% stake in the JV, to jointly develop the former Goodluck Garden freehold site.

Maiden Foray into Indonesia

- Entered into a 60-40 JV with PT Cipta Harmoni Lestari ("**CHL**"), with Perennial holding a 60% stake in the JV, to jointly develop a residential development in Sentul City, Bogor Regency (Greater Jakarta).
- Partially divested 33.3% interest for a consideration of US$5.2 million (approximately S$7.2 million) to CNQC Realty (Blossom) Pte Ltd ("**CNQC**"), resulting in Perennial, CNQC and CHL owning an effective stake of 40%, 20% and 40% in the development respectively.

2018

- Published inaugural Sustainability Report based on GRI framework.
- Continued to partner Focus to conduct two *Create with Mum* sessions to foster strong bonds between mothers and their children.

- Sponsored Urban Redevelopment Authority of Singapore's Friends of Car-free Sunday Network to support the ground-up initiative to make Singapore a more car-lite city.

- PIHMH launched its inaugural 'Autism Awareness at Fun Marketplace' event to spread awareness on autism and promote social interactions between special needs students and mainstream students.

- Collaborated with Lions Befrienders to bring close to 400 seniors for a nostalgic day out to watch a restored film, through Asian Film Archive, at Capitol Theatre during Perennial's Corporate Social Responsibility Day in October.

2019

- Voluntarily adopted the Code of Corporate Governance 2018 ahead of the statutory compliance timeline.

Our Business Model

Perennial's business model is the foundation towards achieving its vision to be a leading global integrated real estate and healthcare company committed to enriching the lives of those it serves and to ultimately deliver value to all of its stakeholders.

OUR KEY RESOURCES AND RELATIONSHIPS

Financial Capital

We have access to diversified sources of funding (such as bonds and loans) in the markets in which we operate. Our sponsors have established relationships with local banks and knowledge of local regulations which facilitate Perennial's access to financing. Our sponsors also own an aggregate effective interest of 82.3%*:

- Mr Kuok Khoon Hong (36.5%)
- Mr Ron Sim (15.5%)
- Wilmar International Limited (20%)
- Mr Pua Seck Guan (10.3%)

Intellectual Capital

We have an established and internalised management team with integrated capabilities in the real estate and healthcare sectors. Our capabilities in real estate management, healthcare management and capital management span across our value chain.

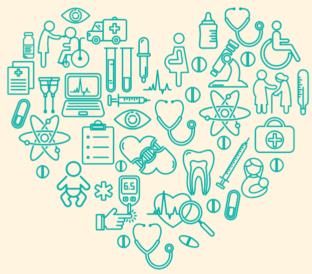
Social and Relationship Capital

Our sponsors' extensive network and business experience in the markets in which we operate facilitate land sourcing, identification of potential business opportunities and on-ground delivery capabilities. We also actively engage our key stakeholders at regular intervals to ensure that we understand and address their concerns.

* As at 31 December 2018.

WHAT SETS US APART

REAL ESTATE
OWNER • DEVELOPER • MANAGER



HEALTHCARE
OWNER • OPERATOR • PROVIDER

Integrated Play

Our integrated real estate and healthcare business strategy allows us to create sustainable value over time. As owner, developer and manager of our real estate; and as owner, operator and provider of healthcare services, we are uniquely positioned to create synergy throughout our value chain. Through our integrated strategy, we are able to extract and capture the full value of our multiple income streams, strengthening our ability to create value over time.

See page 26 and 27 for more information on Our Integrated Strategy

UNDERPINNED BY OUR CORE VALUES AND SUSTAINABILITY

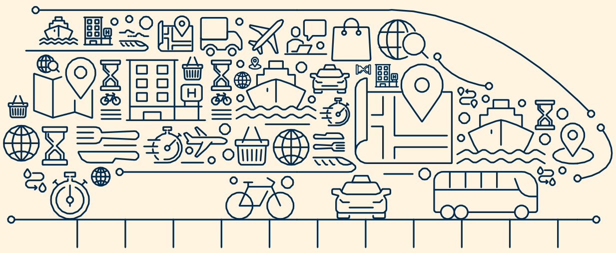
Our Core Values

Teamwork

We value and empower our people, embrace diversity and work in unity to achieve our corporate goals.

Integrity

We believe in fair business practices and uphold a high standard of integrity, moral conduct and governance in our dealings with internal and external parties.



Strategic Locations

Focus on Integrated Developments in close proximity to High Speed Railway Stations or Transportation Hubs

We focus on integrated developments that are strategically positioned in high growth cities and that are in close proximity to transportation hubs. The prime location and excellent connectivity of our developments position us well to serve the burgeoning local populations and populations from neighbouring cities.

THE VALUE WE CREATED IN 2018

S$209.5 m

Full Year Profit After Tax

Shareholders/ Investors

Value created for shareholders of Perennial and consortium of investors who jointly own our real estate assets.

S$56.4 m

Enhancement Initiatives

Tenants/ Shoppers

Enhancements (real estate and equipment) undertaken at our real estate assets.

RMB10.2 m

Enhancement Initiatives

Patients/Residents

Enhancements (real estate and equipment) undertaken at our healthcare facilities.

10,000 hours

Total Staff Training Hours which translates to 26 hours per employee

Our People

Total number of hours invested in developing our people.

See page 119 for more information on Our People

2,257 hours

Total Staff Volunteer Hours

Our Communities

Total number of hours dedicated to serving the communities in which we operate.

See page 117 for more information on Our Community

Excellence

We are passionate about our work, innovative and entrepreneurial in spirit, and push the boundaries in pursuit of outstanding performance.

Sustainability

We are socially, environmentally and economically responsible and treat our stakeholders with respect and compassion.

Our Sustainability Approach

We manage our key environmental, social and governance factors.

See Pages 89 to 91

We have robust corporate governance and risk management practices.

See Pages 92 to 114

STRATEGIC PRIORITIES

REAL ESTATE

Acquire, own and develop large-scale mixed-use development projects in first-tier and second-tier provincial capitals and major cities which are in close proximity to transportation hubs

CHINA

- Target large-scale mixed-use greenfield development projects strategically positioned in high growth cities and in close proximity to transportation hubs.
- Large-scale iconic mixed-use projects provide complementary advantages and enhance Perennial's resilience against any future policies for specific asset classes.

See Page 56 • Chengdu East HSR Integrated Development, China
See Page 58 • Xi'an North HSR Integrated Development, China
See Page 60 • Tianjin South HSR Integrated Development, China
See Page 62 • Kunming South HSR Integrated Development, China
See Page 64 • Beijing Tongzhou Integrated Development, China

Acquire assets which can be repositioned and redeveloped to extract embedded value

SINGAPORE

- Acquire properties which can be repositioned or redeveloped to create value.
- Selectively acquire completed operational assets which will augment the stream of recurring income and provide further income stability.

See Page 48 • Chinatown Point, Singapore
See Page 49 • AXA Tower and 111 Somerset, Singapore

Adopt strata-sale/long-term hold strategy to better manage fund flows, while benefitting from operating long-term assets

CHINA, SINGAPORE, MALAYSIA AND INDONESIA

- Perennial will adopt a strata-sale or en bloc sale strategy for parts of the development for capital recycling purposes and to improve the return on equity, with the remaining parts to be held for the long term.
- Tap on an additional source of funds, recycle capital and reduce external financing requirements.
- Retain an interest in long-term assets to enjoy the benefits of potential uplift in assets' valuations as well as recurring future income from these operational assets.

See Page 49 • AXA Tower and 111 Somerset, Singapore
See Page 64 • Beijing Tongzhou Integrated Development, China
See Page 72 • The Light City, Penang, Malaysia

Our integrated strategy facilitates the maximisation of value of both the real estate portfolio and healthcare and medical services businesses. We are guided by our overarching acquisition/investment principles.

HEALTHCARE

Achieve first-mover advantage in high growth and untapped emerging markets

OTHER MARKETS

- Leverage on sponsors' extensive network of relationships and experience in the emerging markets.
- Focus on acquiring urban renewal or rejuvenation projects which require international expertise.
- Optimise capital structure through a combination of onshore and offshore funding.

See Page 72 • The Light City, Penang, Malaysia

See Page 73 • Call Option for Aviva Tower, London, United Kingdom

Introduce healthcare real estate as an asset class in large-scale integrated developments

CHINA AND SINGAPORE

- Healthcare real estate within large-scale integrated developments creates synergy between the various components, thus enhancing the value of the entire integrated development.

See Page 56 • Chengdu East HSR Integrated Development, China – Perennial International Health and Medical Hub

See Page 58 • Xi'an North HSR Integrated Development, China

See Page 60 • Tianjin South HSR Integrated Development, China

See Page 62 • Kunming South HSR Integrated Development, China

See Page 49 • AXA Tower and 111 Somerset, Singapore

Invest in or form strategic partnerships with established local and foreign healthcare or medical-related operators to scale up the business

CHINA

- Partner reputable local and foreign healthcare or medical-related operators with extensive local and international networks and strong operating track records with the aim to provide a holistic range of medical and healthcare services.

See Page 56 for Partnerships or Investments :
• Tenant-Landlord relationship, such as Gleneagles Chengdu Hospital as an anchor tenant at Perennial International Health and Medical Hub

See Page 78 • Joint Venture to establish St. Stamford International Medical

See Page 80 • Investment in Renshoutang

Board of Directors

E R

MR KUOK KHOON HONG, 69
CHAIRMAN, NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

Date of First Appointment: 27 October 2014
Date of Last Re-Election: 25 April 2016
Length of Service (as at 31 December 2018): 4 years 2 months

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Chairman of Perennial Real Estate Holdings Limited
- Chairman of Wilmar International Limited

PRESENT PRINCIPAL COMMITMENTS
- Chairman and Chief Executive Officer of Wilmar International Limited and its group of companies

PAST PRINCIPAL COMMITMENTS
- Managing Director of Kuok Oils & Grains Pte Ltd
- Director of Perennial China Retail Trust Management Pte Ltd, trustee-manager of Perennial China Retail Trust

ACADEMIC AND PROFESSIONAL QUALIFICATIONS
- Bachelor of Business Administration, University of Singapore

N E

MR RON SIM, 60
VICE-CHAIRMAN, NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

Date of First Appointment: 27 October 2014
Date of Last Re-Election: 24 April 2018
Length of Service (as at 31 December 2018): 4 years 2 months

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Vice-Chairman and Director of Perennial Real Estate Holdings Limited
- Non-Executive Director of Jumbo Group Limited

PRESENT PRINCIPAL COMMITMENTS
- Chairman and Chief Executive Officer of V3 Group Limited
- Chairman and Director of Subsidiaries and Associated Companies of V3 Group Limited, including OSIM International Pte Ltd and TWG Tea Company Pte Ltd
- Director of Subsidiaries and Associated Companies of V3 Group Limited, including ONI Global Pte Ltd and Future Store Pte Ltd

PAST PRINCIPAL COMMITMENTS
- Chairman and Chief Executive Officer of OSIM International Pte Ltd
- Founder of OSIM International Pte Ltd
- Director of Sentosa Development Ltd
- Advisory Board Member of Singapore Management University Lee Kong Chian School of Business
- Advisory Board Member of International Enterprise Singapore
- Advisory Board Member of National University of Singapore Business School Advisory Board
- Committee Member of NTUC Enterprise Committee
- Member of Ministry of Trade and Industry Singapore Economic Review Sub-Committee

AWARDS
- Best Chief Executive Officer Award, Singapore Corporate Awards 2012
- Businessman of the Year Award, Singapore Business Awards 2003
- Entrepreneur of the Year Award, Ernst & Young 2003

R AR N

MR EUGENE PAUL LAI CHIN LOOK, 55
LEAD INDEPENDENT
NON-EXECUTIVE DIRECTOR

Date of First Appointment: 27 October 2014
Date of Last Re-Election: 28 April 2017
Length of Service (as at 31 December 2018): 4 years 2 months

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Lead Independent Director of Perennial Real Estate Holdings Limited

PRESENT PRINCIPAL COMMITMENTS
- Managing Director and Co-Managing Partner of Southern Capital Group

PAST PRINCIPAL COMMITMENTS
- Director of AIMS AMP Capital Industrial REIT Management Limited, manager of AIMS AMP Capital Industrial Real Estate Investment Trust
- Managing Director and Senior Country Officer of JP Morgan Malaysia
- Managing Director and Chief Executive Officer of The Ascott Group Limited
- Managing Director of The Carlyle Group Asia
- Managing Director of Citigroup Singapore
- Practising Lawyer, Singapore

ACADEMIC AND PROFESSIONAL QUALIFICATIONS
- LL.B (First Class Honours), London School of Economics and Political Science, United Kingdom
- LL.M, Harvard Law School, United States of America

AR CD

MR OOI ENG PENG, 63
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Date of First Appointment: 28 July 2015
Date of Last Re-Election: 25 April 2016
Length of Service (as at 31 December 2018): 3 years 5 months

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Director of Perennial Real Estate Holdings Limited
- Chairman of ESR Funds Management (S) Limited, (previously known as Cambridge Industrial Trust Management Limited), manager of ESR-REIT (previously known as Cambridge Industrial Trust)

PRESENT PRINCIPAL COMMITMENT
- Non-Executive Director of Keppel REIT (Australia) Management Limited

PAST PRINCIPAL COMMITMENTS
- Director of Perennial China Retail Trust Management Pte Ltd, trustee-manager of Perennial China Retail Trust
- Chief Executive Officer of Lend Lease Asia (based in Singapore)
- Chief Executive Officer of Investment Management and Retail Asia for Lend Lease (based in Singapore)
- Regional Chief Financial Officer of Lend Lease Communities Asia Pacific
- Global Chief Financial Officer of Lend Lease Investment Management
- Chief Financial Officer of Lend Lease Development
- Director of Frasers (Australia) Pte Ltd, Singapore
- Director of Rivalea Limited (previously known as Hamsdale Australia Pty Limited)
- Director of Frasers Property Australia Pty Ltd

ACADEMIC AND PROFESSIONAL QUALIFICATIONS
- Bachelor of Commerce, University of New South Wales, Australia
- Member, Certified Practising Accountant, Australia

AR Audit and Risk Committee | N Nomination Committee | R Remuneration Committee | CD Corporate Disclosure Committee | E Executive Committee | Denotes Committee Chairman

N AR R

MR LEE SUAN HIANG, 68

INDEPENDENT
NON-EXECUTIVE DIRECTOR

Date of First Appointment: 27 October 2014
Date of Last Re-Election: 24 April 2018
Length of Service (as at 31 December 2018): 4 years 2 months

PRESENT DIRECTORSHIPS IN LISTED COMPANIES

- Director of Perennial Real Estate Holdings Limited
- Chairman of Anacle System Limited (listed on The Stock Exchange of Hong Kong)
- Director of Viking Offshore and Marine Limited
- Director of CITIC Envirotech Ltd
- Director of United Engineers Limited
- Director of MindChamps Preschool Limited

PRESENT PRINCIPAL COMMITMENTS

- Chairman of Global Culture Alliance Ltd
- President of Economic Development Board Society
- Director of Lasalle College of the Arts Limited
- Director of Pasir Ris Resort Pte Ltd
- Director of Singapore Institute of Directors
- Director of SLF Leisure Enterprises (Pte) Ltd
- Director of The Singapore Lyric Opera Limited

PAST PRINCIPAL COMMITMENTS

- Chief Executive Officer of National Arts Council
- Chief Executive Officer of SPRING Singapore
- Chief Executive Officer of National Productivity Board
- Chief Executive Officer of Singapore Institute of Standards and Industrial Research
- Deputy Managing Director of Singapore Economic Development Board
- Chief Executive Officer of Real Estate Developers' Association of Singapore
- Chairman of Singapore Note and Coin Advisory Committee
- Director of Memstar Technology Ltd
- Director of Advance SCT Limited

AWARDS

- National Day Public Administration Gold Medal, 1998
- World Academy of Productivity Science Fellowship Award, 2000
- World SME Association Award, 2001
- Japan External Trade Organisation Award, 2002
- Asian Productivity Organisation Honorary Fellowship Award, 2004
- Chevalier de l'Ordre des Arts et Lettres from France, 2010
- NTUC Friend of Labour Award, 2012

ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- Colombo Plan Scholar, Bachelor of Arts (Honours) in Industrial Design (Engineering), Manchester Polytechnic, United Kingdom

AR

MR CHUA PHUAY HEE, 65

INDEPENDENT
NON-EXECUTIVE DIRECTOR

Date of First Appointment: 27 October 2014
Date of Last Re-Election: 28 April 2017
Length of Service (as at 31 December 2018): 4 years 2 months

PRESENT DIRECTORSHIPS IN LISTED COMPANIES

- Director of Perennial Real Estate Holdings Limited
- Director of Frasers Hospitality Asset Management Pte Ltd, manager of Frasers Hospitality Real Estate Investment Trust
- Director of Frasers Hospitality Trust Management Pte Ltd, trustee-manager of Frasers Hospitality Business Trust

PRESENT PRINCIPAL COMMITMENTS

- Director of Temasek Life Sciences Laboratory Limited
- Director of Lu International (Singapore) Financial Asset Exchange Pte Ltd
- Director of Yihai Kerry Arawana Oils, Grains & Food Co., Ltd

PAST PRINCIPAL COMMITMENTS

- Director of Industrial Bank Co., Ltd (listed on Shanghai Stock Exchange)
- Director of Armada Holdings Limited (presently known as Great Wall Pan Asia Holdings Limited, listed on The Stock Exchange of Hong Kong)
- Executive Director for Finance, Risk Management, IT and Corporate Services of Wilmar International Limited
- Chief Financial Officer and Chief Risk Officer of Keppel TatLee Bank Limited
- Executive Vice President of Tat Lee Bank Limited
- Director of Monetary Authority of Singapore
- Director of Wilmar International Limited
- Director of Eltech Electronics Limited

ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- Master of Science (Actuarial Science), Northeastern University, United States of America
- Bachelor of Science in Mathematics (First Class Honours), Nanyang University, Singapore

CD E

MR PUA SECK GUAN, 55

CHIEF EXECUTIVE OFFICER,
EXECUTIVE DIRECTOR

Date of First Appointment: 27 October 2014
Date of Last Re-Election: 25 April 2016
Length of Service (as at 31 December 2018): 4 years 2 months

PRESENT DIRECTORSHIPS IN LISTED COMPANIES

- Executive Director of Perennial Real Estate Holdings Limited
- Executive Director of Wilmar International Limited
- Non-Executive Director of United Engineers Limited

PRESENT PRINCIPAL COMMITMENTS

- Chief Executive Officer and Executive Director of Perennial Real Estate Holdings Limited
- Chief Operating Officer and Executive Director of Wilmar International Limited
- Member of Consultative Committee of National University of Singapore Department of Real Estate
- Member of Singapore-China Business Council of Singapore Business Federation
- Member of Singapore-Sichuan Trade and Investment Committee

PAST PRINCIPAL COMMITMENTS

- Vice-Chairman and President of Perennial Real Estate Holdings Pte Ltd
- Chief Executive Officer and Executive Director of Perennial China Retail Trust Management Pte Ltd, trustee-manager of Perennial China Retail Trust
- Chief Executive Officer of DLF International Pte Ltd
- Chief Executive Officer and Executive Director of CapitaMall Trust Management Limited, manager of CapitaMall Trust (presently known as CapitaLand Mall Trust Management Limited)
- Co-Chief Executive Officer of CapitaLand Financial Limited
- Chief Executive Officer of CapitaLand Retail Limited
- Deputy Chief Executive Officer and Managing Director of Retail of CapitaLand Commercial Limited
- Member of Board of Trustees of International Council of Shopping Centers

ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- Master of Science in Civil Engineering, Massachusetts Institute of Technology, United States of America
- Bachelor of Science in Building (First Class Honours), National University of Singapore

AR Audit and Risk Committee
N Nomination Committee
R Remuneration Committee
CD Corporate Disclosure Committee
E Executive Committee
Denotes Committee Chairman

Management Team

1 Ms Belinda Gan
2 Mr Ivan Koh
3 Ms Annie Lee

4 Ms Joanna Low
5 Dr Khoo Chow Huat
6 Ms Dawn Tan
7 Mr Lim Kong Cheng

8 Ms Tan Boon Pheng
9 Ms Tong Ka-Pin
10 Ms Celeste Tay

11 Ms Maggie Ma
12 Ms Yeoh Szu Wooi
13 Mr Roy Lim
14 Mr Kenneth Teo

15 Mr Wu Yufeng
16 Ms Juliet Choo
17 Ms Sim Ai Hua

1 MS BELINDA GAN
CHIEF FINANCIAL OFFICER

Ms Gan is responsible for all finance-related functions of Perennial Real Estate Holdings Limited ("**Perennial**"), including financial reporting and operations, corporate finance and treasury, financial planning and risk management.

Ms Gan has over 30 years of experience in finance-related work ranging from accounting, audit, corporate finance, treasury and financial reporting.

Ms Gan was previously the Chief Financial Officer of Perennial Real Estate Holdings Pte Ltd ("**PREHPL**"). Prior to that, Ms Gan was with CapitaLand Limited and last held the position of Group Financial Controller. Her earlier positions within the CapitaLand Group included Vice President (Finance and Corporate Services), CapitaLand Financial Limited and Vice President (Finance), CapitaLand Commercial Limited.

Ms Gan also previously held various finance positions at PowerSeraya Limited, Singapore Network Services Pte Ltd and Port of Singapore Authority.

Ms Gan holds a Bachelor of Accountancy (Honours) from the National University of Singapore and is a member of the Institute of Singapore Chartered Accountants and CPA Australia.

2 MR IVAN KOH
CHIEF EXECUTIVE OFFICER (CHINA)

Mr Koh assists the Chief Executive Officer ("**CEO**") of Perennial with the leadership and development of corporate strategy, goals, and policies for the real estate and healthcare businesses in China. He also leads new business development and strategic collaborations.

Mr Koh has over 20 years of real estate experience. Mr Koh was previously the CEO of Perennial China Retail Trust Management Pte Ltd ("**PCRTMPL**"), trustee-manager of Perennial China Retail Trust ("**PCRT**").

He was concurrently the Deputy CEO (Retail Management, China) of Perennial (Shanghai) Retail Management Co., Ltd. Prior to that, he was seconded by Perennial Real Estate Pte Ltd ("**PREPL**") to DLF International Holdings Pte Ltd in New Delhi as Chief Operating Officer ("**COO**") (Retail Business) for more than a year.

Mr Koh previously held various positions at CapitaLand Retail Limited (presently known as CapitaLand Mall Asia Limited) ("**CRL**"), including Regional General Manager of West China and General Manager of North China.

Mr Koh holds a Bachelor of Science in Management (Honours) from the University of London, United Kingdom ("**UK**").

3 MS ANNIE LEE
DEPUTY CHIEF EXECUTIVE OFFICER (SINGAPORE)

Ms Lee oversees the operations of Perennial's business in Singapore, which includes managing the planning and implementation of policies, initiatives and operational systems. She is also involved in acquisitions and divestments as well as strategic development. Separately, Ms Lee also oversees The Light City development in Penang, Malaysia.

Ms Lee has over 21 years of real estate experience, with strong expertise in leasing, retail planning, asset management and property management. Ms Lee was previously the COO (Singapore) of Perennial. Earlier, she held the positions of COO (Singapore) of PREHPL and Senior Vice President, Leasing and Asset Management of PREPL.

Prior to that, Ms Lee was Vice President, Asset Management of GIC Real Estate Pte Ltd. She was also Head of Leasing (Singapore) of CRL, where she was seconded to VivoCity as Senior Development Manager for over two and a half years.

Ms Lee holds a Master of Business Administration (Specialisation in Real Estate) and a Bachelor of Science in Estate Management (Honours) from the National University of Singapore.

4 MS JOANNA LOW
CHIEF INVESTMENT OFFICER

Ms Low oversees the investment function of the Group and works with the various investment and finance teams to maximise the Group's financial resources to deliver the financial objectives. In addition, she is responsible for managing the investment and business development of the Group's real estate and healthcare businesses in China and leads the North China portfolio.

Ms Low has over 18 years of investment, asset management and leasing experience in the real estate industry.

Ms Low was previously Senior General Manager (North China) and Senior General Manager (South China) of Perennial. Earlier, she was Head, Investment and Asset Management of PCRTMPL, trustee-manager of PCRT. Prior to that, she was the Director of Retail (Head of North China Retail) in Savills Property Services (Beijing) Co., Ltd.

She also previously held positions as Vice President, Fund and Asset Management of PREPL, General Manager, Raffles City Singapore at CRL and Investment and Asset Manager of CapitaMall Trust Management Limited (presently known as CapitaLand Mall Trust Management Limited) ("**CMTML**").

Ms Low holds a Master of Commerce (Advanced Finance) from the University of New South Wales, Australia, and a Bachelor of Business from the Queensland University of Technology, Australia.

5 DR KHOO CHOW HUAT
CHIEF OPERATING OFFICER (CHINA)

Dr Khoo assists Mr Ivan Koh, CEO of China, to oversee the development and operations of Perennial's integrated real estate and healthcare business in China.

Dr Khoo has over 22 years of strategic, operational and investment management experience in Singapore, Malaysia and China.

Dr Khoo was previously based in China as the General Manager of Raffles Hospital Chongqing under the Raffles Medical Group. Earlier he was based in Malaysia and held concurrent positions as the Deputy Managing Director, Sunway Group Healthcare Services and CEO of the 600-bed Sunway Medical Centre, one of the largest private tertiary hospitals in Southeast Asia.

Prior to that, Mr Khoo held various positions including Group CEO of Orange Valley Healthcare, one of the largest eldercare operators in Singapore with six nursing homes and more than 1,000 beds, and CEO of Mount Alvernia Hospital and Assisi Hospice. He was also previously with the Singapore Administrative Service, and held various senior positions in the People's Association, Ministry of Health, Ministry of Home Affairs and Ministry of Information and the Arts.

Dr Khoo holds a Doctorate in Business Administration from Manchester Business School, UK, a Master of Business Administration jointly awarded by Northwestern University (Kellogg School of Management) and Hong Kong University of Science and Technology and a Bachelor of Arts (First Class Honours) in Chemistry from University of Cambridge, UK. He is also a Chartered Management Accountant.

6 MS DAWN TAN
CHIEF OPERATING OFFICER (SINGAPORE)

Ms Tan assists the Deputy CEO (Singapore) to oversee the operations of Singapore and overseas (ex-China) projects.

Ms Tan has more than 26 years of property management experience. The properties that she oversaw and managed in Singapore include Wisma Atria, Ngee Ann City, Capitol Singapore, 112 Katong, Chinatown Point, CHIJMES, VivoCity, Clarke Quay and The Star Vista.

Prior to joining Perennial, Ms Tan held various positions including General Manager of YTL Starhill Global Property Management Pte Ltd, General Manager of Capitol Investment Holdings Pte Ltd ("**CIHPL**"), Senior Vice President of PREPL, General Manager and Retail Director of CRL.

Ms Tan holds a Bachelor of Science in Estate Management from the National University of Singapore and a Graduate Diploma in Business Administration from the Singapore Institute of Management.

Management Team

7 MR LIM KONG CHENG
HEAD, PROJECT MANAGEMENT

Mr Lim oversees the project development and management of Perennial's assets. He has direct oversight of project budget, cash flow and resource allocation to enhance the efficiency of projects delivery.

He is also involved in providing strategic and technical leadership for the acquisition of new developments.

Mr Lim has over 23 years of experience in project development and management, particularly in high-end offices, condominiums, hotels, resorts and retail malls.

Mr Lim was previously seconded to CIHPL for over five years as Project Director to oversee and manage the development of Capitol Singapore. Earlier, he held the position of Senior Vice President, Project Development at PREPL and PREHPL.

Prior to that, he was seconded by PREPL to DLF Cybercity Developers Pte Ltd in New Delhi as Senior Vice President for one and a half years.

Mr Lim previously held senior positions at Hotel Properties Limited, where he managed the development of prime projects such as the Canary Riverside mixed-use development in the UK, Four Seasons Resorts in Bali and Maldives as well as the Parrot Cay Resort in Turks and Caicos. He was also with Lippo Incheon Pte Ltd, where he managed the planning of a new township in Incheon, South Korea.

Mr Lim holds a Master of Science in Management Science from the Imperial College of Science and Technology, UK and a Bachelor of Science in Civil Engineering (First Class Honours) from the University College London, UK.

8 MS TAN BOON PHENG
HEAD, DESIGN MANAGEMENT

Ms Tan oversees the creative planning, design and project development of new and completed projects in Perennial.

Ms Tan has over 26 years of project design experience with strong expertise in retail, residential, integrated development, and master planning. Ms Tan was previously the Head, Project and Design Management of PREHPL. Earlier, she was the Senior Vice President, Project and Design Management of PREPL.

Prior to that, Ms Tan was the Vice President, Project Design and Development Management of CapitaMalls Asia Limited (presently known as CapitaLand Mall Asia Limited) ("**CMA**"), where she was responsible for overall design management of malls across Asia including Raffles City in Beijing, Chengdu and Hangzhou. Earlier, she was with Surbana International Consultants Pte Ltd, where she set up the company's first international branch office in Chengdu and was involved in master planning projects in Asia and the Middle East.

Ms Tan holds Dual Master Degrees in City Planning and Urban Design from the University of Pennsylvania, United States of America ("**USA**"), and a Bachelor of Architecture (Honours) from the University of New South Wales, Australia. Ms Tan is registered with the Board of Architects, Singapore.

9 MS TONG KA-PIN
HEAD, INVESTOR RELATIONS, CORPORATE COMMUNICATIONS AND MARKETING

Ms Tong oversees the establishment, enablement and maintenance of strategic relationships with Perennial's stakeholders, shareholders, the media, and the investment and financial community across various communication platforms.

Ms Tong has over 17 years of investor relations and corporate communications ("**IRCC**"), corporate marketing ("**CM**"), corporate branding and events management experience. Ms Tong was previously the Senior Vice President, IRCC and CM of PREHPL. Concurrently, she was the Head, IRCC and CM of PCRTMPL, trustee-manager of PCRT. Earlier, she was the Senior Vice President, IRCC and CM of PREPL.

Ms Tong previously held concurrent positions as Head, IRCC of CMTML and Head, IRCC and CM of CRL. Earlier, Ms Tong was the Assistant Vice President, Investor Relations of United Overseas Bank Limited.

Ms Tong holds a Master of Commerce (Advanced Finance) from the University of New South Wales, Australia and a Bachelor of Arts from the National University of Singapore. She has completed the Executive Development Program at Wharton, University of Pennsylvania, USA.

10 MS CELESTE TAY
HEAD, HUMAN RESOURCES

Ms Tay oversees the development and management of human resources ("**HR**") across Perennial.

Ms Tay has over 17 years of HR and HR-related experience in supporting operations in China, Korea, Japan and Singapore, of which more than 14 years were in the real estate industry. Her experience includes human capital strategy, talent acquisition and management, HR business partnership, compensation and benefits, employee engagement, employee communications, as well as setting up and managing centralised HR shared service team.

Ms Tay was previously the Head of HR of PREHPL. Prior to that, Ms. Tay held various positions within the CapitaLand Group, including Vice President, HR Shared Service, CapitaLand Limited and Head of HR (Singapore) for CMA. She was previously Vice-President, Administration & Corporate Affairs with the real estate arm of the Government of Singapore Investment Corporation. Earlier, Ms Tay also held HR-related positions at OCBC Bank and the Ministry of Manpower.

Ms Tay holds a Bachelor of Social Sciences (Honours) from the National University of Singapore.

11 MS MAGGIE MA
HEAD, LEGAL AND JOINT COMPANY SECRETARY

Ms Ma oversees the legal and corporate secretarial functions of Perennial.

Ms Ma has over seven years of experience in dispute resolution and corporate transactions. She has represented clients in litigation and international arbitration, as well as provided advisory on pre-IPO structuring, mergers and acquisitions, joint ventures, capital markets and crossborder transactions.

Prior to joining Perennial, Ms Ma held positions in private practice as Senior Associate at Fortis Law Corporation and Associate at RHTLaw Taylor Wessing.

Ms Ma holds a Doctor of Jurisprudence from the Singapore Management University and a Bachelor of English Literature from the Beijing Jiaotong University. She is a member of Singapore Academy of Law.

Ms Ma is dually qualified to practise law in Singapore and China.

12 MS YEOH SZU WOOI
SENIOR GENERAL MANAGER (SINGAPORE)

Ms Yeoh is responsible for the asset management and business development of Perennial's business in Singapore. She is also involved in acquisitions and divestments as well as strategic partnerships to grow Perennial's presence in Singapore.

Ms Yeoh has about 18 years of experience in real estate investment, asset management and corporate finance in Singapore and Malaysia. Ms Yeoh was previously Vice President, Investment and Asset Management (Singapore) of Perennial. Earlier, she held the same position at PREHPL and PREPL.

Prior to that, Ms Yeoh was Assistant Vice President in the corporate finance department of Mitsubishi UFJ Securities (Singapore) Limited. She also previously held positions at The Nikko Merchant Bank (Singapore), HwangDBS Investment Bank Berhad and Alliance Investment Bank Berhad.

Ms Yeoh holds a Bachelor of Science in Finance from The Queen's University of Belfast, UK.

13 MR ROY LIM

SENIOR VICE PRESIDENT, INVESTMENT AND ASSET MANAGEMENT (REGIONAL)

Mr Lim is responsible for the development and management of Perennial's portfolio of assets in overseas markets. He also leads business development and expansion into new markets.

Mr Lim has over 10 years of experience in investment and asset management.

Mr Lim was previously Deputy Head, Investment and Asset Management of PCRTMPL, trustee-manager of PCRT.

Prior to that, he was with the investment and asset management team of PREPL.

Earlier, he was Manager, Investment and Asset Management of CMTML. Mr Lim also previously worked with the Singapore Government's Ministry of Law and the Ministry of Information, Communications and the Arts.

Mr Lim holds a Master of Engineering and a Bachelor of Arts from the University of Cambridge, UK. Mr Lim is a CFA charterholder.

14 MR KENNETH TEO

GENERAL MANAGER (SOUTH CHINA)

Mr Teo oversees the development and management of Perennial's real estate business and identifies new business opportunities in South China.

Mr Teo has over 20 years of business development and international marketing experience, ranging from agri-commodities, technology business, infrastructure development, healthcare and education sectors.

Prior to joining Perennial, Mr Teo held positions as Regional Group Director West China with Enterprise Singapore (previously known as International Enterprise Singapore) and concurrent Consul (Commercial) under the Singapore Consulate-General (Chengdu). He has previously held positions including Divisional Director (Precision Engineering) Technology Group, Centre Director (South China) and concurrent appointment of Vice-Consul (Commercial) under Singapore Consulate-General (Guangzhou). He has also held various senior appointments with institutions under the Ministry of Education.

Mr Teo holds a Master of Science in Information Studies and a Bachelor of Business from the Nanyang Technological University, Singapore. He is also a member of the Singapore Institute of Directors.

15 MR WU YUFENG

GENERAL MANAGER (EAST CHINA)

Mr Wu oversees the development and management of Perennial's real estate business and identifies new business opportunities in East China.

Mr Wu has over 10 years of experience in the finance and banking industry, and seven years of project development, investment and financing experience in the real estate industry.

Prior to joining Perennial, Mr Wu was Vice President of Shanghai Summit Group and was responsible for business development, project investment and financing. He has completed multiple cross-border transactions, including an overseas investment of USD2 billion, investments in multiple REITS and managed controlling interests in two Singapore REITS. He had also completed the registration of a RMB10 billion tranche of Medium-term Notes and Corporate Bonds in China, of which RMB4.5 billion was issued. Mr Wu has significant credit analysis experience with his early work experience as a credit and financial consultant in Shanghai Pudong Development Bank.

Mr Wu holds a Bachelor Degree in Investment Management from Shanghai University, China.

16 MS JULIET CHOO

DEPUTY HEAD, PROJECT MANAGEMENT

Ms Choo assists the Head of Project Management in the project development and management of Perennial's assets in China.

Ms Choo has over 24 years of project and design management experience with strong expertise in integrated developments comprising high end retail, residential, hotel and office.

Ms Choo was previously seconded to CIHPL for four and a half years as Vice President, Project Design Management, to oversee and manage the development of Capitol Singapore. Earlier, Ms Choo held senior positions at CMA, where she managed the development of prime projects such as ION Orchard and Star Vista in Singapore as well as Raffles City in China.

Prior to that, she was with Surbana International Consultants Pte Ltd, where she was involved in the development of Royal Complex, a large-scale integrated development in Abu Dhabi.

Ms Choo holds a Bachelor of Architecture from the National University of Singapore. Ms Choo is registered with the Board of Architects, Singapore.

17 MS SIM AI HUA

JOINT COMPANY SECRETARY

Ms Sim is responsible for the corporate secretariat functions of Perennial and its subsidiaries. She provides secretariat support to the Board and the various Board Committees.

Ms Sim has over 23 years of corporate secretariat experience in listed companies, REITs and Business Trusts. Prior to joining Perennial, she was the Corporate Secretariat Manager with SATS Ltd and was also Joint Company Secretary of its subsidiaries.

Ms Sim was previously with CapitaLand Commercial Limited and CRL. Earlier, she was with the Legal and Corporate Secretariat department at United Overseas Bank Limited.

Ms Sim holds a Diploma in Banking and Finance from The Institute of Banking and Finance, Singapore and is an Associate of the Chartered Secretaries Institute of Singapore.

Market Trends

China

CONTINUOUS EFFORT ON HSR NETWORK EXPANSION IN CHINA

China's "four-vertical, four-horizontal" high speed railway ("**HSR**") grid has been taking shape at full speed, hitting a total system length of 27,000 kilometres in 2017 and set to reach 38,000 kilometres by 2025. The world's longest HSR network is also the most extensively used one, with daily ridership nationwide of approximately 3.5 million. A new "Mid-to-Long Term Railway Network" masterplan has also been finalised, for a larger 8+8 HSR grid serving the nation and expanded inter-city lines for regional and commuter services for large metropolitan areas. The proposed completion date for the network is 2030[1].

In August 2018, China increased the maximum speed of bullet trains on the Beijing-Tianjin HSR to 350 kilometres per hour, reducing the inter-city travel time from 35 minutes to 30 minutes with no price difference in fares. The route is now served by the Fuxing series, the newest bullet train model developed in China. Beijing-Tianjin inter-city trains also started a new train schedule with daily train frequency increasing from 217 one-way services to 272[2]. Increased train frequency and reduced travel time will further enhance the connectivity between the two cities.

In September 2018, the Hong Kong-Guangzhou HSR commenced operation. It is the first HSR line connecting Hong Kong and mainland China and acts as the gateway to mainland China's extensive HSR network. This HSR line connects key cities in mainland China to Hong Kong, including Beijing, Shanghai, Kunming, and Zhengzhou.

Under the Belt and Road Initiative, the proposed railway connecting Kunming and various South-east Asia countries have made great progress. Construction of the Kunming-Laos railway is 20.3% completed as of December 2017, one year after construction began and is on schedule for completion by 2021[3]. The Kunming-Thailand railway construction will commence in early 2019 after completion of the construction bid[4].

Implication for Value

HSR enhances inter-city connectivity and regional development. With China's continuous effort in enhancing the HSR network, both domestically and internationally, the transportation hub real estate space is set to flourish and will be able to serve larger population in future.

HSR station areas are usually positioned as economic, business and industry zones with commercial, residential and industrial sectors. Perennial strategically positions integrated real estate projects at HSR stations so as to enjoy direct access to both local and regional population and to provide one-stop commercial and medical services to the citizens.

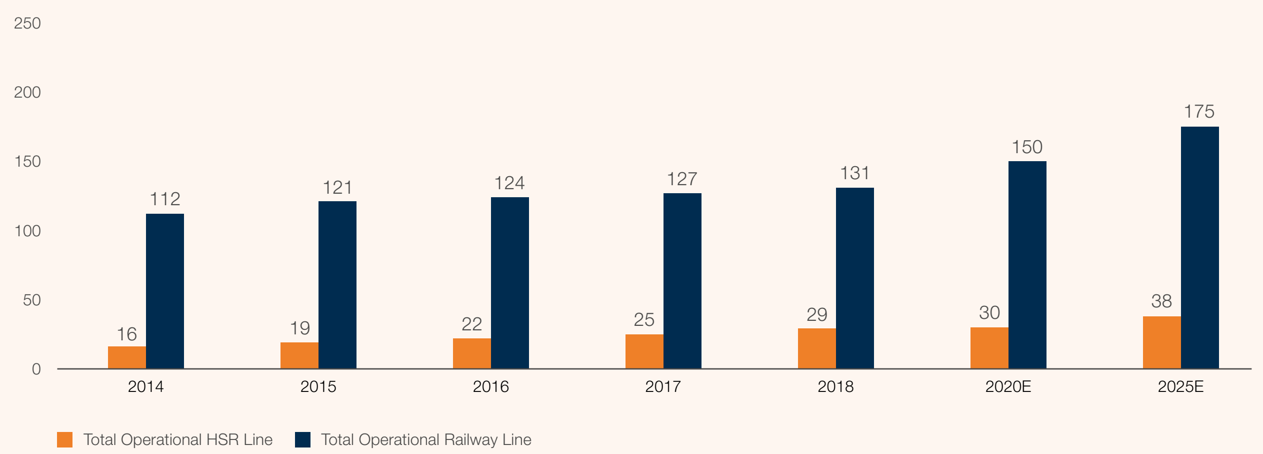
Strategic Response

Perennial focuses on large-scale mixed-use greenfield development projects strategically positioned in high growth cities and in close proximity to transportation hubs.

These large-scale iconic mixed-use projects provide complementary advantages and enhance Perennial's resilience against any future policies for specific asset classes.

Length of China Railway and HSR (1,000km)

Source: National Railway Administration of the PRC and Ministry of Transport of the PRC



1. Asia Times article dated 15 September 2018.
2. The Standard News article dated 8 August 2018.
3. Laotian Times article dated 28 February 2018.
4. China Daily News article dated 3 June 2018.

CHALLENGES IN PROVIDING QUALITY HEALTHCARE SERVICES AND AGEING POPULATION

In the last few decades, China has made remarkable progress in improving people's health including increasing life-expectancy, reducing maternal and child mortality, and expanding health insurance. But during this time, China has also seen rapid socioeconomic development and has been faced with new challenges, including a fast ageing population, a hospital-centric, fragmented and volume-driven health system, and inadequate emphasis on healthcare quality[5].

In response, China's government has embarked on deepening its ongoing health reforms under the 13th Five-Year Plan and published "Healthy China 2030" in 2016, which emphasised on developing the healthcare industry[6].

China has seen rapid growth in the private hospital sector in recent years. The compounded annual growth from 2010 to 2015 for private hospital beds was 31%, compared to 6% for public hospitals. Additionally, the number of private hospitals in China has reached a total of 18,759 hospitals, and now accounts for 57.2% of total Chinese hospitals. However, despite the growth in the number of facilities, the number of private hospital beds only accounts for 24.3% of total hospital beds in China and contributes a significantly lower revenue than public hospitals. In 2016, private hospitals accounted for the majority of hospitals but generated less than 10% of the total revenue[7].

Chinese middle and upper classes have seen their income rise significantly as well as their expectations in medical care. In 2015, Chinese citizens spent US$10 billion on overseas medical care. Over the three years from 2015 to 2017, China's outbound medical tourism grew at a rate of 500%. This exponential growth is encouraging the development and construction of hospitals equipped with the latest technologies and international service standards. It is estimated that the revenue from China's private hospitals will triple from 2016 levels to US$90 billion by 2019[8].

Implication for Value

Driven by China's continuous effort in reforming the healthcare industry and improving the healthcare service standards, both investors and the Chinese government see vast opportunities in private healthcare[9]. Perennial's strategy in investing and operating private healthcare institutions aligns with China's policies. Under the "Healthy China 2030" initiative, the government encourages physicians to use their free time to practise in primary health institutions and private practice, as well as to expand the scope for health services with foreign investment[6].

With increasing demand for high quality medical services driven by higher living standards of the middle class, Perennial's healthcare services will fill the market gap and provide healthcare services at international standards.

Perennial's eldercare offerings will meet the market demand for eldercare services driven by the growing number of ageing population.

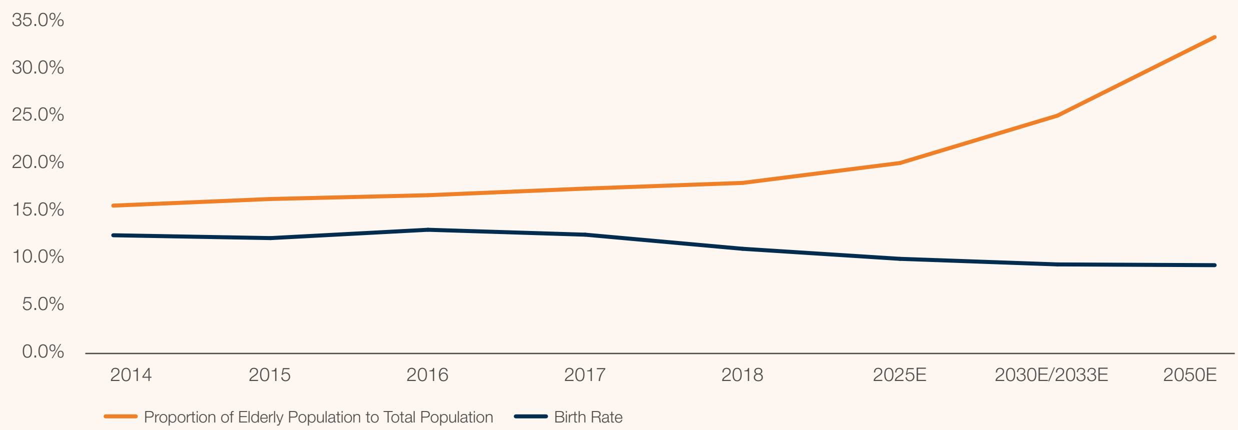
Strategic Response

Perennial's healthcare real estate within large-scale integrated developments creates synergy between the various components, thus enhancing the value of the entire integrated development.

Perennial also partners reputable local and foreign healthcare or medical related operators with extensive local and international networks and strong operating track records with the aim to provide a holistic range of medical and healthcare services.

China Ageing Population and Birth Rate

Source: Ifeng News, Sina Finance, Caixing Global and Knoema Statistics



5. The World Bank Results Briefs dated 16 April 2018.
6. Healthy China 2030 Plan.
7. Chyxx News article dated 20 June 2018.
8. Medical Design and Outsourcing article dated 13 April 2018.
9. Collective Responsibility article dated 2 July 2018.

Market Trends

Singapore

POSITIVE INVESTOR SENTIMENT ON OFFICE SECTOR

In 2018, Singapore's gross domestic product ("**GDP**") expanded by 3.3% and is estimated to grow by approximately 2.5% annually from 2019 to 2021. Singapore is the top destination in Asia for multinational companies ("**MNC**") to set up their headquarters. Uptake in the office space is fuelled by the growth of the technology industry, with 59% of global technology firms having established their Asia regional headquarters in Singapore, compared to 18% in Hong Kong[1].

The continued rental growth and decreasing vacancy in the office sector have also improved investor confidence, causing investment sales to rise by 130.2% quarter-on-quarter ("**QoQ**") to S$3.0 billion in 4Q 2018[2].

The outlook for the next few years remains positive on the basis of a reduction in office supply in the pipeline amid relatively stable demand[2]. Prime office supply is expected to be limited until 2024 with no new office sites in the Central Business District ("**CBD**") released under the Government Land Sales ("**GLS**") Programme since June 2017[1]. In addition, the Government's focus on promoting Singapore as a business hub will attract more corporations to set up offices in the country, with Singapore continuing to be a safe haven for capital preservation and appreciation[3].

Implications for Value

Singapore is one of Perennial's primary investment markets given its strong rule of law, well-developed infrastructure and sound economic fundamentals. With positive investor sentiments, values of commercial assets are expected to increase correspondingly.

Strategic Response

In view of the strong investor demand in the office sector, Perennial may continue to explore en bloc sale opportunities for AXA Tower to maximise returns to shareholders.

FLEXIBLE WORKING SPACES

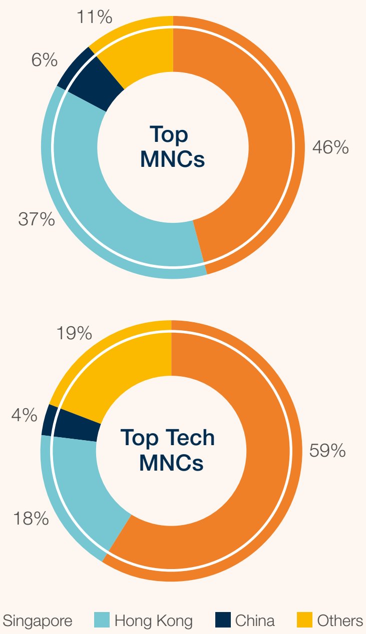
The flexible workspace stock in Singapore has nearly tripled since 2015 in response to greater demand from occupiers who require greater agility to react to rapidly changing business conditions. The steepest annual growth in flexible workspace stock was recorded in 2017 at 44% year-on-year ("**YoY**")[4], and is expected to occupy 15% of total office stock by 2024 and 30% of corporate portfolios by 2030[1].

In response to growing demand for flexible working spaces, retail-to-flexible workspace conversions are expected to pick up pace in the years ahead, in a bid to achieve more stabilised occupancy for retail assets[5].

Implications for Value

Evolving occupier requirements have shifted flexible working spaces from being a 'nice to have' option to being a strategic move, presenting opportunities for landlords to also incorporate flexibility into their developments and leasing models.

Asia Regional Headquarters



Source: Forbes 2017 Global 2000

Office Vacancy Rates[2]

	4Q 2018	QoQ	YoY
Islandwide	5.8%	0.39%	-0.27%
Core CBD	5.2%	-0.22%	-1.09%
Fringe CBD	5.7%	-0.64%	-0.91%
Decentralised	7.4%	2.88%	2.22%
Grade A	5.1%	-0.34%	-1.16%

Singapore Office Rents[2]

	4Q 2018	QoQ	YoY
Grade A CBD Core	$10.80	3.3%	14.9%
Grade B CBD Core	$8.30	3.8%	11.4%
Grade B Islandwide	$7.70	3.4%	10.0%

Prime Retail Rents[2]

	4Q 2018	QoQ	YoY
Orchard Road	$31.70	0.0%	1.3%
Suburban	$29.15	0.0%	1.2%

1. JLL Singapore Outlook 2019.
2. CBRE MarketView, Singapore, 4Q 2018.
3. Business Times article dated 29 November 2018.
4. Colliers Radar: Breaking New Ground dated 11 September 2018.
5. Channel New Asia article dated 16 October 2018.

Strategic Response

In April 2018, Perennial secured IWG to launch its flagship co-working facility — Spaces — at 111 Somerset. The facility offers co-working spaces in a creative environment.

In 3Q 2019, Perennial's Capitol Singapore will also host IWG's premium co-working space, No18, an exclusive members' club for business. No18 will further strengthen Capitol Singapore's tenant mix and market positioning as an integrated luxury lifestyle destination.

EXPERIENTIAL RETAIL AND PLACEMAKING

The retail market stabilised towards the end of 2018. Supported by strong occupancies in prime areas and suburban malls, prime retail rents recorded a 1.2% rental growth YoY[2]. Demand remains robust as Singapore continues to be a key destination in South-east Asia for international retailers.

As e-commerce continues to grow in popularity, landlords and retailers have increasingly recognised the value of experiential retail and placemaking to infuse vibrancy, engage customers and attract footfall to shopping malls[6].

Implications for Value

As the retail landscape evolves, there is a need for landlords and retailers to constantly adapt to shifting consumer behaviours. Activity-based tenants and the creative use of retail space for interactive events have become necessary to meet these shifts.

Strategic Response

Perennial focuses strategically on integrated developments with the aim to create vibrant work, play and lifestyle destinations to provide customers with added convenience and enhanced community engagement opportunities. This strategy is implemented at 111 Somerset, AXA Tower and Capitol Singapore.

Perennial has been an active promoter of placemaking and events for our assets under management. Capitol Singapore and CHIJMES are also members of The City Hall Business Improvement District programme which aims to enhance the vibrancy and attractiveness of the City Hall precinct through targeted marketing, hospitality and events.

Other Markets

URBANISATION AND INTEGRATION OF ASEAN

The ASEAN economic bloc experienced robust growth with an average annualised real GDP growth of 5.1% from 2011 to 2017[7], enabling it to become the sixth largest economic bloc globally at US$2.8 trillion[8]. It is also expected to become the fourth largest market by 2030 after the European Union ("**EU**"), the United States of America ("**USA**") and China[9].

The strong economic growth has also resulted in rapid urbanisation in most of its member countries, characterised by an expanding middle-income population with the ability and propensity for private consumption; implementation of several large scale energy and infrastructure projects; increased labour force participation and employment opportunities.

Concurrent to its expanding growth, ASEAN has taken major steps towards economic integration within the bloc. Under the ASEAN Economic Community 2025 initiative, some progress has been made towards reducing trade tariffs, standardisation of business guidelines and improved labour mobility within the region. It also remains committed in fostering strong economic ties with key trading partners in the rest of Asia, EU, USA, Australia and Russia.

Implications for Value

Urbanisation in the ASEAN member countries has opened up new market opportunities for Perennial, which is able to leverage Singapore's status as a leading ASEAN member and the solid recognition of the Singapore brand to achieve a firm foothold in these new markets. Value opportunities are present across all verticals, particularly in retail, commercial and residential sectors, underpinned by growing private consumption, expansion of employment and sufficient support from local infrastructure.

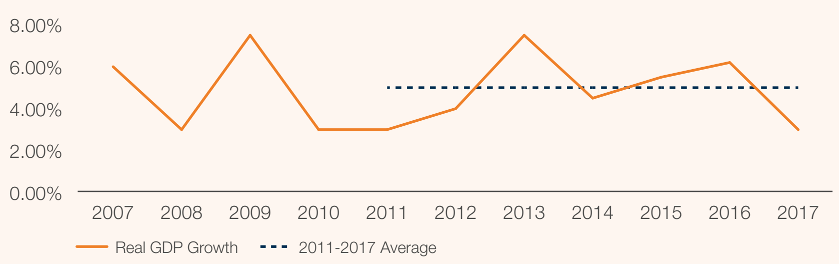
ASEAN's economic integration facilitates Perennial's progress in these new markets in the form of lowered business costs and clearer business guidelines. ASEAN's improved economic ties with the global economy over time enhances its ability to attract new foreign direct investments, leading to improved liquidity in the real estate markets Perennial operates in.

Strategic Response

Perennial's ASEAN strategy is based on a two-pronged approach: (i) Achieve value creation within the ASEAN leading emerging economies; and (ii) Obtain a first mover advantage in under-tapped markets by leveraging on the extensive business network of its sponsors, namely Mr Kuok Khoon Hong, Mr Ron Sim and Wilmar International Ltd, in the region.

Perennial is currently invested in the development of The Light City, a large-scale mixed-use development located along the Penang Island seafront. In FY2018, Perennial entered the Indonesia market via its interest in a development site in Sentul City, a proposed residential development in Greater Jakarta. Perennial also remains active in establishing its presence in new markets within ASEAN.

ASEAN's Real GDP Growth at Constant Prices, 2007–2017



6. The Edge Property article dated 17 July 2018.
7. ASEAN Statistical Yearbook 2018, ASEAN.
8. ASEAN Statistical Leaflet 2018, ASEAN.
9. The Business Times article dated 29 August 2018.

Business Overview

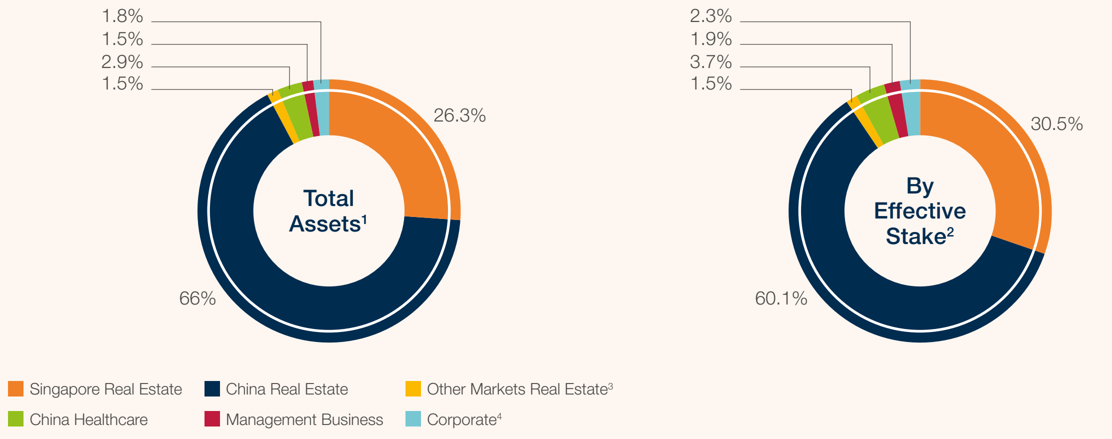
Perennial's real estate business as an owner, developer and manager spans the following five countries – Singapore, China, Malaysia, Indonesia and Ghana. Its portfolio comprises 12 integrated developments and seven retail, commercial and residential developments with a total gross floor area ("**GFA**") of approximately 65 million square feet.

Perennial's healthcare services business as an owner, operator and provider in China focuses on two core segments, being Hospitals and Medical Centres and Eldercare and Senior Housing. It has a presence in eight cities across China with a total of 6,382 operating beds as at 31 December 2018.

PORTFOLIO ANALYSIS

Total Assets Composition by Business

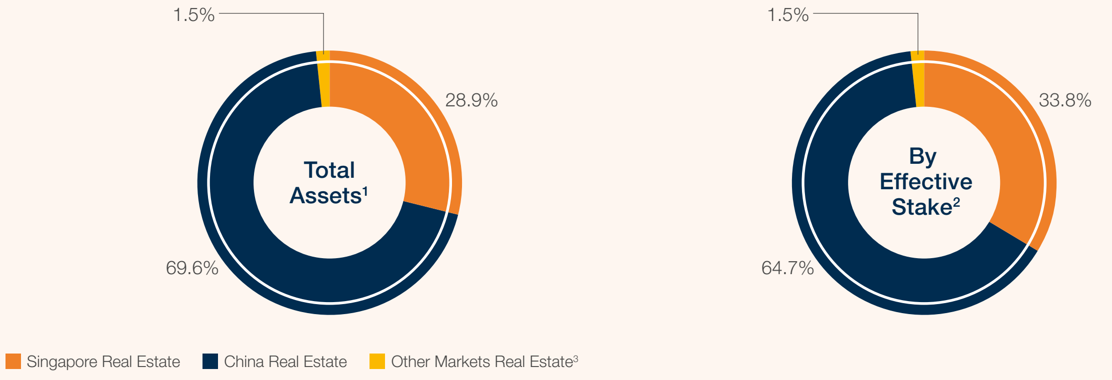
In FY2018, the real estate business accounted for the majority of assets held on the balance sheet, comprising 92.1% (FY2017: 91.3%) of total assets (on an effective stake basis). As Perennial's asset light healthcare business continued to expand in China during the year, the healthcare business' proportion of total assets (on an effective stake basis) grew to 3.7% in FY2018 (FY2017: 3.3%).



Total Assets Composition by Country

In FY2018, Perennial remained focused on its core markets of China and Singapore, which accounted for 69.6% (FY2017: 74%) and 28.9% (FY2017: 24.3%) of total assets respectively, and 64.7% (FY2017: 72.1%) and 33.8% (FY2017: 26.2%) of total assets (on an effective stake basis) respectively.

The increase in the Singapore market's weightage was due to the acquisition of the remaining 50% stake in Capitol Singapore in FY2018.



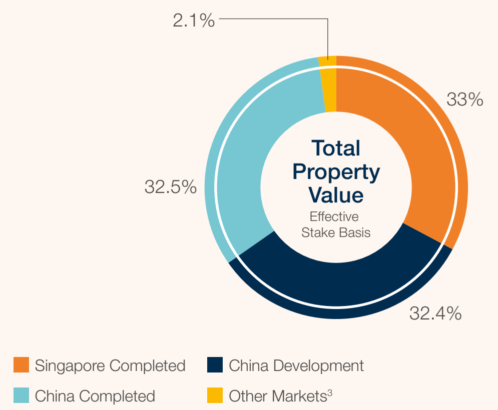
1. Represents assets which are consolidated and equity accounted in accordance with the Singapore Financial Reporting Standards (International).
2. Represents assets computed via the Company's shareholdings.
3. Other Markets Real Estate relates to assets in Malaysia, Indonesia and Ghana.
4. Represents the corporate office and treasury entities.

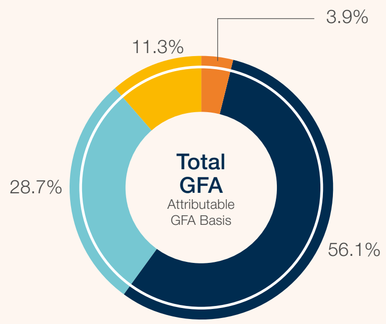
Total Property Value versus Total Gross Floor Area

As at 31 December 2018, Perennial's completed projects in Singapore and China collectively accounted for about 65.5% (FY2017: 70.1%) of total property value (on an effective stake basis).

The Singapore portfolio, which constituted 33% (FY2017: 30%) of total property value (on an effective stake basis), is fully operational. AXA Tower and 111 Somerset remained operational and were income-generating while asset enhancement works progressed.

China development projects accounted for 32.4% (FY2017: 25.1%) of total property value (on an effective stake basis) and 56.1% (FY2017: 59.5%) of total GFA (on an attributable GFA basis). The higher property value was largely due to valuation uplift as certain development properties achieved key milestones and were identified for long-term hold.





Business Structure

PERENNIAL 鹏瑞利

REAL ESTATE BUSINESS

China

Integrated Developments		Ownership
Chengdu East High Speed Railway Integrated Development	Perennial International Health and Medical Hub	80%
	Plot C	50%
	Plot D1	50%
	Plot D2	50%
Xi'an North High Speed Railway Integrated Development	Plot 4	51%
	Plot 5	65.7%
Shenyang Longemont Integrated Development	Shenyang Longemont Shopping Mall	50%
	Shenyang Red Star Macalline Furniture Mall	50%
	Shenyang Longemont Offices	50%
Tianjin South High Speed Railway Integrated Development		45%
Kunming South High Speed Railway Integrated Development		45%
Beijing Tongzhou Integrated Development	Phase 1	40%[1]
	Phase 2	23.3%[1]
Zhuhai Hengqin Integrated Development		20%

Retail Malls	Ownership
Perennial Jihua Mall, Foshan	100%
Perennial Qingyang Mall, Chengdu	100%

Singapore

Integrated Developments	Ownership
Capitol Singapore	100%
AXA Tower	31.2%
111 Somerset	30%
Retail Malls/Commercial	
CHIJMES	51.6%[1]
Chinatown Point	50.6%[1]
House of Tan Yeok Nee	50%
Residential	
Goodluck Garden	40%
Listed Entity	
United Engineers Limited	11.2%[1,2]

Other Markets

Integrated Developments	Ownership
Accra Integrated Development, Ghana	55%
The Light City, Penang, Malaysia	50%
Residential	
Residential Development in Sentul City, Greater Jakarta, Indonesia	40%[3]

HEALTHCARE BUSINESS

Hospitals/ Medical Centres	Ownership
Perennial International Specialist Medical Centre	90%
St. Stamford International Medical Pte Ltd	81.6%[1,4]
Eldercare and Senior Housing	**Ownership**
Shanghai Yixian Renshoutang Eldercare Group Co., Ltd	49.9%

MANAGEMENT BUSINESS

- Asset Management
- Development/ Project Management
- Property Management

1. Approximate percentage.
2. Perennial Singapore Investment Holdings Pte Ltd holds a 72.2% stake in Perennial UW Pte Ltd, which holds a 45% stake in Yanlord Perennial Investment (Singapore) Pte Ltd ("**YPIS**"), which in turn holds a 34.4% stake in United Engineers Limited ("**United Engineers**"), which therefore translates to an effective stake of 11.2% in United Engineers. In the year, YPIS had acquired an additional 19.9% stake in WBL Corporation Limited, which resulted in its effective stake increasing from 10% to 29.9%.
3. Perennial SL Pte Ltd holds a 66.7% stake in Sanctuary City Pte Ltd, which holds a 60% stake in the development in Indonesia. The effective ownership is therefore 40%.
4. St. Stamford International Medical Pte Ltd owns a 49% stake in each of St. Stamford Modern Hospital, Guangzhou, and St. Stamford Plastic Surgery and Aesthetic Hospital, Chengdu, which translates to an effective stake of 40% in each of these hospitals.

Business Review: Real Estate – Singapore

OVERVIEW

In Singapore, Perennial owns and manages a real estate portfolio comprising three integrated developments — Capitol Singapore, AXA Tower and 111 Somerset, — and three retail and commercial developments — CHIJMES, Chinatown Point and House of Tan Yeok Nee. All six properties are strategically located in the Central Business District ("**CBD**"), the Civic District and the Orchard Road precinct. The properties are directly connected or in close proximity to Mass Rapid Transit ("**MRT**") stations.

All six properties have a total property value (on a 100% basis) in excess of S$4.2 billion.

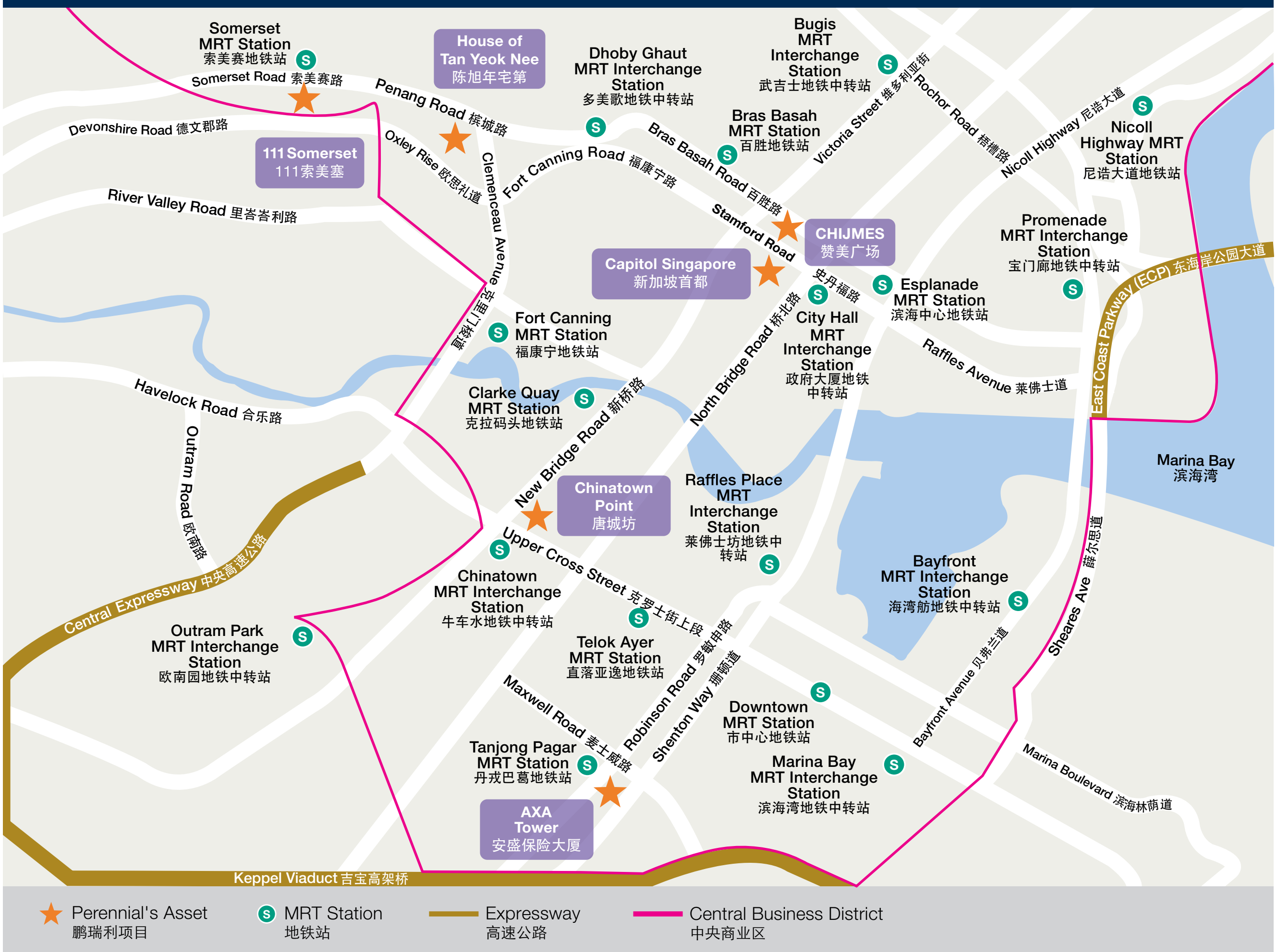
Additionally, a Perennial-led consortium holds an aggregate stake of 34.4% in United Engineers Limited ("**United Engineers**"), a company listed on the Mainboard of Singapore Exchange Securities Trading Limited, and a 29.9% stake in WBL Corporation Limited, a subsidiary of United Engineers. Perennial holds an effective stake of 32.5% and 11.2% in the consortium and United Engineers respectively[1].

In April 2018, Perennial made its maiden foray into pure play residential development with the purchase of the former Goodluck Garden in Singapore. This was undertaken through a 40-60 joint venture ("**JV**") with subsidiaries of Hong Kong-listed CNQC International Holdings Limited and its minority partners ("**Qingjian Group**"). The JV will jointly develop the 360,130 square feet ("**sq ft**") freehold land.

In May 2018, Perennial gained full ownership of Capitol Singapore after the acquisition of an additional 50% stake in Capitol Singapore based on a total property price of S$1.028 billion.

The acquisition of the remaining interest in Capitol Singapore allows Perennial to realise the full potential of the luxury integrated development. Since the acquisition, Europe-based luxury hotel group Kempinski Hotels has been appointed to operate the 157-room The Capitol Kempinski Hotel Singapore. Chef Alvin Leung, renowned for his three-Michelin-starred restaurant in Hong Kong, has also been selected to anchor the luxury hotel with his latest gastro adventure, 15 Stamford by Alvin Leung. Additionally, gourmet restaurants Berthold Delikatessen and Frieda elevate the culinary offerings of Arcade@The Capitol Kempinski, the air-conditioned boulevard connecting the hotel to the rest of the integrated development.

STRONG PRESENCE IN SINGAPORE'S CBD, CIVIC DISTRICT AND THE ORCHARD ROAD PRECINCT



1. Perennial Singapore Investment Holdings Pte Ltd holds a 72.2% stake in Perennial UW Pte Ltd, which holds a 45% stake in Yanlord Perennial Investment (Singapore) Pte Ltd ("**YPIS**"), which in turns holds a 34.4% stake in United Engineers, which therefore translates to an effective stake of 11.2% in United Engineers. In the year, YPIS had acquired an additional 19.9% stake in WBL Corporation Limited, which resulted in its effective stake increasing from 10% to 29.9%.

Business Review: Real Estate – Singapore

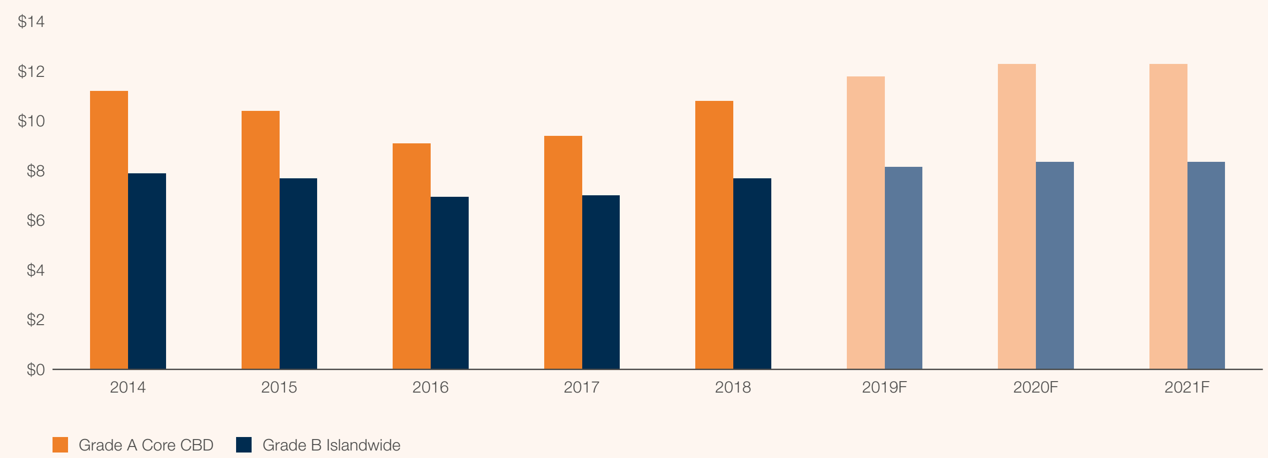
MARKET OVERVIEW AND OUTLOOK

Office

Supported by Singapore's general economic recovery and fewer supply of new offices in the CBD in 2018, Grade A and B CBD core rents grew by 14.9% and 11.4% year-on-year ("**YoY**") respectively[2]. Across the country, office demand grew by 6.0%[3]. A net absorption of 1.6 million sq ft was recorded, surpassing the net supply of 1.5 million sq ft, leading to an improvement in vacancy rates from 6.1% in 2017 to 5.8% in 2018[2].

Singapore Office Rents

Source: CBRE Research



With the co-working trend gaining traction in recent years, landlords are increasingly participating in the flexible workspace market either by offering space directly to the market or by partnering shared workspace operators. Consequently, the flexible workspace footprint has nearly tripled between the end of 2015 and mid-2018, growing from almost 1.0 million sq ft to 2.7 million sq ft in 2.5 years[4].

Flexible working spaces are expected to continue on this uptrend with growth industries, such as technology companies and co-working operators, continuing to dominate office space expansion[5].

Meanwhile the steady demand in prime office space is projected to increase prime office rents by 15% annually from 2019 onwards if new CBD office supply remains limited[3].

Strata Offices

Besides owner-occupiers, investors and real estate funds have contributed to the demand for strata offices in 2018. On the back of successful residential en bloc sales in 2017 and early 2018, opportunistic investors have bought into units in ageing strata offices and mixed-use developments in the hope that such developments will be put up for collective sale[6].

2018 saw a 7.8% YoY increase in the number of CBD strata office transactions and a 6.1% YoY growth in transaction value from S$457.6 million to S$485.4 million[7]. In the Orchard area, the average transacted price per square foot ("**psf**") for medical suites increased 6.0% YoY.

With limited supply of new high quality office developments in the Orchard and CBD areas amid stable demand, a buoyant office sector is expected over the next few years. Overall, investor sentiment remains positive.

2. CBRE MarketView 4Q 2018.
3. JLL Singapore Outlook 2019.
4. Channel News Asia article dated 16 October 2018.
5. Colliers International 3Q 2018.
6. Colliers International Singapore Office Market 3Q 2018.
7. CBRE Strata Office Transactions Summary (December 2018).

Retail

The retail rental market stabilised with growth of 0.3% YoY in 2018[3], while overall retail vacancy decreased by 0.8% YoY. The improving occupancy is indicative of landlords' preference for more stable occupancy over high rents in the current challenging market[8].

Average retail sales (excluding motor vehicles) declined 3.0% YoY in 2018[9] amid mixed performances among the sub-segments of retail. Notably, the food and beverage ("**F&B**") services segment witnessed the strongest expansion[3]. This aligns with most landlords' strategy of allocating more floor space to F&B operators.

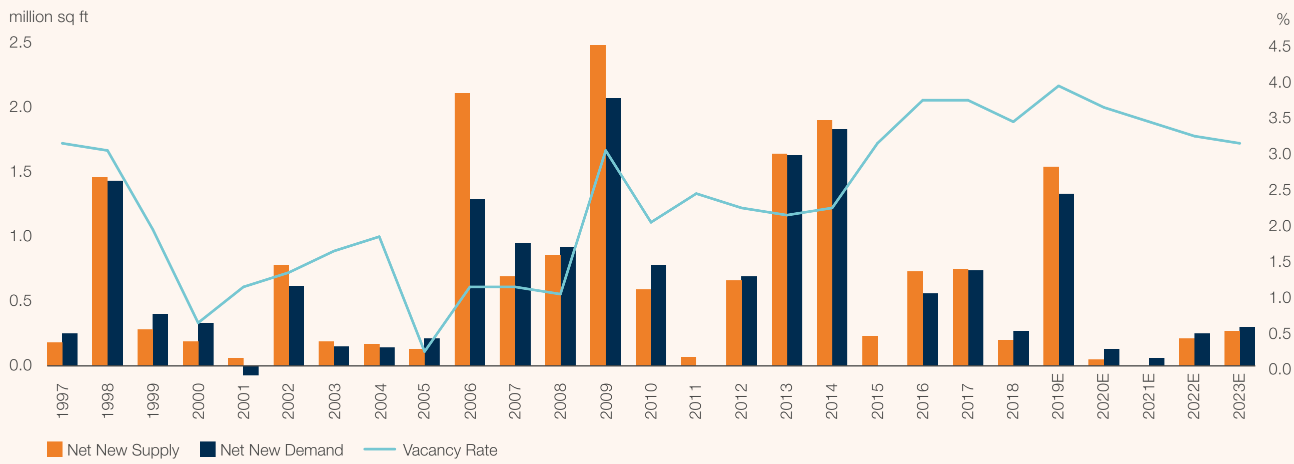
Retail Sub Market Performance

With the retail landscape evolving in response to shifting consumer behaviour, retailers and landlords are presently exploring the creative use of spaces and reconfiguring existing traditional mall layouts[10]. To infuse more life into malls, retailers and landlords have also actively sought out activity-based tenants such as gym operators, culinary schools and amusement centres. The effect is akin to having co-working spaces within malls; more activity-based tenants will yield spillover benefits for other F&B and retail tenants[8].

With an estimated 1.58 million sq ft in net lettable area ("**NLA**") of new retail space coming on stream in 2019[2], rents are expected to grow marginally. Nonetheless, as retail sales are expected to grow at 2% annually from 2019 to 2022[3], prime retail space will continue to enjoy leasing interest from international and established retailers.

Demand, Supply and Vacancy Rate of Retail Space in Singapore

Source: JLL Research



STRATEGIC PRIORITIES IN FY2019

The key focus for 2019 is to lift the operating performance of Capitol Singapore, CHIJMES and Chinatown Point. Tenant mix and existing building layouts will be optimised to better meet the demands of tenants and shoppers. Given the properties' unique heritage and prime locations, more community and placemaking events will also be organised to engage the public and increase footfall.

Perennial will focus on executing and completing major asset enhancement initiatives planned for 111 Somerset and AXA Tower. Enhancement works for both buildings are already underway.

The new retail podium at 111 Somerset received its Temporary Occupation Permit in January 2019. Anchor tenant NTUC Finest opened in end-February 2019, while the remaining retail tenants will progressively open. Full works for the retail and medical podium for 111 Somerset will be completed in 2Q 2019.

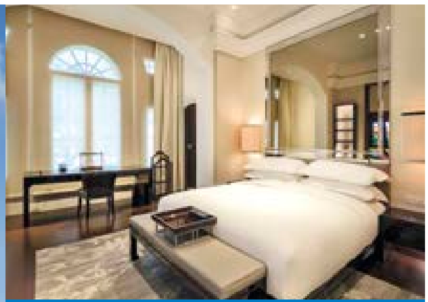
Meanwhile, the retail podium and medical annex block at AXA Tower are expected to be completed in 2020.

Capitalising on the improving office market sentiment in Singapore, Perennial will drive the sale of office spaces and medical suites at AXA Tower and 111 Somerset to deliver additional cash flow. Leasing efforts at both developments will also be strengthened through proactive management to ensure a stable and recurrent stream of income. Rental rates are expected to rise steadily as the office market continues to improve.

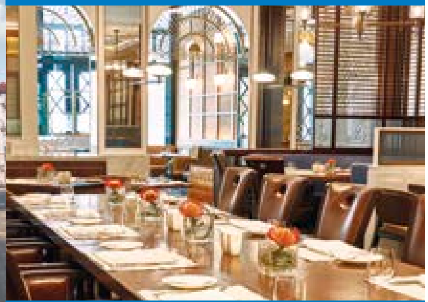
As part of capital recycling, Perennial will carefully consider opportunities to unlock the value of mature assets to invest into new growth opportunities.

Looking ahead, Perennial aims to expand its footprint in Singapore through the acquisition of existing properties or by participating in land tenders, with a strategic focus on mixed-use developments featuring a commercial component.

8. Colliers International 1H 2018 Retail Report.
9. Retail Sales Index & F&B Services Index - December 2018.
10. JLL Article dated 17 July 2018.



The Capitol Kempinski Hotel Singapore



15 Stamford by Alvin Leung

CAPITOL SINGAPORE
新加坡首都

Capitol Singapore, Singapore's first luxury lifestyle integrated development, houses the premier shopping, dining and entertainment destination Capitol Piazza, the iconic Capitol Theatre, the luxurious Eden Residences Capitol and The Capitol Kempinski Hotel Singapore.

Strategically located in the heart of Singapore's Civic District and surrounded by historic landmarks, Capitol Singapore is made up of three conservation buildings: Stamford House, Capitol Building and Capitol Theatre. It directly connects via the basement to the City Hall MRT Interchange Station, which serves the North-South Line and East-West Line.

Eden Residences Capitol sits atop Capitol Piazza and residents at the prestigious address enjoy remarkable views of the Marina Bay area and beyond. The beautifully restored Capitol Theatre houses one of South-east Asia's largest single screens and hosts events including conferences, concerts, wedding banquets and movie screenings. The 157-room The Capitol Kempinski Hotel Singapore is an elegant five-star art deco jewel.

Key Developments in FY2018

In March 2018, Perennial announced the acquisition of the remaining 50% stake in Capitol Singapore for S$129.6 million. With the acquisition completed in May 2018, Perennial now owns 100% of this unique development.

On gaining full ownership, a repositioning exercise was launched to realise the full potential of this unique property.

Perennial handpicked luxury hotel group Kempinski Hotels to operate The Capitol Kempinski Hotel Singapore. Today, the hotel makes its mark on the Singapore culinary scene with 15 Stamford by Alvin Leung, a restaurant concept by celebrity Chef Alvin Leung, who is renowned for his three-Michelin-starred Bo Innovation in Hong Kong.

During the year, Capitol Piazza introduced to the gourmet scene new concepts like Tiger Sugar, Famous Treasure and Suage. Capitol Piazza also secured new-to-market brands including celebrated Taiwanese bakery Wu Pao Chun Bakery and IWG's premium co-working space concept No18. The bakery is Wu Pao Chun Bakery's first international store. Similarly, this is No18's first footprint in Asia.

Capitol Theatre held many high-profile events in the year including the Singapore premiere for Hollywood blockbuster Crazy Rich Asians and Asian Academy Creative Awards.

Focus Areas for FY2019

Capitol Singapore will continue to focus on growing its footing as a luxury lifestyle destination in the city.

Towards that goal, asset enhancement works for Capitol Piazza commenced in December 2018. When completed in 2Q 2019, existing units on Levels 1 and 2 will accommodate large-format lifestyle concepts and IWG's premium co-working space concept No18 for better space efficiency and enhanced operating performance.

With Capitol Singapore in close proximity to CHIJMES, the two properties will roll out joint activities to achieve greater synergy and operational efficiency. Perennial will also collaborate with national bodies such as the Singapore Tourism Board and participate in placemaking initiatives such as the City Hall Business Improvement District programme to solidify Capitol Singapore's position as a luxury lifestyle destination.

Konjiki Hototogisu (a Michelin-starred ramen restaurant)

Mass Yoga Workout

CHIJMES
赞美广场

CHIJMES

CHIJMES, formerly the Convent of the Holy Infant Jesus ("**CHIJ**"), is home to two gazetted National Monuments: the CHIJ Chapel (presently known as CHIJMES Hall) and Caldwell House.

This prime property is strategically located in the heart of Singapore's Civic District just across from two MRT stations: the City Hall MRT Interchange Station which serves the North-South Line and East-West Line, and Bras Basah Station which serves the Circle Line.

The landmark development, with beautiful courtyards and cosy alfresco dining areas, is a popular dining and entertainment spot with tourists and locals alike, especially working professionals in the CBD.

Meanwhile, the stunning CHIJMES Hall is a sought-after venue for weddings, seminars and performances. It was also a film location for Crazy Rich Asians.

In addition, CHIJMES is a moveable feast of good food, good music, good times and great art. Events from F&B festivals, art displays and music performances to sports and movie screenings showcase CHIJMES's versatility and its top-drawer attraction as a destination locale.

Key Developments in FY2018

CHIJMES' committed occupancy increased from 95.9% to 100% on a year-on-year basis. New F&B concepts such as Konjiki Hototogisu (a Michelin-starred ramen restaurant from Tokyo), Hvala, The Winery and Almost Famous Craft Beer Bar complement the positioning of CHIJMES. New wellness tenants, BOLD Fitness and Natureland Wellness, also commenced operations in 2018, adding to the vibrancy of CHIJMES.

To further enhance CHIJMES' ambience, more landscaping, plants, lights and benches were added to the courtyard and along Caldwell House.

In addition, prominent events such as 2018 FIFA World Cup screenings, World Gourmet Summit and Singapore Night Festival were hosted at CHIJMES during the year to entrench CHIJMES' standing as an iconic entertainment and lifestyle destination.

Focus Areas for FY2019

CHIJMES will continue to ramp up its performance by introducing more established concepts with broad appeal to both locals and tourists. It will also collaborate closely with Capitol Singapore to jointly stage national and placemaking projects.

CIO

Tongue Tip Lanzhou Beef Noodles

CHINATOWN POINT
唐城坊

Chinatown Point is a 25-storey commercial development comprising an office block and a six-storey retail podium with two basement levels. The property enjoys high visibility with prime frontages along Cross Street and New Bridge Road and across from Upper Pickering Street, a major gateway into the CBD from the Central Expressway. It directly connects via Level 1 and the basement to Chinatown MRT Interchange Station, which serves the North East Line and Downtown Line.

Located in the heart of the Chinatown precinct in the CBD, the oriental-themed Chinatown Point retail podium is a prime shopping and dining destination for locals, tourists and the working crowd in the surrounding offices.

Key Developments in FY2018

Chinatown Point achieved 91.6% committed occupancy as at 31 December 2018.

In the year, Chinatown Point boosted its F&B offerings by reconfiguring the space in Basement 1 into the new 'Grab & Go' concept. This fresh lively concept features 19 diverse food kiosks including Prima Deli, Egg Stop, Hill Street Coffee Shop and Wok Hey. The food kiosks began operating progressively from November 2018. To meet further demand for dining options, several retail units on Level 2 were also converted to F&B units.

Overall, over 20 new F&B brands were secured as a result of active tenant remixing and the reconfiguration at Basement 1 and Level 2. The new players include new-to-market as well as popular brands like Hoshino Coffee, Ten Ren Tea and Tongue Tip Lanzhou Beef Noodles.

Focus Areas for FY2019

Chinatown Point will focus on improving occupancy and invigorating its tenant mix by introducing more lifestyle tenants. In addition, beyond the staging of signature events during Chinese New Year and Mid-Autumn Festival, more marketing and promotional activities will be held to boost footfall and tenant sales.

AXA TOWER
安盛保险大厦

AXA Tower is a 50-storey Grade A office development with a retail podium. Strategically sited within Singapore's CBD, the iconic landmark offers unobstructed, commanding views of the CBD, waterfront and the historic Tanjong Pagar District.

The property enjoys major frontages along Shenton Way, Anson Road and Maxwell Road, and is connected to the Tanjong Pagar MRT Station. It is also accessible via the Ayer Rajah and Marina Coastal Expressways, making it one of the most convenient locations within the Downtown Financial District.

Key Developments in FY2018

As at 31 December 2018, total strata sales of about S$41 million was registered at an average price of S$2,559 per sq ft. Multinational companies such as Lazada South East Asia Pte Ltd, Hill Dickinson LLP and Goodman Fielder Singapore have renewed and expanded their footprint within AXA Tower. Total office and retail committed occupancy was approximately 93%.

Asset enhancement works are currently underway at AXA Tower. The works include increasing the retail net lettable area at the podium and building a two-storey annex block to house medical suites. New lift interiors and end-of-trip facilities such as bicycle lots and shower facilities were introduced to provide more convenience to tenants. Upgrading of the main office lobby and drop-off points is also in progress.

Focus Areas for FY2019

Riding on positive market sentiment in the Singapore office real estate market, AXA Tower will also pursue en bloc sale opportunities in 2019.

In 2019, AXA Tower will also be directing the execution of the ongoing asset enhancement programme, which is expected to be completed by 2021. Currently, efforts to secure leasing for the medical suites and retail space have commenced with an emphasis on retail concepts that will complement the "work-live-play" ecosystem.

111 SOMERSET
111索美塞

111 Somerset is a prime integrated development strategically located in famed Orchard Road and next to Somerset MRT Station, which serves the North-South line. It comprises two premium grade office towers – Somerset Tower and Devonshire Tower – and a four-storey retail podium with medical suites. The property has sheltered access to Somerset MRT Station and enjoys two prominent frontages along Somerset Road and Devonshire Road.

Key Developments in FY2018

Somerset Tower registered strata sales of its office spaces and medical suites of about S$64 million at an average price of S$2,699 per sq ft as at 31 December 2018.

Total committed office occupancy stood at 82.8% as 111 Somerset not only retained but also attracted new office tenants in the year such as IWG, a provider of flexible workspace solutions Spaces. This co-working space spans over two floors and will be a flagship location when it commences operation in mid-2019.

111 Somerset's asset enhancement works will see an increase in the net lettable area of the retail podium, incorporation of 32,000 sq ft of medical suites and refurbishment of its office lobbies. This will be completed in 2019.

Focus Areas for FY2019

Capitalising on renewed investor interest in commercial properties, 111 Somerset will pursue a strata sale strategy. Apart from owner-occupiers, 111 Somerset will appeal to investors keen to own strata office floors or units with tenancy that generate immediate rental income. To meet potential investors' demand for tenanted office and strata units, leasing efforts at 111 Somerset will be sustained to achieve a healthy occupancy rate and generate a stable stream of income.

Finally, 2019 will see a concerted push to fully lease the medical spaces and retail podium.

PORTFOLIO AT A GLANCE

Property[1]	Location	Description	Tenure	Effective Interest (%)	Valuation[2] (S$ million)
Capitol Singapore	Eden Residences Capitol 11 Stamford Road, Singapore 178884 Capitol Piazza 13 Stamford Road, Singapore 178905 The Capitol Kempinski Hotel Singapore/ Arcade@The Capitol Kempinski 15 Stamford Road, Singapore 178906 Capitol Theatre 17 Stamford Road, Singapore 178907	Residential: 39 units Retail Podium: 4 levels Hotel: 157 rooms Multi-purpose Theatre Car Park: 4 basement levels	99 years, expiring on 23 January 2110	100[3]	496.7[4]
CHIJMES	30 Victoria Street, Singapore 187996	A conservation site comprising two National Monuments zoned for commercial use under the Master Plan 2014 Car Park: 1 basement level	99 years, expiring on 12 May 2090	51.6[6]	334
Chinatown Point	133 New Bridge Road, Singapore 059413	Retail Podium: 6 levels 4 Strata-titled Office Units Car Park: 4 above ground levels	99 years, expiring on 11 November 2079	50.6[6]	477
AXA Tower	8 Shenton Way, Singapore 068811	Office: 1 50-storey tower Retail Podium: 2 levels Car Park: 3 basement levels	99 years, expiring on 18 July 2081	31.2	–
111 Somerset	111 Somerset Road, Singapore 238164	Office: 2 17-storey towers Retail Podium: 2 levels Car Park: 2 basement levels	99 years, expiring on 18 February 2074	30	–
House of Tan Yeok Nee	101 Penang Road, Singapore 238466	A gazetted National Monument zoned for commercial use under the Master Plan 2014	Freehold	50	–

1. As at 31 December 2018, the value of leasehold properties on a 100% basis totalled S$4.14 billion and the value of freehold properties totalled S$74.5 million.
2. Valuation only includes Investment Properties.
3. On 8 May 2018, Perennial completed the purchase of 50% of the shares in the Capitol Entities, increasing its effective interest in the Capitol Entities to 100%.
4. Valuation excludes Eden Residences Capitol and The Capitol Kempinski Hotel Singapore.
5. Subject to final survey by a registered surveyor, excluding centre management office and concierge area.
6. Approximate percentage.
7. Excluding the Civic and Community Institution space which is intended for public/community usage.
8. Estimated strata area after completion of asset enhancement works. Area excludes strata office units handed over to purchasers as at 31 December 2018.
9. Excluding storage areas and strata units handed over to purchasers as at 31 December 2018.

Land Area (sq ft)	Gross Floor Area (sq ft)	Net Lettable Area (sq ft)	Status	Anchor/ Major Tenants	Website
177,755	Excluding Residences: 396,234 Including Residences: 552,016	Retail: 131,170[5]	Operational	Food Republic, Famous Treasure, Cortina Watch	www.capitolsingapore.com www.capitolpiazza.com www.kempinski.com/singapore
154,063	159,204	115,566	Operational	Lei Garden, Watabe Wedding, Natureland Wellness, New Ubin Seafood	www.chijmes.com.sg
99,203	Strata Area: Retail Podium: 173,957[7] Office Units: 4,230 Total Area: 178,187	Retail Podium: 207,726 Office Units: 4,230 Total: 211,956	Operational	NTUC Fairprice, Daiso, UNIQLO	www.chinatownpoint.com.sg
118,230	1,029,306	Strata Area: Retail: 60,773 Medical: 26,565 Office: 680,020 Total: 767,358[8]	Operational with asset enhancement works in progress	Lazada South-East Asia Pte Ltd, AXA Life Insurance (Singapore), BOC Aviation, Red Hat Asia Pacific	–
109,421	766,551	Strata Area: Retail: 95,670 Office & Medical: 459,085 Total: 554,755[9]	Operational with asset enhancement works in progress	WorleyParsons, Parkway Group Healthcare, Gucci Singapore Pte Ltd, Kering South East Asia, Fairprice Finest	www.111somerset.com.sg
26,321	Strata Area: 58,480	29,912	Operational	–	–

Business Review: Real Estate – China

OVERVIEW

Perennial's stable of real estate properties in China comprises seven large-scale integrated developments and two retail properties in eight major cities. Together, the portfolio represents a total gross floor area ("**GFA**") of 54.5 million square feet ("**sq ft**").

The portfolio includes Chengdu East High Speed Railway ("**HSR**") Integrated Development, Xi'an North HSR Integrated Development, Tianjin South HSR Integrated Development, Kunming South HSR Integrated Development, Beijing Tongzhou Integrated Development, Shenyang Longemont Integrated Development, Zhuhai Hengqin Integrated Development, Perennial Qingyang Mall in Chengdu and Perennial Jihua Mall in Foshan.

All the projects enjoy direct connectivity to major transportation hubs or subway stations. Four integrated developments directly connect to four of the largest HSR transportation hubs in China.

ANTICIPATED HSR NETWORK

Source: Gaotie.cn, Huashang News and OneGreen.net

MARKET REVIEW AND OUTLOOK

China

China's economic growth continued to slow down in 2018. In the year, the country experienced the slowest growth recorded in 28 years with a Gross Domestic Product ("**GDP**") growth of 6.6%, down from 6.8% in 2017.

Contributing factors include the escalation of trade tensions between China and the United States of America, which led to a weakening of Chinese Renminbi ("**RMB**") and a decline in stock prices. Nevertheless domestic demand has remained robust, particularly consumer consumption, thanks to rising disposable incomes[1] that will continue to be a stable driver of growth for the country.

The Chinese economy saw steady momentum in land acquisition and new construction activities in 2018.

Total land transaction volume of 1.05 billion square metres ("**sqm**") was recorded across 300 key cities in China. This represents a 14% year-on-year ("**YoY**") increase. Total land transaction price across 300 key cities was RMB4.16 trillion, a YoY increase of 2%[2].

In the year, the country embarked on an easing monetary policy to support economic expansion. As part of the policy, the Central Bank reduced the bank's required reserve ratio four times to stimulate economic activities[3]. With more uncertainties anticipated in the current international economic climate, China's Central Government is expected to continue to rely on supportive economic growth policies.

Chengdu

Chengdu's GDP reached RMB1.53 trillion in 2018, an increase of 8% YoY. This represents a growth rate 21% higher than the national rate.

The tertiary industry recorded the strongest growth among all industrial sectors; it contributed RMB0.8 trillion to the economy, an increase of 9% YoY. In addition, citywide total investment in fixed assets continued to expand, resulting in a 10% increase YoY[4].

In 2018, seven new retail projects opened in Chengdu, most of which are located in non-prime locations.

On the retail scene, designer brands and trendy fashion brands delivered good performance in 2018. There was a trend of high-end cosmetics brands stepping out of traditional department stores to open standalone shops within shopping malls.

The vacancy rate of shopping malls citywide dropped by 2.5% YoY to reach a historical low[5]. Citywide average rent of shopping malls increased by 0.6% YoY, reaching RMB374.7 per sqm per month[6].

Xi'an

Xi'an's economy grew steadily. Its GDP expanded by 8.2% in 2018, outperforming the national GDP growth of 6.6%[7].

In 2018, many new shopping centres entered the Xi'an retail market. This trend is expected to continue[8]; it is estimated that Xi'an will see a flood of 950,000 sqm of premium retail space entering the market in the coming eight years[5] to meet the needs of its expanding population.

In the first 11 months of 2018, Xi'an's office market was active, recording office sales transaction volume of 13 million sqm, up by 16.5% YoY. New office projects over the same time period amounted to 11 million sqm, up by 1.38% YoY[8].

Tianjin

Tianjin is a key city in the megalopolis nicknamed "Jing-Jin-Ji" in North China. It is one of four municipalities directly administered by the central government[9]. It is also the largest coastal city in North China and an important international port. Its major industries are manufacturing, high technology and finance.

In 2018, Tianjin achieved GDP growth of 3.6% YoY.

The Tianjin property market remained stable in 2018 due to continued controls on the real estate market. The serviced apartment market saw no new supply in 3Q 2018 and citywide serviced apartment vacancy rates fell by 8.1% quarter-on-quarter ("**QoQ**") to 18.7% in 3Q 2018[10]. Citywide retail leasing performance remained stable, with average vacancy rates down 1.3% QoQ to 12.7% in 3Q 2018. Affected by new supply in decentralised areas citywide, first-floor shopping mall rents declined by 1.5% to an average of RMB338.7 per sqm per month[11].

In 2018, Tianjin government announced the implementation of several programmes to attract talents. One of the plans involved the creation of a high-tech commercial zone in the vicinity of Tianjin South HSR Station. This zone is expected to draw a population of 150,000[12], especially young professionals.

1. OECD Economic Outlook, Volume 2018 Issue 2.
2. China.com Property News 2018 Real Estate Summary.
3. Bloomberg News article dated 7 October 2018.
4. Chengdu Bureau of Statistics dated 31 January 2019.
5. Savills Research: Spotlight on China 20 Retail Cities.
6. Winshang Web article dated 22 January 2019.
7. Sohu article dated 27 January 2019.
8. Valuation Report - Xi'an.
9. Tianjin Municipal Government.
10. Savills Research: Tianjin 3Q 2018 Residential Sector Briefing.
11. Savills Research: Tianjin 3Q 2018 Retail Sector Briefing.
12. Dayan Tianjin Web article dated 17 February 2017.

Business Review: Real Estate – China

Kunming

In 2018, Kunming's economy experienced robust growth, registering GDP growth of 8.9%[13]. Kunming has an average urban per capita disposable income of RMB39,788 in 2017, making it the most affluent city in West China.

Positioned as one of the healthcare cities of China, Kunming robustly steers the development of healthcare related industries such as high-end medical services and eldercare services within the city. Within Kunming, Chenggong District has evolved into the chief area for healthcare industry development. In 2018, Chenggong District recorded GDP growth of 10%[14].

Yunnan Province possesses abundant tourism resources and Kunming reaps the full benefit of this as it is the key city connecting Yunnan to South-east Asia. The Kunming tourism industry generated revenue of RMB203.1 billion in the first 11 months of 2018 as tourist arrivals rose 19.6% YoY to 145 million tourists over the same period.

Kunming is also an important destination for meetings, incentives, conferences and exhibitions ("**MICE**") activities. In Kunming, MICE-generated revenue exceeded RMB2.6 billion in 2017[15].

In 2017, a total of 26,266 MICE events[16] were held in the capital city, including 25 international exhibitions and 67 international conferences. This represents an increase of 25% and 86% YoY respectively. In 1H 2018, 48 exhibitions were held over a total land area of 1 million sqm. This is an increase of 48.6% compared to 1H 2017. A total of 12,631 conferences hosting 2.6 million attendees were held in 1H 2018. This is 1,664 more conferences than 1H 2017, or an increase of 15.2%[17].

Finally, with the realisation of the Belt and Road Initiative and the impending launch of railway lines to South-east Asia, Kunming is expected to become more international. This will generate greater demand for MICE activities in the capital city.

Beijing

Beijing's macro economy remained healthy in 2018, as shown by the capital's real GDP growth of 6.6% YoY. Meanwhile its services sector enjoyed GDP growth of 7.3% YoY[18].

This healthy growth is keeping demand for office space firm. It meant that total net absorption remained high at around 541,000 sqm in FY2018, exceeding the total supply in the market in FY2018[19].

The Beijing office market will see a heavy focus on the redevelopment and upgrading of existing stock in the future. Non-prime and emerging business districts are forecasted to provide excellent development opportunities and will further fuel the decentralisation of the market[20].

Citywide shopping mall vacancy rate was largely stable with a slight decrease of 1% to 2.1% in FY2018. The average first floor rent was RMB826.8 per sqm per month in 2018; this represents an increase of 1.3% YoY[21].

The central area of Tongzhou has been designated a new urban area. This has accelerated the development of the district. One of the biggest developments for the district was the relocation of Beijing's municipal government to Tongzhou District in 2018. This will draw both industries and residents to relocate from downtown Beijing[22].

Shenyang

In the first three quarters of 2018, Shenyang recorded a GDP of approximately RMB442.4 billion. This represents an increase of 5.5% YoY. Leasing demand in 1H 2018 was sustained in Shenyang's prime office market and was mainly generated by companies relocating and upgrading their offices.

Shenyang's rental performance was mixed, with some developments enjoying rental increase while other developments experienced stable rental. The rent of mature properties in prime locations with attractive brands and shopping experience showed a tendency to be on the rise[23]. As of 3Q 2018, the average ground floor rent in Shenyang's prime retail property market remained stable at RMB500 per sqm per month.

Zhuhai[24]

The successful launch of the 55km Hong Kong-Zhuhai-Macau Bridge in 2018 and subsequent improved transportation networks enabled Hengqin to expand its ties with Hong Kong and Macau.

In recent years, Zhuhai has attracted investment by developing a variety of industries, most notably in tourism and hospitality. In addition, Zhuhai's consumer market has been growing steadily with considerable potential and room for further expansion.

Shopping centre rents for ground floor shops in Zhuhai remained stable and averaged RMB300 per sqm per month. Gongbei and Old Xiangzhou Districts continued to record the highest rents in the city's retail market, with rentals ranging from RMB350 to RMB400 per sqm per month. Average rents for shopping centre ground floor shops in other districts ranged from RMB150 to RMB200 per sqm per month.

The average Grade A office rents in Zhuhai fluctuated between RMB90 and RMB120 per sqm per month and the citywide Grade A office vacancy rates were between 10% and 20%. It is expected that more companies will be looking to set up branch offices in the city, especially in areas close to the bridge, which will drive up the demand for Zhuhai's overall office sector in the future.

13. Askci Web article dated 25 January 2019.
14. Yunnan House Web article dated 14 January 2019.
15. Yunnan China News article dated 27 December 2017.
16. Including 120 exhibitions, 25,966 conferences, and 180 festival events.
17. Sohu article dated 23 August 2018.
18. Beijing Municipal Bureau of Statistics.
19. Savills Research: Beijing 4Q 2018 Office Sector Briefing.
20. Savills Research: Beijing 3Q 2018 Office Sector Briefing.
21. Colliers Research: Beijing 2019 Outlook.
22. Colliers Research: Colliers Radar on Beijing Tongzhou (October 2018).
23. 2018 Valuation Report for Shenyang Longemont Shopping Mall by Colliers.
24. 2018 Valuation Report Zhuhai Hengqin Integrated Development by CBRE.

Foshan

Foshan's economy recorded moderate but steady growth with GDP expanding by 6.3% in 2018.

Foshan currently has over 1.5 million sqm of shopping malls space spread across major and decentralised commercial retail areas. This accounts for over 60% of total retail stock in the city[25].

As one of cities in the Guangdong-Hong Kong-Macau Greater Bay Area, designated in China's 13th Five-Year Development Plan, Foshan will seize the opportunities created by development of this area. In May 2018, the Foshan state government announced plans for nine major development zones in its key city development roadmap. These zones will be targeted for industries involving high-tech and innovation, eco-tourism, logistics and cultural experience[26].

STRATEGIC PRIORITIES IN FY2019

This year, Perennial's strategic focus will be on the successful launch of Gleneagles Chengdu Hospital, the anchor tenant of Perennial International Health and Medical Hub ("**PIHMH**").

Perennial will also concentrate on executing the Company's second HSR healthcare and commercial hub, the Xi'an North HSR Integrated Development. It will manage construction schedule on Plot 4 and finalise the medical master plan for Plot 5.

Additionally, Perennial will put effort into obtaining the necessary permits and ensuring the smooth commencement of construction work at the Tianjin South HSR Integrated Development and Kunming South HSR Integrated Development.

These projects are the first two steered by the Perennial-syndicated joint venture ("**JV**"), which has a mandate to invest in HSR healthcare integrated mixed-use developments in China. Perennial will, through this JV platform, continue to source and obtain more of such projects in either first-tier or attractive second-tier cities and provincial capitals.

In addition, construction works at Beijing Tongzhou Integrated Development will be closely managed to drive the development timeline. The strata or en bloc sale of office tower and launch of the sale of the residences are expected to commence in 2019. Construction works at Zhuhai Hengqin Integrated Development will also be managed on schedule to ensure its timely completion in 2020.

Perennial will continue to strengthen the operating performance of PIHMH and Shenyang to improve recurring income streams. Leasing efforts will also be strengthened at the West Wing of the Shenyang Red Star Macalline Furniture Mall to attract quality tenants for remaining spaces.

Moving forward, Perennial remains committed to growing its presence in China and aims to build its reputation as a dominant player in the HSR and transportation hub real estate space.

25. 2018 Valuation Report for Perennial Jihua Mall, Foshan by CBRE.
26. Zakar Web article dated 22 June 2018.

CHENGDU EAST HIGH SPEED RAILWAY INTEGRATED DEVELOPMENT
成都东站综合项目

Chengdu East HSR Integrated Development is a large-scale mixed-use project encompassing PIHMH, Chengdu East HSR Integrated Development Plot C ("**Chengdu Plot C**"), Chengdu East HSR Integrated Development Plot D1 ("**Chengdu Plot D1**") and Chengdu East HSR Integrated Development Plot D2 ("**Chengdu Plot D2**").

Spanning over 14.2 million sq ft in total GFA, the development features medical, retail, office and Small Office Home Office ("**SOHO**") components.

The integrated development is connected to the Chengdu East HSR Station, one of the eight largest HSR transportation hubs in China with an intercity railway, intracity subway, long and short distance bus terminals and taxi services. The Chengdu East HSR Station currently serves about 200,000 passengers daily, and this figure is projected to double by 2030[1].

In 2016, Chengdu East HSR Station launched direct HSR lines to Chongqing, followed by HSR lines to Xi'an in 2017, enhancing connectivity within West China considerably. Connectivity was further boosted in 2018 when the HSR line that connects Chengdu to Changsha and Kunming commenced operation[2].

Currently, within Chengdu, the development is well served by Subway Line 2, a crosstown northwest-southeast trunk route, and Subway Line 7, a loop line that commenced operations in December 2017.

Sitting at the heart of this hyper-connected hub, Chengdu East HSR Integrated Development is well poised to become a one-stop destination for healthcare and commercial services for the Chengdu-Chongqing-Xi'an metropolitan region and neighbouring cities in West China.

PERENNIAL INTERNATIONAL HEALTH AND MEDICAL HUB

Positioned as a regional healthcare and commercial hub serving the Sichuan province, PIHMH offers a holistic suite of medical and healthcare related services and a myriad of complementary food and beverage, lifestyle and retail trades.

The development is anchored by Gleneagles Chengdu Hospital, which will open in 2H 2019. Other medical and healthcare related service providers like St. Stamford Plastic Surgery and Aesthetic Hospital, Perennial International Specialist Medical Centre, Care Alliance Rehabilitation Hospital, and Aidigong Maternal and Child Health Centre serve as mini anchors.

1. News Sichuan article dated 30 January 2018.
2. Baidu article dated 18 January 2019.

Perennial International Health and Medical Hub

The hub offers a broad spectrum of medical and healthcare related services including rehabilitation, plastic surgery and aesthetics, gynaecology, paediatrics, maternal and child health management and specialist medical centre.

Key Developments in FY2018

PIHMH officially commenced operation on 1 June 2018. By 31 December 2018, it had achieved total committed occupancy of 90.9%[3].

Other than medical and healthcare related tenants, high profile retail brands such as Mirako Fitness and ONLY have also commenced business. Mirako Fitness is one of the most established fitness brands in China with over 80 stores. ONLY is a popular local fashion brand.

To build consumer awareness, marketing activities were carried out in the year to promote both the medical and retail components of the hub. In keeping with the positioning of the hub, the theme of the marketing campaigns centred on healthy lifestyle and personal well-being.

Focus Areas for FY2019

In 2H 2019, PIHMH will focus on successfully launching Gleneagles Chengdu Hospital. It will also expand its medical offerings to include health screening, clinical laboratory, diagnostic imaging and dentistry.

Another key project is the construction of an underground link between PIHMH and Chengdu East HSR Station in 2019, which will further boost connectivity.

Meanwhile for the retail segment, PIHMH will be mounting a series of diversified and thematic medical and lifestyle marketing activities to drive shopper traffic, tenant sales and occupancy.

CHENGDU PLOT C

Chengdu Plot C will be home to two office towers and a retail podium. Perennial is targeting to complete design planning in 2019, following which it will proceed to obtain approval from the relevant authorities to commence construction.

CHENGDU PLOT D1

Chengdu Plot D1 is expected to comprise offices/SOHO and retail offerings in view of the potential housing and rental demand from medical staff and visitors of PIHMH as well as catering to eldercare related services at Chengdu Plot D2.

CHENGDU PLOT D2

Chengdu Plot D2 comprises six tower blocks of apartments with some retail spaces. The retail podium will boast a supermarket, retail services and ancillary medical facilities to serve the local residents.

Key Developments in FY2018

Construction of all six towers in Plot D2 was completed in 2018, and interior renovation works commenced in the same year.

Focus Areas for FY2019

Internal renovation works for two of the six blocks are expected to be completed in 2019.

3. Excluding level B2 and B3.

XI'AN NORTH HIGH SPEED RAILWAY INTEGRATED DEVELOPMENT
西安北站综合项目

Xi'an North HSR Integrated Development is a large-scale mixed-use integrated development with a total GFA of over 9.2 million sq ft.

Comprising two land parcels, Plot 4 will comprise retail offerings, SOHO, serviced apartments and a hotel. Plot 5 will feature medical facilities, an eldercare centre and retail and hotel developments.

This landmark development is strategically located adjacent to Xi'an North HSR Station. The Xi'an North HSR Station is the largest HSR station in Northwest China with good accessibility to intercity railway, intracity metros, long and short distance bus terminals and taxi services.

Located in Xi'an's main city area, the station is currently served by two metro lines, line 2 and the new line 4 which commenced operations in December 2018.

The presence of regional lines such as Baoji-Lanzhou HSR line – which is linked to Xi'an-Baoji HSR line and Lanzhou-Xinjiang HSR line – elevates Xi'an to the stature of a key regional hub serving the neighbouring provinces of Gansu, Ningxia, and Xinjiang autonomous region.

This excellent connectivity was further boosted with the launch of the Xi'an-Chengdu HSR line in December 2017. This new HSR line reduces travelling time between the two cities from 12 to slightly over three hours[4]. It is now the main mode of transport for travel between Xi'an and Chengdu cities and has catalysed business and tourism developments, as evidenced by the tripling of cross-city travel between Xi'an and Chengdu[5] a year after the line opened.

Key Developments in FY2018

Good progress was made on construction works at Plot 4 in 2018. Three towers achieved structural top-out and facade works have commenced. Construction works were also in progress for the other two towers, with one tower completed up to Level 26 and the other at ground level. All works on Plot 4 are scheduled for completion by 2020.

Construction works had also commenced on Plot 5, which is designated for medical usage.

The year saw rounds of discussion with renowned hospitality providers on the management and operation of the hotels and serviced apartments. The Xi'an North HSR Integrated Development team also focused on formulating sales strategies and retail plans for the SOHO and LOFT towers.

4. Baidu article dated 6 December 2017.
5. CNR News article dated 23 January 2019.

Source: Gaotie.cn

Focus Areas for FY2019

The two remaining towers on Plot 4 are targeted for structural top-out and completion of facade works in 2019.

Following the completion of building works, Perennial will seek to secure the necessary permits and commence interior design works in preparation for leasing activities.

For Plot 5, the focus will be on smooth execution of building works.

TIANJIN SOUTH HIGH SPEED RAILWAY INTEGRATED DEVELOPMENT
天津南站综合项目

Boasting a total GFA of approximately 3.3 million sq ft, the Tianjin South HSR Integrated Development will be developed into a one-stop regional healthcare and commercial hub.

The hub will congregate medical care, eldercare, hotels and a retail component to serve the community in the upcoming megalopolis integrating Beijing, Tianjin and Hebei (“**Jing-Jin-Ji**”) in Northeast China. This mega development will comprise a general hospital, a women’s and children’s hospital, a geriatric hospital, hotels and complementary retail and healthcare related trades.

The development is strategically located about six kilometres (“**km**”) from Tianjin city centre and enjoys excellent transportation connectivity via the adjacent Tianjin South HSR Station. The station is currently served by Subway Line 3, with three more subway lines scheduled to be launched in the near future.

Beyond Tianjin, the station enjoys good accessibility to various cities, including China’s two largest cities Beijing and Shanghai via the Beijing-Tianjin-Shanghai HSR Line 1. From Tianjin South HSR Station, it is a 30-minute HSR train ride to Beijing South HSR Station and a four-hour HSR train ride to Shanghai Hongqiao HSR Station.

The development is 25 km from the Tianjin Binhai International Airport and 94 km from Beijing Daxing International Airport, which is due to open in 2019[6].

Upcoming infrastructural developments will further add to the cachet of the Tianjin South HSR Integrated Development. The new Beijing-Tianjin-Shanghai HSR Line 2 and Tianjin-Xiong’an HSR Line will soon be launched, as part of a plan to support the growth of Jing-Jin-Ji, a planned major regional economic hub in China. These two new lines position Tianjin South HSR Station as a key interchange station.

6. China Huanqiu News article dated 1 February 2019.

Key Developments in FY2018

In July 2018, Perennial, through its 45% owned joint venture vehicle, Perennial HC Holdings Pte Ltd ("**JV Vehicle**"), was awarded the tender by the People's Government of Xiqing District, Tianjin to develop the three plots of land adjacent to the Tianjin South HSR Station. The winning tender price was RMB718 million. Tianjin South HSR Integrated Development is the JV Vehicle's first asset.

In the year, the development received the first two of four key permits — the Land Use Right Certificate and Land Use Planning Permit — for all three plots.

Focus Areas for FY2019

The project has entered the design phase and construction works will commence in the later part of 2019.

KUNMING SOUTH HIGH SPEED RAILWAY INTEGRATED DEVELOPMENT
昆明南站综合项目

Spanning approximately 5.7 million sq ft in total maximum allowable GFA, Kunming South HSR Integrated Development is a one-stop regional healthcare and commercial hub that will encompass medical care, eldercare, hotel, MICE and retail components.

The development is strategically located next to Kunming South HSR Station, a key HSR station positioned as Yunnan Province's East Asia and South-east Asia Transportation Hub[7].

Currently the largest HSR station in Southwest China[8], Kunming South HSR Station offers quick access to major cities including Shanghai, Beijing and Guangzhou.

As part of the planned Trans-Asian HSR network (part of China's Belt and Road Initiative), Kunming South HSR Station is designated as the gateway station[9] linking East Asian and South-east Asian countries (including India, Thailand, Laos, Vietnam, Myanmar, Malaysia and Singapore) to various parts of China.

The station's railway network provides eight local access routes to various key cities across China and five international access routes to East Asian and South-east Asian countries. This lively arteries of railway connections will support China's immense growth in tourism (including medical tourism), trade and MICE activities.

Kunming South HSR Integrated Development is situated in the vicinity of the University Town of Kunming and approximately two km from the Kunming Municipal Government. This central location means that the development enjoys immediate access to a large population base and talent pool. It is about 20 km from the Kunming Central Business District and 25 km from Kunming Changshui International Airport.

7. People News article dated 4 January 2016.
8. Sina article dated 8 April 2018.
9. Sina News article dated 26 December 2017.

Source: Huashang News

Key Developments in FY2018

In December 2018, Perennial, through its JV Vehicle, won the tender for the site at a land tender price of RMB341.5 million. The Kunming South HSR Integrated Development is the JV Vehicle's second asset.

Focus Areas for FY2019

In 2019, Perennial will focus on obtaining all necessary approvals and permits for the project.

BEIJING TONGZHOU INTEGRATED DEVELOPMENT
北京通州综合项目

Beijing Tongzhou Integrated Development is an iconic mixed-use development with retail, office and residence components. The project spans over 8.4 million sq ft in GFA.

Featuring an iconic design and fronting the famous Beijing-Hangzhou Grand Canal, Beijing Tongzhou Integrated Development is poised to become the premier 'live, work and play' waterfront destination in Beijing.

Located in the prime Tongzhou District, the development is situated close to the new Beijing Municipal Government Administrative Centre, which will be served by a pool of 400,000[10] public servants.

Set to become a bustling 'sub-centre' of Beijing, the Tongzhou District will feature key tourist attractions, including Universal Studios Beijing (due to open in 2020) and the historically significant Beijing-Hangzhou Grand Canal, which is currently being restored as a cultural tourism draw.

Sitting atop the future Tongyunmen Subway Interchange Station (served by Subway Line M6 and the upcoming Line S6), the integrated development will be easily accessible from the Beijing Municipal Government Administrative Centre, Beijing Capital International Airport and the new airport in the Daxing District. The Beijing Suburban Railway Subcentre Line and the future Subway Line R1 will further enhance the development's connectivity to Beijing's city centre.

In 2018, Shiyuan Station in Tongzhou District was completed. This mega subway station connects the south extension of Subway Batong Line and east extension of Subway Line 7 to the east and west areas of Beijing respectively. Shiyuan Station is expected to commence operation from December 2019[11]. With this new station as well as the newly opened "Beijing Seventh Ring Road"[12] highway, Tongzhou is further connected with the rest of Beijing and is set to become the new sub-centre of Beijing.

Key Developments in FY2018

Construction of the development will take place in two phases.

In 2018, final approval was obtained for construction of Phase 1. Meanwhile construction works for Phase 2 are progressing well with one plot achieving structural top-out, and the other two plots reaching the height of Level 11 and Basement 1.

The year also saw the completion of the first phase of the relocation of the Beijing Municipal Committee and Municipal Government to Tongzhou District. The migration saw 20,000 public servants move into the new Beijing Municipal Government Administrative Centre on 15 November 2018.

Focus Areas for FY2019

In 2019, the focus will be on commencing construction on Phase 1. Perennial will also be actively pursuing a strata and en bloc sale strategy for the office blocks at the development. Another highlight for the year will be the sale launch of the residences.

10. QQ News article dated 2 November 2018.
11. People News article dated 15 December 2018.
12. IT Home New article dated 21 August 2018.

PERENNIAL QINGYANG MALL, CHENGDU
成都鹏瑞利青羊广场

PERENNIAL MALL 鹏瑞利青羊广场

Perennial Qingyang Mall in Chengdu is a prime one-stop suburban mall that serves the sizeable population catchment in the western part of Chengdu. The mall is part of an integrated development that comprises a five-star hotel, four office blocks and SOHO. This development, together with several residential developments in the vicinity, provides the mall with a sizeable shopper catchment in the immediate neighbourhood.

Strategically sited with prominent frontage along Guanghua Avenue (a key West arterial road leading to the Chengdu city centre), Perennial Qingyang Mall is easily accessible by car. In addition, it connects directly via an underground pedestrian link to Zhongba Subway Station on the east-west Subway Line 4.

With its strategic location, complementary surrounding establishments and strong tenant mix, Perennial Qingyang Mall is the premier shopping, dining and entertainment destination in the western region of Chengdu.

Key Developments in FY2018

Perennial Qingyang Mall continues to turn in a sterling performance with full committed occupancy in FY2018. Despite competition from malls in the vicinity, shopper traffic increased to about 14 million people in 2018, up from about 13 million people in 2017.

Focus Areas for FY2019

In 2019, Perennial Qingyang Mall will continue its strategy of optimising tenant mix by introducing popular and unique brands. This allows the mall to deliver unique shopping experiences and strengthens the mall's positioning in the region. The mall will also mount marketing campaigns in both traditional and new media channels (including mobile applications and online platforms) to further drive customer flow and tenant sales growth.

PERENNIAL JIHUA MALL, FOSHAN
佛山鹏瑞利季华广场

PERENNIAL MALL 鹏瑞利季华广场

Perennial Jihua Mall in Foshan City is a one-stop international shopping centre that offers retail therapy, food outlets and entertainment. The shopping mall enjoys a premier location at the heart of the commercial district of Jihua Road and Guilan Road. The mall is also situated close to the future Guilan Road Subway Station, where it will be served by the new Subway Line 4 and Line 6. In addition, the mall is 20 minutes from Guangzhou South Railway Station and 48 minutes via the HSR to Hong Kong.

The mall also benefits from a high-quality residential catchment with over 20 top-grade residential developments in its immediate vicinity.

Key Developments in FY2018

Full committed occupancy was achieved in the year. Shopper traffic also increased marginally to about 8.8 million people in FY2018. In addition, the mall actively elevated tenant mix by introducing a number of children's education brands and popular F&B brands, which increased customer flow.

Focus Areas for FY2019

In 2019, the shopping mall will focus more on putting together a quality tenant mix comprising more trendy and popular brands in the market, especially F&B establishments, to set the mall apart from its competitors in Foshan. In addition, the mall is set to ramp up its marketing initiatives, with the twin goals of drawing a younger crowd with better purchasing power and driving overall tenant sales.

Business Review: Real Estate – China

PORTFOLIO AT A GLANCE

Property[1,2]		Location	Description[3]	Tenure	Effective Interest (%)
Chengdu East HSR Integrated Development	**Perennial International Health and Medical Hub[4]**	Plot A, East of Jinxiu Avenue, Chenghua District, Chengdu, Sichuan Province	Medical Retail	40 years, expiring on 20 February 2051	80
	Chengdu Plot C	East of Qionglaishan Road, Chenghua District, Chengdu, Sichuan Province	Retail Office	40 years, expiring on 20 February 2051	50
	Chengdu Plot D1		Retail/Office/SOHO		50
	Chengdu Plot D2[5]		SOHO Retail		50
Xi'an North HSR Integrated Development	**Plot 4[6]**	North of Shangxin Road, South of Xi'an North HSR Station, Weiyang District, Xi'an, Shaanxi Province	Retail SOHO/Loft Hotel (3, 4 and 5 stars) Serviced Apartment	40 years, expiring on 23 November 2052	51
	Plot 5		Retail Eldercare and Retirement Home Hotel Medical		65.7
Tianjin South HSR Integrated Development		Beside Tianjin South HSR Station, West of Jing Fu Road, North of Feng Ya Road, South of Hui Xian Road	Medical Eldercare Hotel Commercial	40 years, expiring on 2 December 2058	45

1. As at 31 December 2018, the value of leasehold properties was RMB43.2 billion.
2. As all designs are undergoing refinement, the information in this table is subject to change.
3. Based on current plans and subject to the relevant authorities' approval of the plans.
4. As at 31 December 2018, the valuation of Perennial International Health and Medical Hub was RMB3,810 million.
5. As-is value of Chengdu Plot D2 as at 31 December 2018 was RMB2,512 million.
6. As-is value of Xi'an Plot 4 as at 31 December 2018 was RMB2,112 million.

	Land Area (sq ft)	Gross Floor Area (sq ft)	Net Lettable Area (sq ft)	Status	Anchor/Major Tenants
	519,057	3,152,912	1,651,146	Operational	Gleneagles Chengdu Hospital, Perennial International Specialist Medical Centre, St. Stamford Plastic Surgery and Aesthetic Hospital, Care Alliance Rehabilitation Hospital, Aidigong Maternal and Child Health Centre
	412,401	Office and Retail: 3,849,300 Car Park/Others: 1,770,640 Total: 5,619,940	–	Target Completion 2022	–
	235,906	Retail/Office/SOHO: 2,083,819 Car Park/Others: 322,920 Total: 2,406,739	–	Target Completion 2022	–
	363,449	SOHO: 1,819,099 Retail: 885,266 Car Park/Others: 398,867 Total: 3,103,232	–	Target Completion 2020	–
	506,973	Retail: 660,498 SOHO/Loft: 572,938 Hotel: 1,715,986 Serviced Apartment: 410,900 Car Park/Others: 1,045,501 Total: 4,405,823	–	Target Completion 2020	–
	554,310	Retail: 267,956 Hotel: 1,156,700 Eldercare: 316,641 Medical: 1,658,793 Car Park/Others: 1,432,675 Total: 4,832,765	–	Target Completion 2023	–
	828,681	3,310,050	–	Target Completion 2022	–

Business Review: Real Estate – China

PORTFOLIO AT A GLANCE

Property[1,2]		Location	Description[3]	Tenure	Effective Interest (%)
Kunming South HSR Integrated Development		West of Kunming South HSR Station, East of Qing He Road, North of Lian Da Road , South of Xiang Yuan Road	Medical Eldercare Hotel Commercial	40 years[4]	45
Beijing Tongzhou Integrated Development	**Phase 1[6]**	Plots 13, 14-1 and 14-2, Xinhua Avenue, Tongzhou District, Beijing	Retail Office Residences	Commercial: 40 years, expiring on 4 November 2052 Office and Residence: 50 years, expiring on 4 November 2062	40[7]
	Phase 2	Plots 10, 11, 12, Xinhua Avenue, Tongzhou District, Beijing	Retail Office Residences	Commercial: 40 years, expiring on 9 May 2053 Office and Residence: 50 years, expiring on 9 May 2063	23.3[7]
Shenyang Longemont Integrated Development	**Shenyang Red Star Macalline Furniture Mall[8]**	No. 24 Pangjiang Street, Dadong District, Shenyang, Liaoning Province	Retail	50 years, expiring on 20 January 2059	50
	Shenyang Longemont Shopping Mall[8]	No. 20 Pangjiang Street, Dadong District, Shenyang, Liaoning Province	Retail		50
	Shenyang Longemont Offices[8]		Office		50
Zhuhai Hengqin Integrated Development		East of Huandao East Road, South of Jilin Road, Next to Hengqin Port Plaza, Hengqin District, Zhuhai, Guangdong Province	Retail Office Hotel/Serviced Apartments Residential	Commercial: 40 years, expiring on 1 March 2054 Residential: 70 years, expiring on 1 March 2084	20
Perennial Jihua Mall, Foshan[8]		No. 45 Guilan South Road, Nanhai District, Foshan, Guangdong Province	Retail	40 years, expiring on 20 May 2049	100
Perennial Qingyang Mall, Chengdu[8]		No. 55 North Guanghua Third Road, Qingyang District, Chengdu, Sichuan Province	Retail	40 years, expiring on 19 January 2050	100

1. As at 31 December 2018, the value of leasehold properties was RMB43.2 billion.
2. As all designs are undergoing refinement, the information in this table is subject to change.
3. Based on current plans and subject to the relevant authorities' approval of the plans.
4. As Perennial had only recently won the tender of the land parcels, it is still in the process of obtaining the relevant titles and permits, and only after such titles and permits are obtained would Perennial be in a position to estimate the completion date of the development.
5. Based on plan as of 20 December 2018.

Land Area (sq ft)	Gross Floor Area (sq ft)	Net Lettable Area (sq ft)	Status	Anchor/Major Tenants
700,237	5,743,240[5]	–	N.A[4]	–
418,996	Retail: 1,439,773 Office: 1,276,630 Residence: 543,038 Car Park/Others: 1,195,976 Total: 4,455,417	–	Target Completion 2023	–
537,485	Retail: 1,252,993 Office: 994,008 Residence: 716,106 Car Park/Others: 1,004,729 Total: 3,967,837	–	Target Completion 2022	–
482,711	3,048,828	2,558,752	Operational	Shanghai Red Star Macalline Home Furnishing Co., Ltd
574,019	3,528,288	2,197,880	Operational	Sinbad Joy Castle, Carrefour, C&A, H&M, UNIQLO
	2,129,132	1,911,561	Operational	Taiping Insurance, Pingan Insurance, Taikang Insurance
256,550	Retail: 471,238 Office: 458,375 Hotel/Serviced Apartments: 178,926 Residential: 352,757 Car Park/Others: 909,053 Total: 2,370,349	–	Target Completion 2020	–
370,403	979,965	467,533	Operational	Yonghui Superstore (Supermarket), Jinyi Cineplex, Inditex Group
575,742	1,471,228	636,777	Operational	Yonghui Superstore (Supermarket), Jinyi Cineplex, Kidswant

6. As at 30 September 2018, valuation for Beijing Tongzhou Integrated Development Phase 1 (Plots 14-1 & 14-2) was RMB5,412 million.
7. Approximate percentage.
8. Valuation of investment properties as at 31 December 2018: Shenyang Red Star Macalline Furniture Mall (RMB2,453 million), Shenyang Longemont Shopping Mall (RMB3,763 million), Shenyang Longemont Offices (RMB2,224 million), Perennial Jihua Mall, Foshan (RMB928 million) and Perennial Qingyang Mall, Chengdu (RMB1,275 million).

Business Review: Real Estate – Other Markets

OVERVIEW

Outside of its core markets of China and Singapore, Perennial also assesses business opportunities for expansion into new overseas markets. Through this, Perennial aims to diversify its existing portfolio and achieve first-mover advantage in high growth and untapped emerging markets.

In FY2018, Perennial successfully entered into its maiden investment in Indonesia through a joint venture ("**JV**") for the development site in Sentul City, Greater Jakarta. Perennial's overseas portfolio currently comprises three projects in Malaysia, Indonesia and Ghana, as well as a call option on Aviva Tower in the United Kingdom ("**UK**").

During FY2018, Perennial made progress in pre-development preparation works for The Light City in Penang and Sentul City, Greater Jakarta, as well as in concluding regulatory matters for the Accra Integrated Development in Ghana. Perennial also maintained oversight on matters relating to the potential redevelopment of Aviva Tower.

MALAYSIA

MARKET OVERVIEW AND OUTLOOK

Resilient Economy Supported by Sound Foundations

Faced with economic headwinds from the global economy, Malaysia's economy remained resilient, albeit at a moderated pace. It achieved Gross Domestic Product ("**GDP**") growth at 4.7% year-on-year ("**YoY**") in 2018, supported by domestic demand, growth in construction, services and manufacturing sectors but weighed down by slowed export growth and inventory drawdowns in commodity-related sectors[1]. Despite challenging conditions, Malaysia's economy is expected to remain strong, with the World Bank projecting real GDP growth of 4.7% YoY in 2019, though the country's close integration with the global economy pose risks to the economy[2].

In the state of Penang, manufacturing and services remain the key drivers for its economy. It is one of the top states in attracting Foreign Direct Investment ("**FDI**") to the manufacturing sector, with approved FDI at MYR2.3 billion (out of Malaysia's overall at MYR48.8 billion) for the first nine months of 2018[3]. The services sector is underpinned by strong tourism growth, evident from another record year of passenger flows in Penang International Airport with 7.8 million passengers in 2018, increasing by 7.6% from last year's record of 7.2 million passengers[4].

INDONESIA

MARKET OVERVIEW AND OUTLOOK

South-east Asia's Largest Economy with Growth Potential

As the largest economy in South-east Asia with abundant natural resources and a young, large and burgeoning population with an expanding middle class segment, Indonesia's economic growth potential has gained the attention of the global community, establishing its position as one of the key emerging markets globally. In October 2018, the International Monetary Fund ("**IMF**") lowered its Indonesia's GDP growth outlook from 5.3% and 5.5% in 2018 and 2019 respectively to 5.1% in both years[5], in line with its reduced optimism of the global economic outlook. Key considerations cited for the downward revision include: tightening monetary policies in top markets such as the United States of America ("**USA**") and European Union ("**EU**"); ongoing trade concerns, and rising crude oil prices. Despite this, IMF's chief economist remained upbeat on Indonesia's economy[6]. A key upcoming event in FY2019 is the Indonesian General Election, which will be held on 17 April 2019.

GHANA

MARKET OVERVIEW AND OUTLOOK

High-Growth Economy Open to Foreign Investment

Ghana remains one of the most prosperous and stable countries in Sub-Saharan Africa. In 2018, Ghana's economy expanded by 5.4%, driven by a combination of factors including GDP rebasing[7] and contraction in the financial intermediation sub-sector[8]. The structure of the economy remained fairly consistent as the country is able to meet its fiscal-deficit target of 3.7% of GDP for 2018[9].

The Ghanaian government continues to leverage and build on its financial policies aimed at stabilising and transforming the economy, creating jobs for the local communities and expanding private sector participation. While Ghana continues to face internal fiscal challenges, the government intends to implement measures to stabilise debt growth and ensure that spending

1. The BNM Quarterly Bulletin, February 2019.
2. World Bank's Malaysia Economic Monitor, December 2018.
3. Projects Approved by State, January-September 2018 and 2017, Malaysia Investment Development Authority.
4. The Malay Mail article dated 14 January 2019.
5. IMF World Economic Outlook October 2018, IMF.
6. The Straits Times article dated 10 October 2018.
7. Bloomberg article dated 28 September 2018.
8. PWC 2019 Budget highlights: "A Stronger Economy for Jobs and Prosperity".
9. Bloomberg article dated 15 November 2018.

commitments are met without additional borrowings. New measures to encourage foreign investments include the launch of an online registry to document all business-related laws to create a conducive business environment and boost the level of FDI[8].

UNITED KINGDOM

MARKET OVERVIEW AND OUTLOOK

Established Market with Robust Fundamentals

The uncertainty from the breakdown in Brexit negotiations between UK and EU heavily impacted UK's political and economic landscape in 2018, with the UK Treasury issuing its warning that UK's economy could be significantly worse under all possible Brexit scenarios in 15 years' time[10]. This came as GDP growth slowed to 1.4% YoY in 2018[11], compared to 1.8% in 2017.

Against the gloomy backdrop, positives are evident in the labour market, which remained stable with low unemployment rate at 4.1% based on the December 2018 survey . With white-collar employment on an upward growth trend, leasing take-up in London's office property market has remained healthy. The market remains underpinned by strong fundamentals with yields and capital values remaining stable in FY2018. On the investment front, transaction volumes and development activity from domestic and international investors remained resilient during the year despite the Brexit backdrop.

UK property market players are bracing themselves for the short-term impact from any Brexit fallout. According to the survey published by the British Property Federation ("**BPF**")[12], there is reduced optimism in UK's real estate market's performance in 2019, leading to a pullback in development starts for the year. However, the BPF survey also showed an improved longer-term outlook, with 55% of the respondents confident on the industry's performance over the next 5 years, compared to 48% in the preceding year.

STRATEGIC PRIORITIES IN FY2019

For FY2019, Perennial will focus on making progress in the existing development pipeline, particularly in The Light City in Penang and the development site in Sentul City, Greater Jakarta. Perennial will also focus on concluding regulatory matters for the Accra Integrated Development in Ghana in order to pave the way for development. Additionally, Perennial takes a close view of the short-term impact on the market from Brexit as part of its oversight on matters relating to the potential redevelopment of Aviva Tower.

Perennial also seeks business opportunities to expand into new markets with high growth potential and untapped value, particularly in South-east Asia. Singapore's status as a leading ASEAN member and the solid recognition of the Singapore brand could create potential openings for Perennial in this region.

10. The Guardian article dated 28 November 2018.
11. Data from Office for National Statistics, UK.
12. Press release from British Property Federation dated 30 January 2019.

THE LIGHT CITY, PENANG, MALAYSIA
THE LIGHT CITY, 槟城, 马来西亚

The Light City on Penang Island is poised to be an iconic waterfront integrated development, comprising a retail mall with thematic street concepts and waterfront dining, premium residential towers, an office tower, two hotels, and the largest convention centre in Penang.

The Light City will be developed in two phases, measuring 4.1 million sq ft in gross floor area in total. It will be built at an estimated total development cost of over MYR3 billion (approximately S$1 billion).

The freehold site is located on the eastern coastline of Penang Island. It is served by Tun Dr Lim Chong Eu Expressway and is located in close proximity to the Penang Bridge, one of two road bridges connecting Penang Island to Peninsular Malaysia.

Key Developments in FY2018

During the year, the project team completed preparation works on the land parcel for the development, and concurrently calibrated the development design to meet the changing needs of the Penang market. Substantial progress was also made in the calling of tenders for project works and securing of project financing.

Focus Areas for FY2019

The focus for The Light City in FY2019 is to commence on-site construction works. If market conditions are receptive, the team intends to launch sales of the first residential phase, Mezzo The Light City during the year.

AVIVA TOWER, LONDON, UNITED KINGDOM
英杰华大楼，伦敦，英国

Perennial has a call option to acquire a 20% stake in Aviva Tower based on a property value of £330 million (“**Call Option**”), exercisable upon the decision being made to redevelop Aviva Tower.

Planning approval has been obtained for Aviva Tower to be redeveloped into a new landmark office tower with a total gross floor area (“**GFA**”) of 154,100 square metres (“**sqm**”) and net lettable area (“**NLA**”) of 93,578 sqm. This will be approximately three times the size of the current Aviva Tower. Post-redevelopment, it will be the tallest building in the City of London at a height of 304.94 metres, hosting UK’s highest publicly accessible viewing gallery, London’s highest office space and public restaurant as well as a larger public square.

Aviva Tower is currently a 28-storey office tower located at 1 Undershaft, EC3, right in the heart of London’s Financial District within the City of London, also commonly known as the ‘Square Mile’. The property is sited across the road from prominent famous London landmark ‘The Gherkin’, and in close proximity to existing and upcoming renowned commercial buildings such as the ‘Cheesegrater’, the ‘Scalpel’, 22 Bishopsgate, Tower 42 and Heron Tower.

Anchored by Aviva International Insurance, the prime development enjoys excellent transport connectivity with access to Liverpool Street Station and Bank Station, which together serve six London Tube lines, three Rail lines and the new Elizabeth Line (Crossrail), which is due to open in late 2019.

Aviva Tower is owned by Mr Kuok Khoon Hong, Perennial’s largest sponsor and Chairman, Mr Martua Sitorus and his family as well as two other investors.

Key Developments in FY2018

During the year, the project team maintained oversight on matters relating to the potential redevelopment of Aviva Tower.

Focus Areas for FY2019

In FY2019, the focus for the Aviva Tower project is to oversee the overall feasibility, planning and regulatory issues relating to the potential redevelopment. The team also intends to extend the Call Option, which expires on 31 July 2019, subject to the owners’ approval.

Business Review: Real Estate – Other Markets

PORTFOLIO AT A GLANCE

Property[1,2]	Location	Description	Tenure	
The Light City, Penang, Malaysia	About 1 km north of Penang Bridge, Gelugor, Malaysia	Retail Podium and Thematic Shops Residential Office Hotels Convention Centre	Freehold	
Residential Development in Sentul City, Greater Jakarta, Indonesia	About 50 km south of Jakarta, Indonesia	Residential	30 years, extendable to 50 years, after which the land title may be renewed subject to government approval[4]	
Accra Integrated Development, Ghana	Along Liberation Road and about 2 km from Kotoka International Airport within the Airport district of Accra, Ghana	Retail Podium Residential Office Hotel Serviced Apartments	50 years, expiring on 30 November 2067	
Aviva Tower, London, United Kingdom	1 Undershaft, London, EC3A 8AB, UK	Office	Freehold	

1. As at 31 December 2018, the value of leasehold properties was S$75.6 million and the value of freehold property was S$167.6 million.
2. As all designs are undergoing refinement, the details in the table are subject to change.
3. The gross floor area excludes carpark space based on current plans and is subject to the relevant authorities' approval of the plans.
4. Land title of landed residential properties will be converted to freehold upon purchase by Indonesian individuals.
5. Perennial will hold an effective interest of 20% if the Call Option is exercised upon confirmation of the execution of redevelopment plans by its owners.

Effective Interest (%)	Land Area (sq ft)	Gross Floor Area[3] (sq ft)	Target Completion
50	1,427,000	Retail and Thematic Shops: 1,452,500 Residential: 1,190,500 Office: 507,600 Hotels: 609,900 Convention Centre: 377,700 Total: 4,138,200	2022
40	2,659,000	Currently in the design and planning stage	Progressively from 2021
55	537,000	Retail: 231,400 Residential: 375,400 Office: 592,000 Hotel: 354,200 Serviced Apartments: 194,200 Total: 1,747,200	2022
Post-exercise of Call Option, will hold 20%[5]	Approximately 71,000	Current: 528,300 Post-redevelopment: 1,658,700	Operational

OVERVIEW PERFORMANCE SUSTAINABILITY FINANCIALS APPENDIX

Business Review: Healthcare – China

OVERVIEW

As a healthcare services owner, operator and provider in China, Perennial strategically focuses on two main business segments: Hospitals and Medical Centres and Eldercare and Senior Housing.

In FY2018, Perennial's healthcare portfolio of operating beds grew robustly by 64.6% from 3,877 beds to 6,382 beds. This stellar growth derived largely from the strong performance of its eldercare and senior housing segment through Renshoutang, which added 2,350 additional beds to the portfolio.

Renshoutang, Perennial's eldercare and senior housing business arm, is a well-established player in the private integrated eldercare industry. Renshoutang also secured a committed and potential pipeline of 9,650 and 13,500 beds respectively as at 31 December 2018.

In the year, Perennial moved closer to realising its vision of providing one-stop, holistic healthcare by securing top-line strategic tenants offering specialties that support Perennial's participation in its two core segments. These specialties include rehabilitation, diagnostic imaging, plastic surgery, maternal and child health management, health screening, paediatrics and dentistry.

In June 2018, Perennial International Health and Medical Hub ("**PIHMH**") in Chengdu officially opened as a one-stop medical, healthcare and retail integrated development, the first of its kind in China.

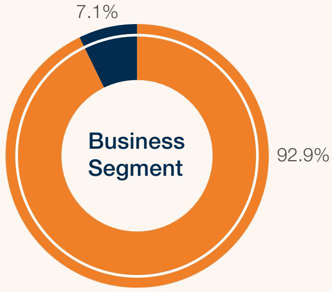
The launch also saw the kick-off of two Perennial-owned businesses housed within PIHMH: St. Stamford Plastic Surgery and Aesthetic Hospital and Perennial International Specialist Medical Centre.

MARKET REVIEW AND OUTLOOK

Hospitals and Medical Centres

As of end-2017, there were 31,056 public hospitals in China with 6.1 million operating beds. Of these beds, 75.7% were public hospital beds and 24.3% were private hospital beds[1].

Total Operating Beds



Business Segment	No. of Operating Beds (As at 31 Dec 2018)	No. of Operating Beds (As at 31 Dec 2017)	Change
Eldercare and Senior Housing	**5,927**	3,577	2,350
Hospitals and Medical Centres	**455**	300	155
Total	**6,382**	3,877	2,505


St. Stamford Plastic Surgery and Aesthetic Hospital


Perennial International Specialist Medical Centre


Perennial International Specialist Medical Centre

1. Statistical Bulletin of the Development of China's Healthcare Industry in 2017.

HEALTHCARE BUSINESS

TWO CORE BUSINESS SEGMENTS

Hospitals and Medical Centres		Eldercare and Senior Housing
International Hospital • Women and Children • Geriatric and Rehabilitation	**Specialist Medical Centre**	Independent Living Assisted Living Nursing Care

Strategic Alliance Tenants:
Including Health Screening, Diagnostic Imaging, Dentistry and Rehabilitation

A strategic development in the year was an announcement by China's Office of the State Council. In May 2017, the council issued a statement encouraging the establishing of private hospitals in China. The statement declared that the opening of more private medical institutions will allow consumers to receive diversified medical solutions and better fulfill the ever increasing and changing demand for medical treatments in China[2]. The statement further pointed out the need to create a level playing field for private medical institutions by reducing barriers to entry, simplifying the application process and improving the efficiency of the approval process. China now encourages private practice in all medical fields such as general hospitals, specialist centres, traditional chinese medicine and eldercare nursing.

Eldercare and Senior Housing

At the end of 2017, about 241 million people, or 17.3% of China's population, were over 60 years old. This is a 25% increase from five years ago. The proportion of people over 60 years old is projected to exceed 34% by 2050. According to China's Ministry of Industry and Information Technology, the eldercare market is expected to grow to RMB22 trillion in 2030[3].

Another significant development in the year was the 29 December 2018 announcement by the Chinese government of a revision to the Elderly Rights Protection Act of The People's Republic of China. The revision removed the process of applying for eldercare institution permit and 17 other administration processes. This extensive streamlining of the administrative process signals China's determination to provide a supportive environment for the establishment of eldercare institutions[4].

STRATEGIC PRIORITIES IN FY2019

In 2019, Perennial will continue to focus on building its expertise in its two main business segments — Hospitals and Medical Centres and Eldercare and Senior Housing — and on executing committed pipeline projects.

For the Hospitals and Medical Centres segment, Perennial will continue to source for premier partners to co-create a premier one-stop international medical and healthcare hub. To realise this, Perennial is engaging in talks with leading international and local operators of various specialty hospitals, imaging diagnostics services, clinical laboratories, health screening centres, post-partum confinement centres and doctor groups.

In the Eldercare and Senior Housing segment, Perennial will concentrate on offering tailored integrated care at its eldercare facilities for independent living, assisted living and nursing care. This will ensure that the varying needs of all residents are met, delivering a comfortable living experience for all residents.

Upcoming facility in Zhenjiang

Looking ahead, the Eldercare and Senior Housing segment is expected to lead growth for Perennial's healthcare business in China.

Market factors in China are ideal for a holistic player like Perennial to gain first-mover advantage. These factors include China's rapidly ageing population, the government's focus on quality integrated elderly care and China's opening up of its healthcare sector to private and overseas investors.

Perennial will seek to make the most of its first-mover advantage by differentiating itself as a premier brand and consolidating its standing as a leading player before the market gets crowded.

In particular, Perennial will vigorously explore potential opportunities to broaden the reach of its medical and healthcare services and focus on prime integrated real estate and healthcare projects and integrated eldercare with medical facilities.

2. State Council of the People's Republic of China article dated 23 May 2017.
3. China Economic News article dated 28 December 2017.
4. Ministry of Civil Affairs of the People's Republic of China article dated 9 August 2018.

St. Stamford International Medical

ST. STAMFORD MODERN HOSPITAL, GUANGZHOU 广州圣丹福现代医院

St.Stamford International Medical | 广州现代医院 MODERN HOSPITAL GUANGZHOU

St. Stamford Modern Hospital is a leading private cancer hospital in the Guangzhou province and the first hospital in China by a China-Singapore joint venture ("**JV**") to receive Joint Commission International ("**JCI**") accreditation. It offers expertise in the fields of oncology, fertility, obstetrics and gynaecology, paediatrics, cardiology and cardiovascular surgery.

St. Stamford Modern Hospital is operated by St. Stamford International Medical ("**St. Stamford**"), a brand established through a 40-60 JV with Guangdong Boai Medical Group Co., Ltd ("**Guangdong Boai**"). The JV owns, develops and operates hospitals and medical services in China. Guangdong Boai is a subsidiary of the China Boai Medical Group, one of the largest private hospital and medical service operators in China.

Key Developments in FY2018

In FY2018, St. Stamford Modern Hospital streamlined its medical services in order to bring greater focus to bear on its oncology specialty services. As part of this undertaking, the hospital adopted various best practices to improve operational efficiency. This effort yielded positive results; revenue per bed and net profit after tax per bed improved 22% and 75% respectively compared to FY2017.

In July 2018, the hospital also became an official member of the Chinese Anti-Cancer Association, the leading non-governmental organisation in China devoted to improving cancer treatment. This move raises the hospital's profile in oncology medical circles.

Focus Areas for FY2019

In FY2019, the hospital will continue to explore various upgrading and training initiatives to elevate the standard of medical care and services.

ST. STAMFORD PLASTIC SURGERY AND AESTHETIC HOSPITAL, CHENGDU 成都圣丹福整形美容医院

St.Stamford International Plastic Surgery 圣丹福整形美容医院

St. Stamford Plastic Surgery and Aesthetic Hospital is a premier one-stop facility specialising in plastic surgery and aesthetics.

Key Developments in FY2018

The first facility in Chengdu operated by St. Stamford International Medical, St. Stamford Plastic Surgery and Aesthetic Hospital commenced operation in June 2018. The 36-bed specialty hospital offers reconstructive surgery, cosmetic surgery and medical aesthetics services performed by a team of highly qualified local and international doctors. To date, the hospital has carried out over 3,700 outpatient consultations and over 900 surgical procedures.

Focus Areas for FY2019

St. Stamford Plastic Surgery and Aesthetic Hospital will seek to build business momentum by ramping up operations and driving greater brand awareness through strategic marketing campaigns.

PERENNIAL INTERNATIONAL SPECIALIST MEDICAL CENTRE, CHENGDU
成都鹏瑞利国际名医馆

Perennial International Specialist Medical Centre is one of the pioneers of the specialist medical centre concept in China. Positioned as a one-stop premier specialist medical centre, its team of doctors and specialists offer multiple specialties including gynaecology, paediatrics, oncology, internal medicine and surgery, cardiology, ophthalmology and ear, nose and throat.

This maiden facility located at PIHMH in Chengdu is majority owned and operated by Perennial.

As operator of the specialist medical centre, Perennial manages the medical facilities, patients' appointments and prescriptions, and provides general services.

Key Developments in FY2018

June 2018 marked the official opening of Perennial International Specialist Medical Centre and the commencement of outpatient services.

The year also saw the securing of a number of medical groups to operate at the specialist centre. These medical groups offer varying specialties including dentistry, paediatrics, gynaecology and vascular surgery (operated by Dr Smile Medical Group — an established medical group with centres in Beijing, Hangzhou, Chengdu and Kunming).

Focus Areas for FY2019

For 2019, Perennial International Specialist Medical Centre will focus on bringing in more renowned specialty medical groups to complement the existing offerings. By providing patients with a holistic suite of services, we will move closer towards becoming a one-stop destination for all of our patients' healthcare needs.





RENSHOUTANG
人寿堂

人寿堂

协和国际颐养
Unity Eldercare

Founded in 1994, Renshoutang is a pioneer in providing private integrated eldercare in China. Today it is one of the most established players in the market, with a strong track record in successfully integrating eldercare, and medical care, nursing care and rehabilitation services.

Renshoutang's portfolio consists of a stable of 17 eldercare facilities that are predominantly located in Shanghai. The portfolio also encompasses four pharmacies that are attached to dedicated Traditional Chinese Medicine ("**TCM**") clinics.

Leveraging on its 17 years of experience in the sector, Renshoutang created two well-known eldercare services brands: Yixian Eldercare and Retirement Home (逸仙养老) which targets the mass market, and Xiehe Eldercare and Retirement Home (协和颐养院) which focuses on more affluent customers.

Renshoutang also operates pharmacies under a renowned, award-winning brand in Shanghai, Renshoutang Medicine (人寿堂国药). The brand has been awarded the China Time-honoured Brand Award (中华老字号), a title bestowed by China's Ministry of Commerce on Chinese enterprises founded before 1956 that sell products, techniques or services passed down through generations, have distinct Chinese cultural characteristics and are widely recognised.

In addition to serving the general public, the pharmacies supply medicine to the eldercare facilities operated by Renshoutang. Physicians at the TCM clinics also provide treatments to residents of Renshoutang's senior housing facilities.

Renshoutang is one of the largest private integrated eldercare services operators in Shanghai with a portfolio of 5,927 operating beds, committed pipeline of over 9,650 beds and potential pipeline of over 13,500 beds.

Within the next few years, it is poised to become one of the largest eldercare services operators in the Yangtze River Delta Region with the fulfillment of committed pipeline projects. These projects are strategically located in major cities including Shanghai, Chengdu, Changsha, Zhenjiang, Xiantao and Changzhou.

Key Developments in FY2018

In 2018, Renshoutang expanded its footprint rapidly in China with the addition of 2,350 operating beds largely through three new facilities.

One of them is Wuhan Jiuzhoutong Renshoutang Xiehe Eldercare and Retirement Home, Renshoutang's first Public-Private-Partnership ("**PPP**") project.

Another project in Shanghai, Renshoutang Fengxian Yixian Eldercare and Retirement Home in Fengxian District, is Renshoutang's first privately operated facility that is government built. The other facility is Shanghai Yichang Eldercare and Retirement Home.

Renshoutang also strengthened its presence in the city of Zhenjiang by securing three new facilities in the year. Jurong Guozhuang Yixian Eldercare Centre, Jurong Maoguan Yixian Eldercare and Retirement Home, and Maoshan Eldercare Centre are expected to yield a total of 954 beds, bringing Renshoutang's potential total bed count in Zhenjiang to 1,764 beds by 2020.

Focus Areas for FY2019

The very first Renshoutang-owned facility, Shanghai Renshoutang Nursing Home located in Hongqiao district, will open in 1H 2019. This acquired facility is equipped with the latest medical equipment and IT monitoring system. It also features specially created nutrition menu endorsed by the Chinese Nutrition Society. With its high service standards, it is poised to set a new international benchmark for eldercare, medical care nursing care and rehabilitation care.

With its foray into Changzhou and the opening of two other facilities in Zhenjiang, Renshoutang will add over 1,900 beds to its eldercare portfolio in 1H 2019.

Renshoutang will continue to leverage on its three-pronged leasing, PPP and acquisition model – with particular weight on the asset-light leasing model – to vigorously expand its portfolio. Renshoutang will also work towards offering more diversified services for its clients, so as to elevate the level of integrated care and services at its facilities.

RENSHOUTANG'S PRESENCE MAP

STRATEGIC THREE-PRONGED APPROACH TO ACHIEVE SCALE

Continue with Proven Multi-Pronged Approach with a Focus on the Asset-Light Leasing Model

1 Leasing Model

- Lease and operate facilities owned by local governments and third parties.
- Facilities managed and operated by Renshoutang.

Shanghai Xijiao Xiehe Eldercare and Retirement Home

2 PPP Model

- Partner local governments through PPP model to lease and jointly operate facilities.

Wuhan Jiuzhoutong Renshoutang Xiehe Eldercare and Retirement Home

3 Acquisition Model

- Operate facilities that are owned by Renshoutang, Perennial or Perennial-syndicated joint ventures.

Shanghai Renshoutang Nursing Home

PORTFOLIO AT A GLANCE

Business	Description	Joint Venture Partner
HOSPITALS AND MEDICAL CENTRES		
St. Stamford International Medical Pte Ltd	A brand established through a 40-60 joint venture with Guangdong Boai to own, develop and operate hospitals and medical services in China	Guangdong Boai, one of the largest private hospital and medical services operators in China.
Perennial International Specialist Medical Centre, Chengdu	Premier one-stop comprehensive specialist medical centre which hosts a wide range of specialist departments	–
ELDERCARE AND SENIOR HOUSING		
Shanghai Yixian Renshoutang Eldercare Group Co., Ltd ("Renshoutang")	One of the largest private integrated eldercare services operators in Shanghai	–

1. Approximate percentage.

	Effective Interest (%)	Medical Specialties	Portfolio of Facilities
	40[1]	**St. Stamford Modern Hospital, Guangzhou** One of the leading private cancer hospitals in Guangzhou and the first China-Singapore JV JCI-accredited hospital in China	1 cancer hospital
		St. Stamford Plastic Surgery and Aesthetic Hospital, Chengdu Premium one-stop specialised facility in plastic surgery and aesthetics	1 plastic surgery and aesthetic hospital
	90	Gynaecology, Paediatrics, Oncology, Internal Medicine and Surgery, Ear, Nose & Throat Specialty and Ophthalmology, Dermatology, TCM	1 specialist medical centre
	49.9 (Largest Single Shareholder)	Retirement Home, Nursing Home, Rehabilitation Home and Pharmacy with attached TCM clinics	17 eldercare facilities 4 pharmacies with attached TCM clinics Upcoming eldercare facilities in Shanghai, Chengdu, Zhenjiang, Xiantao, Changzhou and Changsha

Financial Review

"In 2018, the acquisition of the remaining 50% stake in Capitol Singapore and opening of Perennial International Health and Medical Hub bolstered the Group's revenue and cash flow. With several of our large-scale projects under development, we will carefully manage our capital and financing requirements, and actively pursue capital recycling opportunities to strengthen our balance sheet."

– Ms Belinda Gan, Chief Financial Officer

	Revenue			EBIT		
	FY2018 S$'000	FY2017 S$'000	Change %	**FY2018 S$'000**	FY2017 S$'000	Change %
Singapore	**22,600**	20,206	11.8	**55,965**	105,431	(46.9)
China	**41,408**	33,014	25.4	**329,054**	116,115	183.4
Management Businesses	**22,984**	29,227	(21.4)	**5,565**	15,527	(64.2)
Corporate and Others	**190**	160	18.8	**(6,623)**	(1,902)	248.2
Eliminations	**(8,921)**	(8,102)	10.1	**(7,754)**	(15,560)	(50.2)
	78,261	74,505	5.0	**376,207**	219,611	71.3

For the year under review, the Group recorded a Profit After Tax and Minority Interest ("**PATMI**") of S$78.1 million on the back of higher revenue.

The Group's Revenue for FY2018 was S$78.3 million; 5.0% higher than the S$74.5 million recorded in FY2017. The increase in revenue for FY2018 was attributable to the consolidation of revenue from Capitol Singapore and new revenue stream from Perennial International Health and Medical Hub ("**PIHMH**") which commenced operations in June 2018 as well as improved operating performance of Perennial Jihua Mall and Perennial Qingyang Mall. The increase was despite the absence of revenue from 111 Somerset and lower management fee income post the sale of the Group's 20.2% equity stake in 111 Somerset in March 2017 as part of the Group's capital recycling strategy.

SINGAPORE

The Singapore assets contributed revenue of S$22.6 million or 28.9% of total revenue as most of the Singapore assets are held through associated companies and joint ventures. For FY2018, revenue from Singapore assets rose on consolidation of Capitol Singapore's revenue since May 2018 when the Group acquired the remaining 50% stake and took full ownership of the development. The increase was partially offset by the absence of 3-month revenue contribution from 111 Somerset prior to the Group's partial divestment in March 2017.

Singapore assets' Earnings Before Interest and Tax ("**EBIT**") at S$56.0 million was comparatively lower as last year's EBIT included the divestment gain of 111 Somerset of approximately S$55.7 million. Excluding the divestment gain, FY2018 EBIT would be higher by S$6.2 million, mainly contributed by fair value gain from Chinatown Point, partially offset by lower share of results from associated companies.

Following the acquisition of Capitol Singapore, the Group has appointed the hotel manager and has also started to reposition the retail component of Capitol Singapore through the enhancement of tenant mix with brands that are new to Singapore. The Capitol Kempinski Hotel Singapore opened its doors in the fourth quarter of FY2018 and is ramping up its operations. Going forward, the Group expects revenue contribution from Singapore to increase progressively as Capitol Singapore's operations stabilises.

CHINA

China, being one of our core markets, contributed approximately 52.9% of the Group's revenue. Previously, the revenue in China was mainly derived from the operational malls in Qingyang and Foshan. In June 2018, PIHMH in Chengdu achieved temporary occupancy permit and commenced operations, thereby contributing a new source of revenue for the Group. Perennial Qingyang Mall, Chengdu and Perennial Jihua Mall, Foshan have consistently achieved high occupancy rates and during the year, their operating performance improved further with increased shopper traffic, occupancy rate as well as positive rental reversion.

EBIT from China assets was significantly higher by S$212.9 million largely due to fair value gains from revaluation of investment properties. Fair value gains at the EBIT level totalled S$309.4 million and were attributable mainly to the revaluation of two plots of Beijing Tongzhou Integrated Development Phase 1 ("**Beijing Tongzhou Plot 14-1 & 14-2**"), Xi'an North High Speed Railway ("**HSR**") Integrated Development Plot 4 ("**Xi'an Plot 4**"), PIHMH and Perennial Qingyang Mall, Chengdu. Beijing Tongzhou Plot 14-1 & 14-2 were identified for lease and reclassified as "Investment Properties" following the receipt of the relevant construction permits.

In January 2018, Perennial syndicated an up to S$1.2 billion joint venture ("**JV**") to invest in healthcare real estate predominantly located near High Speed Railway station ("**HSR**") or key transportation nodes in China provincial cities. Perennial's stake in the joint venture, which is held through Perennial HC Holdings Pte Ltd ("**PHCH**"), is 45%. During FY2018, PHCH successfully tendered for and was awarded two sites near the HSR, namely Tianjin South HSR Integrated Development ("**Tianjin Project**") and Kunming South HSR Integrated Development ("**Kunming Project**").

In China, the Group's healthcare business is growing steadily. While contribution from healthcare business is currently not significant, this is expected to grow over time with the eldercare and nursing homes being the key growth driver.

In early 2019, the Group announced the proposed disposal of its entire 20% stake in Shenzhen Aidigong Modern Maternal and Child Health Management Co., Ltd ("**Aidigong**"). This transaction, when completed, is expected to give the Group some divestment gain and proceeds for capital recycling.

MANAGEMENT BUSINESSES

Revenue for the fee-based management business decreased by S$6.2 million to S$23.0 million (FY2017: S$29.2 million). The decline was due to the absence of one-off fees earned from the divestment of the Group's 20.2% equity stake in 111 Somerset and the United Engineers transaction, partially mitigated by fees earned from PHCH in relation to the Tianjin Project.

In line with the lower management revenue, EBIT decreased by S$9.9 million to S$5.6 million (FY2017: S$15.5 million).

PATMI

The decrease in PATMI relative to FY2017 was due to the absence of the one-off gain from the sale of the 20.2% equity stake in 111 Somerset, lower management fee income as well as higher finance costs, partially mitigated by higher net fair value gains. Finance costs for the year were higher due to several factors, amongst which were the inclusion of Capitol Singapore's interest expenses since May 2018, the expensing of interest costs for PIHMH upon completion of the project in June 2018, increased borrowings as well as higher interest rates.

DIVIDEND

The Board of Directors is pleased to propose a first and final ordinary dividend of 0.4 Singapore cents per share for the financial year ended 31 December 2018. The dividends are subject to the shareholders' approval at the upcoming Annual General Meeting.

In FY2017, a first and final ordinary dividend of 1.0 Singapore cent per share was approved and paid in May 2018 on account of the one-off gain from the divestment of 111 Somerset. The total dividends paid amounted to S$16.6 million.

TOTAL ASSETS

Total assets as at 31 December 2018 of S$7.7 billion were S$965.6 million or 14.4% higher than that of FY2017. The increase was due to the consolidation of Capitol Singapore as well as higher valuation of investment properties held through subsidiaries and associated companies.

Singapore and China remain our core markets with assets in both countries accounting for approximately 29% and 70% of total assets respectively.

As at 31 December 2018, Perennial's investment properties held by subsidiaries included CHIJMES and Capitol Singapore (excluding the Eden Residences Capitol and The Capitol Kempinski Hotel Singapore) as well as Perennial Jihua Mall, Perennial Qingyang Mall, PIHMH, Xi'an Plot 4 and Beijing Tongzhou Plot 14-1 & 14-2 in China. The Capitol Kempinski Hotel Singapore has been reclassified to property, plant and equipment for hotel operations.

Perennial's investment in associated companies and JVs include mainly Chinatown Point, AXA Tower, 111 Somerset and House of Tan Yeok Nee in Singapore, The Light City, Penang in Malaysia, Residential Development in Sentul City, Greater Jakarta, Indonesia as well as Shenyang Longemont Shopping Mall, Shenyang Red Star Macalline Furniture Mall, Shenyang Longemont Offices, Chengdu East HSR Integrated Development Plots C and D1, Chengdu Plot D2, Beijing Tongzhou Integrated Development Phase 2 and Zhuhai Hengqin Integrated Development in China. Projects held by PHCH such as Tianjin Project and Kunming Project are also part of the Group's investment in associated companies and JVs.

Development properties comprised mainly Eden Residences in Capitol Singapore, Xi'an North HSR Integrated Development Plot 5 ("**Xi'an Plot 5**"), Plot 13 of Beijing Tongzhou Integrated Development Phase 1 and Accra Integrated Development, Ghana.

SHAREHOLDERS' EQUITY

As at 31 December 2018, the issued and paid-up ordinary share capital (excluding treasury shares) of the Company was S$2.2 billion based on approximately 1.7 billion shares. During the financial year, pursuant to the Share Buyback Mandate approved by the shareholders, the Company bought back 2,265,700 shares and held them as treasury shares. As at 31 December 2018, the cumulative number of shares bought back and held as treasury shares were 3,435,000 (FY2017: 1,169,300). This represents about 0.21% (FY2017: 0.07%) of the total number of issued shares (excluding treasury shares).

The Group's reserves comprised revenue reserves, capital reserves, foreign currency translation reserve and other reserves such as fair value reserve, equity compensation reserve, reserve for own shares and statutory reserve. The decrease in reserves was mainly attributable to the reduction in foreign currency translation reserves due to the depreciation of Chinese Renminbi ("**RMB**") against the Singapore Dollar ("**SGD**") by 2.6% for the 12-month period, partially mitigated by net profit for the year less dividend paid.

The Group adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) ("**SFRS(I)**"), with effect from 1 January 2018 and has prepared its first set of financial statements under SFRS(I) for the year ended 31 December 2018.

Under the transition requirements of SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*, the date of transition is 1 January 2017 and accordingly, the statement of financial position has been restated from 1 January 2017.

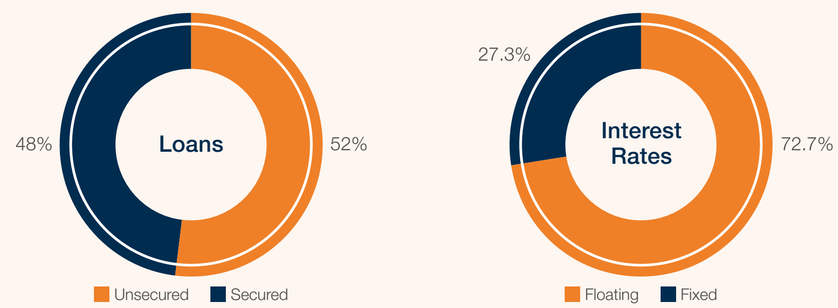
The Group has elected for the optional exemption to reset the foreign currency translation reserves for all foreign operations to nil at the date of transition on 1 January 2017. As a result, the cumulative foreign currency translation reserve of S$39.3 million was reclassified from foreign exchange translation reserve to retained earnings as at 1 January 2017. This reclassification does not affect the total equity amount.

LOANS AND BORROWINGS

As at 31 December 2018, Perennial's gross borrowings stood at S$2.9 billion. The net borrowings were also S$2.9 billion after taking into account the cash and cash equivalents of approximately S$76.9 million.

The increase from 31 December 2017 was due to consolidation of Capitol Singapore's debt and new loans and borrowings to fund investments. In January and August 2018, Perennial issued the S$120 million Fixed Rate Notes, at 3.90% per annum due in 2021 ("**3.90% Fixed Rate Notes**") and the S$180 million Fixed Rate Notes, at 5.95% per annum due in 2020 ("**5.95% Fixed Rate Notes**") under its S$2 billion Multicurrency Debt Issuance Programme ("**S$2 billion MTN Programme**"). The proceeds from these MTNs were utilised to partially fund the redemption of the MTN of S$100 million due in March 2018 and the retail bonds of S$300 million due in October 2018. Since May 2018, the Group has consolidated the project loan of Capitol Singapore after taking full ownership. In addition, several bank facilities were drawn down for financing new investments, repayment of indebtedness and meeting working capital requirements of the Group. The net debt-equity ratio stood at 0.72 times as at the end of the year (31 December 2017: 0.57 times). As at the end of FY2018, approximately 48% of Perennial's borrowings was secured by mortgages on the borrowing subsidiaries' investment or development properties. In terms of interest rate, approximately 72.7% of the borrowings was on floating rate while the balance 27.3% was on fixed rate.

Loan Portfolio Balanced between Secured and Unsecured Loans; Approximately 27% of Total Borrowings is on Fixed Interest Rates



CAPITAL MANAGEMENT

As at 31 December 2018, Perennial had a total asset size of S$7.7 billion supported by a strong equity base of S$4.0 billion and debt of S$2.9 billion. Perennial adopts a prudent capital management approach and actively monitors its cash flows, funding needs and debt maturity profile on an ongoing basis. Over the years, Perennial has built up and increased its network of banking institutions. With the support of these financial institutions, Perennial was able to tap on the bank facilities to further its strategic and investment objectives. Perennial also diversified its sources of funding beyond the conventional bank borrowings such as medium term notes and retail bonds.

DEBT PROFILE

Perennial's borrowings are predominantly denominated in SGD, with 96.3% in SGD and 3.7% denominated in RMB. Where practicable, Perennial will borrow in the same functional currencies required for its overseas projects to achieve a natural foreign currency hedge.

For FY2018, the weighted average interest rate on its borrowings is approximately 3.8% (FY2017: 3.8%) per annum while the weighted average debt maturity profile as at end December 2018 is 1.92 years.

About S$762 million of loans will be maturing in 2019. The loans due in 2019 comprised secured loans of S$227 million, Fixed Rate Notes of S$125 million and unsecured loans of S$410 million. Perennial has commenced discussions with the respective lenders to refinance the loans which are coming due in the next 6 months. The Fixed Rate Notes of S$125 million are due for redemption in March 2019 and will not be refinanced.

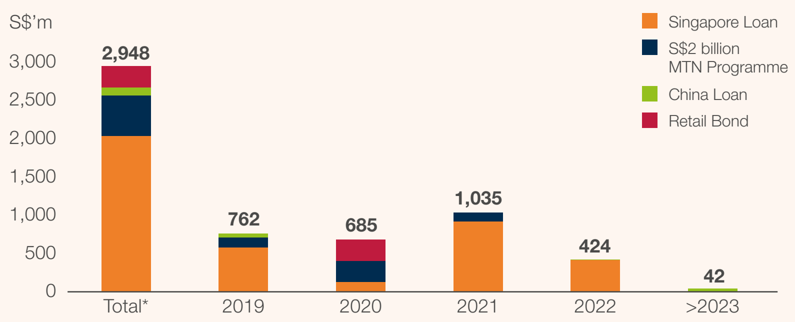
CASH FLOWS

As at 31 December 2018, the Group has cash and cash equivalents of S$76.9 million. For the financial year, net cash of S$15.3 million was used in operating activities, mainly towards payment of trade payables and development properties expenditure.

Net cash of S$325.2 million was utilised for investing activities which comprised the acquisition of Capitol Singapore, investment in associates and joint ventures, mostly into PHCH, plus capital expenditure incurred in projects under development, primarily PIHMH and Xi'an Plot 4.

Net cash from financing activities of S$307.0 million mainly arose from the balance of net proceeds from loans and borrowings, including the 2 issuances of Fixed Rate Notes in January and August 2018 after repayment of loans due during FY2018.

Debt Maturity Profile – As at 31 December 2018



* Being gross amount, without amortised transaction costs

1. In FY2018 Perennial issued 3.90% Fixed Rate Notes and 5.95% Fixed Rate Notes under its S$2 billion MTN Programme.
2. The borrowings due in 2019 comprise secured loans of S$227 million, 4.90% Fixed Rate Notes of S$125 million, and unsecured loans of S$410 million.

4-Year Financial Summary

	FY2018	FY2017[1]	FY2016	FY2015[2]
Profit or Loss (S$'m)				
Revenue	**78.3**	74.5	110.2	117.7
Earnings Before Interest and Tax	**376.2**	219.6	111.2	144.5
Profit After Tax and Minority Interest	**78.1**	100.3	35.1	58.1
Financial Position (S$'m)				
Investment properties	**3,349.5**	1,659.7	1,372.0	2,290.8
Development properties	**1,088.1**	1,704.5	2,757.9	1,756.4
Associates and joint ventures	**2,491.5**	2,471.4	1,993.5	1,975.1
Cash and cash equivalents	**76.9**	111.7	226.2	162.0
Other assets	**664.3**	757.4	696.8	266.0
Total assets	**7,670.3**	6,704.7	7,046.4	6,450.3
Equity attributable to owners of the Company	**2,732.6**	2,767.3	2,716.6	2,794.2
Total borrowings	**2,938.1**	2,344.8	2,715.5	1,911.7
Non-controlling interests and other liabilities	**1,999.6**	1,592.6	1,614.3	1,744.4
Total equities & liabilities	**7,670.3**	6,704.7	7,046.4	6,450.3
Financial Ratios				
Earnings per share (cents)	**4.70**	6.02	2.11	3.74
Net asset value per share (S$)	**1.644**	1.663	1.631	1.688
Return on equity (%)	**2.9**	3.6	1.3	2.1
Return on total assets (%)	**2.7**	2.1	0.6	1.1
Debt equity ratio (net of cash) (times)	**0.72**	0.57	0.66	0.45
Interest cover (times)	**4.5**	4.5	2.0	2.5
Dividend				
Ordinary dividend per share (cents)	**0.4**	1.0	0.4	0.4

Note:
1. The Group has adopted the new Singapore Financial Reporting Standards (International) ("**SFRS (I)**") framework and has applied SFRS(I) with 1 January 2017 as the transition date.
2. In FY2015, the Company changed its financial year end from 30 June to 31 December. Unaudited 12-month results ("**FY2015**") are presented above for purposes of comparison.

FY2018

Group's revenue was S$78.3 million or 5.0% higher than FY2017. This was attributable to the consolidation of revenue from Capitol and new revenue stream from Perennial International Health and Medical Hub ("**PIHMH**") which commenced operations in June 2018 as well as improved operating performance of Perennial Jihua Mall and Perennial Qingyang Mall. The increase was despite the absence of revenue from 111 Somerset and lower management fee income following the sale of the Group's 20.2% equity stake in 111 Somerset as part of the Group's capital recycling strategy.

Profit After Tax and Minority Interest ("**PATMI**") of S$78.1 million was lower than last year due to the absence of the one-off gain from the sale of the 20.2% equity stake in 111 Somerset, lower management fee income as well as higher finance costs, partially mitigated by higher net fair value gains.

FY2017

Group's revenue was S$74.5 million. This was 32.4% lower than the S$110.2 million recorded in FY2016 as 111 Somerset's revenue was no longer consolidated following the divestment of a 20.2% equity stake in March 2017.

PATMI was S$100.3 million which was 186.1% higher than FY2016. The significant increase was mainly contributed by a gain from the divestment of a partial stake in 111 Somerset and the share of results from United Engineers Limited ("**United Engineers**"). PATMI was also boosted by higher fair value gains on revaluation of investment properties, mainly from China properties, net of deferred tax expenses.

FY2016

Group's revenue of S$110.2 million was lower than the previous year mainly due to the absence of one-off acquisition fee of AXA Tower earned in FY2015 and lower rental revenue from 111 Somerset as the property commenced its asset enhancement works for strata sales. The decrease was partially mitigated by strata sales of office units in 111 Somerset.

PATMI of S$35.1 million was lower than FY2015 due to lower revenue, impairment provision, write-off of intangible assets and higher financing expenses.

FY2015

Revenue of S$117.7 million comprised mainly rental revenue from operational malls in Singapore and China as well as a one-off acquisition fee from the acquisition of AXA Tower in April 2015. The company was transformed into an integrated real estate owner, developer and manager following the Reverse Takeover of St James Holdings Limited on 27 October 2014.

PATMI at S$58.1 million mainly came from the one-off acquisition fee, rental income, as well as fair value gains from the revaluation of its investment properties.

Value Added Statement

S$'m	FY2018	FY2017
Value added from:		
Revenue earned	**78.3**	74.5
Less: Purchase of materials and services	**(40.3)**	(25.3)
Add: Other income	**332.6**	150.8
Gross value added from operations	**370.6**	200.0
In addition		
Share of results of associates and joint ventures	**56.3**	55.8
Total value added	**426.9**	255.8
Distribution:		
To employees in wages, salaries and benefits	**33.2**	22.5
To government in taxation	**87.4**	35.8
To providers of capital in:		
– Net finance cost on loans and borrowings	**89.6**	55.4
– Dividends to owners of the Company	**16.6**	6.7
	226.8	120.4
Balance retained in the business:		
Depreciation and amortisation	**7.2**	3.2
Non-controlling interests	**131.4**	38.5
Revenue reserves	**61.5**	93.6
	200.1	135.3
Allowance for doubtful receivables/written-off	**–**	0.1
Total Distribution	**426.9**	255.8
Average headcount	**384**	301
Productivity analysis[1]:		
Value added per employee (S$'000)	**965.1**	664.5
Value added per dollar of employment cost (S$)	**11.2**	8.9
Value added per dollar sales (S$)	**4.7**	2.7

Note:

1. The increase from FY2017 to FY2018 was mainly contributed by higher fair value gains from the revaluation of investment properties. The increase was partially offset by higher headcount and correspondingly, employment costs.

Sustainability Summary Report

SUSTAINABILITY AT PERENNIAL

Perennial is committed to delivering value to its stakeholders and simultaneously fulfilling its responsibility to the communities in which it operates in. The Company is pleased to present its second Sustainability Report, where it provides an update on its sustainability performance for the financial year ended 31 December 2018.

The Sustainability Report has been prepared in accordance with the Global Reporting Initiative ("**GRI**") Standards – 'Core' reporting and will focus on six Singapore and two China real estate operations and properties. This year, the Company is expanding the scope of the report to include an additional Singapore real estate property, House of Tan Yeok Nee, and two China real estate properties, namely, Perennial Qingyang Mall in Chengdu and Perennial Jihua Mall in Foshan. The Company seeks to present to its stakeholders a more holistic view of its sustainability efforts at its business operations and the sustainability impacts related to its operations.

Further information on Perennial's sustainability efforts can be found on Perennial's website (http://www.perennialrealestate.com.sg/). The Company welcomes feedback from all stakeholders as it strives to continually improve its sustainability policies, processes and performance. Please send your comments and suggestions to *sustainability@perennialrealestate.com.sg*.

Board Statement on Sustainability

The Board considers sustainability issues in formulating Perennial's strategy, and is centrally involved in the process of determining Perennial's material Environmental, Social and Governance ("**ESG**") factors as well as in overseeing and monitoring the management of these material ESG factors.

Sustainability Governance

Established in FY2017, the Sustainability Committee is responsible for the implementation of sustainability policies and initiatives. The committee's work is supported by the Sustainability Reporting Team. The reporting team gathers regular communication and updates from various departments and reports monthly to the Sustainability Committee on the information gathered. Each year, Perennial's Board of Directors then review the annual Sustainability Report submitted by the committee.

Materiality Assessment

Perennial conducted its first materiality assessment workshop in 2016 to determine material ESG factors to be reported in its inaugural Sustainability Report last year. Eight ESG factors (five material and three industry-relevant) that reflect key areas of stakeholder interests and their significant impact on the community as a result of the Company's business activities were identified. For FY2018, the Management has reaffirmed that the existing eight ESG factors continued to be relevant. Under each material factor, Perennial has set out the corresponding policies, initiatives, performance measurement indicators and targets for FY2018.

Figure 1: Sustainability Governance Structure of Perennial

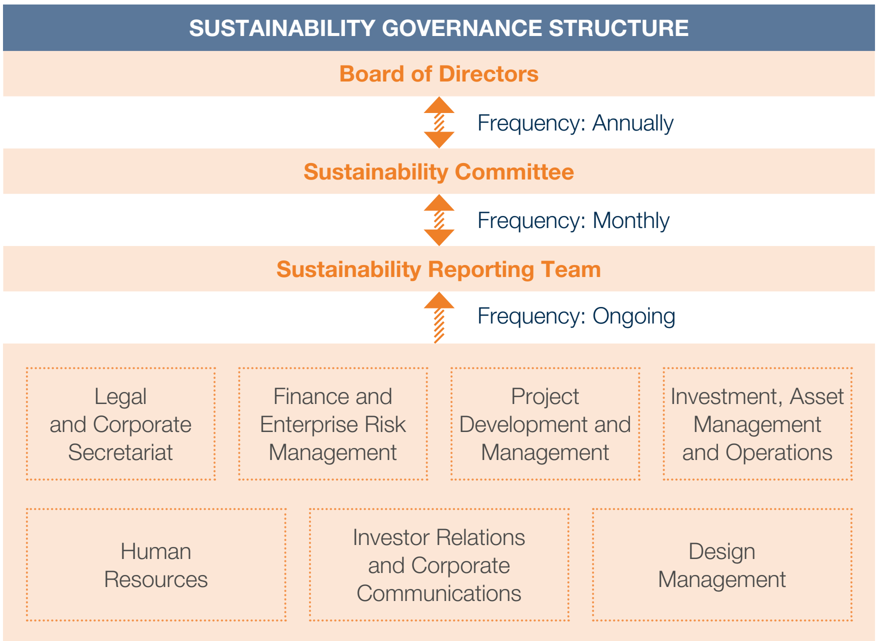
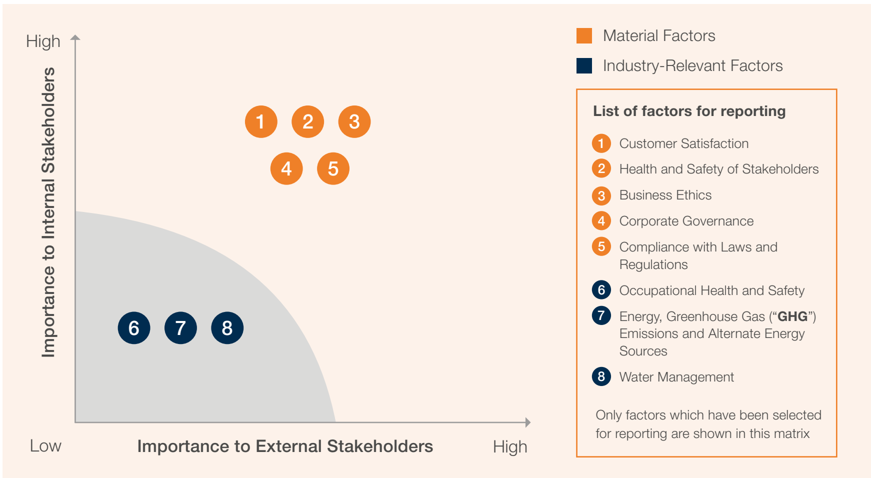


Figure 2: Perennial's Materiality Matrix



Sustainability Summary Report

ENVIRONMENT

Energy, Greenhouse Gas Emissions and Alternative Energy Sources/ Water Management

One of the Company's key focus is on the effective management of its impact on the environment. To better manage this, the Company established an Environment and Climate Change Mitigation Policy. This policy guides the Company on how to promote environmental awareness among employees and stakeholders, while improving its environmental performance across all properties.

In the year, this policy led the Company to complete LED light fittings at Chinatown Point retail areas and install LED motion-sensor lamps at Perennial Qingyang Mall's underground carpark. Perennial also strives to integrate energy-efficient technologies with every Asset Enhancement Initiative ("**AEI**").

At CHIJMES, the use of Airbitat Smart Coolers at outdoor refreshment areas in place of conventional air conditioning systems lowered electricity consumption by up to 62%, and consequently reduced its carbon footprint. The Company also performs monthly reviews of electricity and water consumption and investigates any anomalies or spikes detected.

Arbitat Smart Cooler at CHIJMES

SOCIAL

Customer Satisfaction

Perennial is committed to delivering great customer experience for both its internal customers (Centre Management Offices ("**CMOs**")) and end users (tenants, shoppers and customers). At each property, there is a Centre Management Team ("**CMT**") comprising operations, marketing communications and leasing divisions. The CMT regularly engages with tenants while working in tandem with headquarters ("**HQ**") to provide resources and tailored offerings to tenants. Based on feedback received, various AEIs have been rolled out across Capitol Singapore, AXA Tower and Chinatown Point. The AEIs at Capitol Singapore involved a redesign of space for better accessibility and visibility of shops; the introduction of No18, an exclusive members' club with co-working elements; and the introduction of interesting food concepts which will elevate the overall dining experience.

Throughout the year, individual CMOs invite tenants to participate in monthly marketing campaigns ranging from Chinese New Year, Valentine's Day, Easter Celebration, Mid-Autumn Festival, and Christmas to special events such as World Cup, Singapore Night Festival and Singapore Grand Prix. The World Cup Event held at CHIJMES from June to July 2018 resulted in up to 30% increment in traffic and sales compared to the previous year.

Health and Safety of Stakeholders/ Occupational Health and Safety

Perennial is committed to the well-being of its employees and seeks to maintain a healthy and safe workplace. Beyond mere compliance with workplace safety and health regulations, the Company has a Workplace Health, Safety and Security Policy ("**HSS Policy**") that guides the Safety Team at Perennial HQ and the respective CMTs located at each property on the rollout of safety procedures and the provision of appropriate training for all employees. This policy also extends to the safeguarding of the safety and health of its tenants, visitors and third-party service providers.

As a testament to its success in safeguarding the health and safety of its employees, Perennial recorded zero fatalities, injuries and lost time in FY2018.

In FY2018, Perennial Corporate HQ achieved BizSafe 3 certification. The certification programme will eventually be rolled out to all other CMTs in Singapore by FY2020. This progressive rollout will enhance existing safety practices and further promote safety awareness among its employees.

Perennial also has a comprehensive set of Standard Operating Procedures that guides its CMTs in Singapore and China on matters such as incident reporting and crisis management.

GOVERNANCE

Business Ethics/Corporate Governance/Compliance with Laws and Regulations

Strong business ethics is a key part of successful organisations. Perennial's vision, mission and core values are built around responsible business ethics. Its ethical business model dictates that all employees conduct business in a responsible, sound and ethical manner. To guide its employees on ethical matters, it established a suite of policies, including the Employee Code of Conduct, Whistle-blowing Policy and a formalised grievance handling procedure. Its third-party service providers, partners and strategic alliances are also encouraged to report any concerns of possible malpractice or impropriety. Perennial's Risk Management Team tracks and reports incidences of non-compliance to the Board quarterly.

For FY2018, the Company is pleased to announce that it recorded zero non-compliance on regulations relating to fraud, corruption and unethical actions. Its commitment to upholding the highest standard of corporate governance is reflected in its early adoption of reporting requirements set out in the Code of Corporate Governance 2018.

As Perennial progresses on its sustainability journey, continuous identification and management of material ESG factors allow the Company to be better informed of the impact its businesses have on the communities in which it operates in.

SUSTAINABILITY TARGETS AND PERFORMANCE

What the Company said it would do in FY2018	FY2018 Performance	FY2019 Targets
Environment *Energy, Greenhouse Gas Emissions and Alternative Energy Sources/Water Management*		
Mid-Term Targets		
Install 100% LED light fittings for all existing and upcoming properties' common areas and façade by FY2018	Completed LED light fittings for 100% of Chinatown Point retail areas and 70% of 111 Somerset	To continue replacement to LED light fittings upon end of life or as and when necessary
Adopt more accurate methods to track water consumption including the strategic installation of water meters at selected water outlets in all assets	Completed for retail areas at 111 Somerset	To continue to adopt more accurate methods to track water consumption including the strategic installation of water meters at selected water outlets in all assets
Perpetual Target		
Green Mark Certification upon completion of projects	Achieved	All properties to meet requirements for Green Mark Certification
Social *Customer Satisfaction*		
Roll out training programmes to inculcate a service culture	Ongoing	Roll out training programmes to inculcate a service culture
Perpetual Target		
Continuously explore AEIs for all properties to ensure relevance and competitiveness of all assets to meet the expectations of our customers	Achieved	Continuously explore AEIs for all properties to ensure relevance and competitiveness of all assets to meet the expectations of our customers
Health and Safety of Stakeholders/Occupational Health and Safety		
Mid-Term Target		
Attain BizSafe Level 3	Achieved for Perennial's Corporate Office	To roll out BizSafe Level 3 to all other CMTs in Singapore properties by FY2020
Perpetual Target		
Zero fatality rate	Achieved	Zero fatality rate
Governance *Business Ethics/Corporate Governance/Compliance with Laws and Regulations*		
Full compliance with the Code of Corporate Governance 2012	Achieved	Full compliance with the Code of Corporate Governance 2018
Perpetual Targets		
Zero tolerance towards fraud, corruption and unethical actions	Achieved	Zero tolerance towards fraud, corruption and unethical actions
Zero cases of non-compliance with rules and regulations	Achieved	Zero cases of non-compliance with laws and regulations

In line with Perennial's commitment towards sustainability and conservation of resources, it has made the full Sustainability Report available online only. It is available for download at *www.perennialrealestate.com.sg*.

Corporate Governance

"Perennial is committed to high standards of Corporate Governance. Perennial will continue to improve its governance framework and practices to enhance long-term shareholder value and achieve sustainable business performance."

– Mr Kuok Khoon Hong, Board Chairman

Perennial Real Estate Holdings Limited (the "**Company**", and together with its subsidiaries, "**Perennial**" or "**Group**") has developed its corporate governance framework and structure which is approved by the Board of Directors ("**Board**").

CORPORATE GOVERNANCE FRAMEWORK

BOARD OF DIRECTORS
Seven Directors
Chairman – Mr Kuok Khoon Hong
(Non-Independent Non-Executive Director)
Vice-Chairman – Mr Ron Sim
(Non-Independent Non-Executive Director)

Audit and Risk Committee ("ARC")	Nomination Committee ("NC")	Remuneration Committee ("RC")	Corporate Disclosure Committee ("CDC")	Executive Committee ("EC")
Chairman: Mr Ooi Eng Peng **Members:** Mr Eugene Lai Mr Lee Suan Hiang Mr Chua Phuay Hee	**Chairman:** Mr Lee Suan Hiang **Members:** Mr Ron Sim Mr Eugene Lai	**Chairman:** Mr Eugene Lai **Members:** Mr Kuok Khoon Hong Mr Lee Suan Hiang	**Members:** Mr Ooi Eng Peng Mr Pua Seck Guan	**Members:** Mr Kuok Khoon Hong Mr Ron Sim Mr Pua Seck Guan
All members, including the ARC Chairman, are independent non-executive Directors	All members are non-executive Directors	All members are non-executive Directors	Mr Ooi Eng Peng is the ARC Chairman, an independent non-executive Director	All members are non-independent Directors
Key Objective: Assist the Board to discharge its responsibilities relating to financial and accounting matters, internal controls, risk management and compliance	2 out of 3 members, including the NC Chairman, are independent Directors	2 out of 3 members, including the RC Chairman, are independent Directors	Mr Pua Seck Guan is the CEO, an executive Director	**Key Objective:** Assist the Board in the approval of key strategic decisions
	Mr Eugene Lai, being the Lead Independent Director, is one of the independent members of the NC	**Key Objective:** Oversee the remuneration of the Board and Key Management Personnel and set appropriate remuneration framework and policies	**Key Objective:** Review the promptness and adequacy of disclosures and to approve the public release of material information	
	Key Objective: Recommend appointment, re-appointment and retirement of Directors, review board profile and corporate governance practices, evaluate Board and Directors' performance, assess Directors' independence			

This report sets out Perennial's corporate governance practices for the financial year ended 31 December 2018 with reference to the Code of Corporate Governance 2018 (the "**Code**"), which forms part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Board is pleased to report that the Company has complied with the Code in all material respects. To the extent that there are deviations, explanations have been provided in the report and alternative practices have been adopted by the Company.

THE BOARD'S CONDUCT OF AFFAIRS

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

Role of the Board

The Board is collectively responsible for the long-term success of the Group to protect and enhance shareholder value. All Directors have collectively and individually exercised due diligence and independent judgement in dealing with the business affairs of the Group and are obliged to act in good faith and make decisions objectively and act in the best interest of the Company. The principal duties of the Board are to:

- Provide leadership and guidance to the formulation of the Group's overall business strategy plans and direction
- Oversee the Group's overall performance objectives, key operational initiatives and major business decisions
- Assume responsibility for corporate governance and ensure the adequacy of the internal control and risk management frameworks and standards, including ethical standards
- Constructively challenge and review performance of the management team ("**Management**"), and approves remuneration matters
- Ensure necessary resources are in place for the Company to meet its strategic objectives
- Establish and maintain a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and Company's performance
- Provide guidance on value creation, innovation and sustainability issues such as environmental, social and governance factors, as part of the Group's overall business strategy
- Ensure transparency and accountability to key stakeholder groups

To assist the Board in discharging its duties and responsibilities, the Board has delegated special authorities to the Board Committees, namely the ARC, NC, RC, CDC and EC. The ARC, NC, RC and CDC have been constituted with clear written terms of reference approved by the Board and may decide on matters within its terms of reference and applicable limits of authority. The terms of reference of the respective Board Committees are made available through Perennial's corporate website (*http://www.perennialrealestate.com.sg*). All the terms of reference are reviewed and updated when necessary to ensure their continued relevance. Notwithstanding the delegation of authority to the Board Committees, the ultimate responsibility for decision-making and oversight rests with the Board as a whole.

The Board Committees are structured to comprise Directors with appropriate qualifications and skills and to achieve an equitable distribution of responsibilities among Board members so as to foster active participation and contributions among the Directors, thereby maximising the effectiveness of the Board members.

As part of providing overall leadership to the Group, the Board sets the appropriate tone from the top by being a strong advocate of responsible conduct and good ethical behaviour while carrying out the Group's business activities. The Board also advises the Management on the desired culture of the Group and monitors the Management's implementation of such culture. The Board is in the midst of formalising such arrangements by preparing a code of conduct and ethics which will be implemented throughout the Group once available.

Role of the Company Secretary

Under the direction of the Chairman, the Company Secretary ensures good information flow within the Board and the Board Committees, as well as between the Management and non-executive Directors.

The Company Secretary assists the Chairman and the Chairman of respective Board Committees in the administration of the Board and various Board Committees meetings. She attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. The Company Secretary is responsible in designing and implementing a framework for Management to comply with the SGX-ST Listing Rules. She also advises the Board on all corporate governance and administrative matters and assists to implement and strengthen corporate governance practices and processes, including facilitating orientation for newly appointed Directors and continuing professional development for the Directors as required. In addition, the Company Secretary is responsible for ensuring that the Board procedures are observed and that relevant rules and regulations, including requirements of the Companies Act, the Securities and Futures Act and the SGX-ST Listing Rules are complied with. The Company Secretary also liaises on behalf of the Group with the SGX-ST, the Accounting and Corporate Regulatory Authority ("**ACRA**") and when necessary, Shareholders. The appointment and the removal of the Company Secretary are subject to the Board's approval.

Independent Professional Advice

The Board, whether as individual Director or as a Group, if require independent professional advice in the furtherance of their duties, the Company Secretary will assist in appointing a professional advisor to render the advice and keep the Board informed of such advice. The cost of obtaining such professional advice will be at the expense of the Group.

Meetings and Attendance

The Board and Board Committees meet regularly for the purpose of reviewing the financial performance and approving the release of financial results, deliberating and approving key business strategies and investments as well as reviewing remuneration matters and governance issues. The dates of the Board meetings, the Board Committee meetings and Annual General Meetings of the Company ("**AGM**") are scheduled at least one year in advance and all Board members are notified accordingly. The Company Secretary consults every Director before fixing the dates of these meetings so as to ensure optimal attendance and participation from the Directors. The Company's Constitution allows the Board meetings to be conducted via telephone conference, video conference or other means of similar communication. Directors, who are unable to be physically present at any Board meeting, will be able to participate in the meeting via such means. In between scheduled meetings, matters that require the Board's or the Board Committee's approval are circulated via email to the Directors for their consideration and decision.

Ad-hoc Board meetings are convened as and when necessary to consider other specific matters or as warranted by particular circumstances. As part of Perennial's corporate governance practice, all Directors are also invited to attend the Board Committee meetings. Records of all Board and Board Committee meetings including discussions on key deliberations and decisions taken are maintained by the Company Secretary and circulated to all Directors to keep them updated.

Should a Director be unable to attend a Board or Board Committee meeting, he will still receive the papers that were tabled for discussion and have the opportunity to separately convey any views to the Chairman for consideration or further discussion with other Directors. If necessary, a separate session may be organised for the Management to brief that Director and obtain his comments and/or approval.

For the financial year ended 31 December 2018, the number of Board and Board Committee meetings held and the Directors' attendance thereat are set out below:

Name of Directors	Board Meeting	ARC Meeting	NC Meeting	RC Meeting
Mr Kuok Khoon Hong	5	N/A	N/A	1[1]
Mr Ron Sim	6	N/A	1	N/A
Mr Eugene Lai	6	4	1	2
Mr Ooi Eng Peng	6	4	N/A	NA
Mr Lee Suan Hiang	6	4	1	2
Mr Chua Phuay Hee	6	4	N/A	N/A
Mr Pua Seck Guan	6	N/A	N/A	N/A
Total number of meetings held in the financial year	**6**	**4**	**1**	**2**

Perennial has established internal guidelines setting forth matters that require the Board's approval, including business strategies and proposals, investment acquisitions and disposals, borrowings and financing arrangements, budgets, project development and capital and operating expenditures. Such matters which have been approved by the Board are clearly communicated to the Management in writing. These internal guidelines are set out in the Financial Authority Limits, which provide Perennial with clear guidelines on the approval for all financial matters and ensure that appropriate controls and decision-making are consistently applied throughout the Group. The Financial Authority Limits undergo reviews and updates to ensure operational relevancy with respect to the changing needs within the Company and the Group as a whole. The Board approves the Financial Authority Limits and any changes thereof.

Apart from matters that specifically require the Board's approval, the Board has delegated its authority to approve transactions below certain threshold limits to the Executive Committee and the Management. Approval sub-limits are also provided at the Management levels to facilitate operational efficiency.

The Board recognises that Directors are fiduciaries who should act objectively in the best interest of the Company and hold Management accountable for performance. As such, any Director who has or appears to have a direct/deemed interest that may conflict with a subject under discussion by the Board shall declare his interest and recuse himself from the information flow and discussion of the subject matter. He will also abstain from any decision-making on the subject matter.

All Directors are given sufficient time to prepare for the Board and the Board Committee meetings and to make informed decisions. The Management provides the Directors with complete, accurate, timely and detailed information, including background information, copies of disclosure documents, financial statements and other materials that are related to the agendas of these meetings. In general, such information is provided at least five days prior to the date of the relevant meeting. Draft agendas for Board and Board Committee meetings are circulated in advance to the Chairman and respective Chairman of the Board Committees respectively for their review and approval. The minutes for the Board Committee meetings are provided to all Directors.

At each ARC and Board meeting, the CEO and the Management give a complete and comprehensive update on Perennial's business and operations, significant developments on the Group's business initiatives and industry developments. The Chief Financial Officer ("**CFO**") presents financial highlights of Perennial's performance as well as the material events and transactions. The Board is also apprised of risk management updates, regulatory updates and analysis or press commentaries through other presentations by the Management. This allows the Directors to develop a better understanding of Perennial's business as well as the issues and challenges faced by the Group.

In addition to briefings by the CEO and CFO at every ARC and Board meeting, when necessary, Management, Auditors and external advisers engaged by Perennial also attend the Board and the Board Committee meetings to present key topics identified by the Board, provide insights into matters being discussed and respond to any questions that the Directors may have. All requests for additional information from the Directors are also dealt with promptly by the Management.

The Directors also receive operational and financial reports regarding the performance of Perennial. These reports include key financial indicators, variance analyses, property updates and strategic or business highlights. Additionally, informal briefings are conducted by Management to inform the Directors about potential business opportunities and developments at an early stage before formal Board approval is sought.

The Directors have separate, independent and unrestricted access to the CEO, the

1. Mr Kuok was unable to attend the 2nd RC Meeting but was briefed separately by the Head of Human Resources. Mr Kuok provided his inputs to the Chairman of the RC, Mr Eugene Lai, and gave his approval on the subject matter.

Management, Company Secretary, and internal and external auditors and external advisors (where necessary) at the Company's expense at all times.

Board Orientation and Training

All newly-appointed Directors receive letters of appointment explaining their roles, duties and obligations as a Director of the Company. Perennial conducts orientation and induction programmes for new Directors, which include comprehensive briefings on Board structure and responsibilities, overall strategic business plans and direction for Perennial, corporate governance practices, Group organisation structure and business activities as well as financial performance of Perennial. New Directors will be briefed on their duties and statutory obligations as a Director of the Company. Site visits are organised for the Directors to familiarise themselves with Perennial's assets and to better understand its business operations. It also allows the new Directors to familiarise themselves with the Management, thereby facilitating Board interaction and independent access to the Management.

If first-time Directors are appointed, Perennial will provide training in areas such as accounting, legal and industry-specific knowledge as appropriate. The Board values ongoing professional development for all the Directors. Following their appointment, Perennial ensures that Directors are provided with opportunities for continual professional development in areas such as directors' duties and responsibilities, changes to relevant laws, regulations and accounting standards, and industry-related matters, so as to keep them updated on regulatory requirements and on matters that may affect or enhance their performance as Directors or Board Committee members. Perennial reviews Directors' training and professional development needs as appropriate.

The Board as a whole is updated regularly on risk management, corporate governance, industry-specific knowledge and the key changes in the relevant regulatory requirements and financial reporting standards, so as to enable each Director to properly discharge their duties as Board or Board Committee members.

All training and seminars attended by the Directors are arranged and funded by Perennial. These are done through specially convened sessions, including training sessions and seminars conducted by external professionals. Perennial's external auditors, KPMG LLP ("**KPMG**"), update the ARC and the Board on new and revised financial reporting standards relevant to Perennial while Ernst & Young Advisory Pte. Ltd. ("**EY**"), Perennial's internal auditors, also update the ARC and the Board on regulatory changes regarding risk and governance issues.

During the year, arrangement has been made for members of the ARC to attend a seminar organised by the ACRA, SGX and Singapore Institute of Directors. The seminar brought together regulators and industry experts to share the latest developments in financial reporting landscape, regulatory compliance and ACRA's Financial Reporting Surveillance Programme. The other training attended by the Directors include training sessions conducted by external counsels and professionals to update the Board on changes to the Financial Reporting Standards and the revised Code of Corporate Governance 2018.

BOARD COMPOSITION AND GUIDANCE

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

Board Composition and Diversity

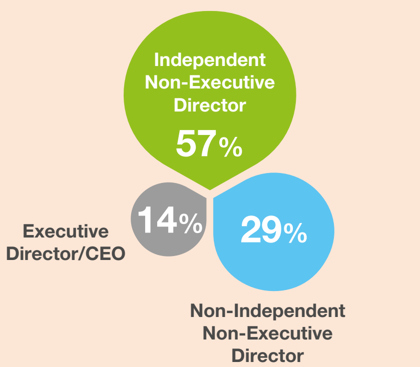
The Board comprises Directors who are business leaders and professionals with strong experience relevant to Perennial's businesses, ranging from real estate, healthcare related, banking, finance, investment to legal sectors. In addition, the Directors' combined work experience spans the areas of risk management, strategic planning and business development. The varied backgrounds of the Directors enable Management to benefit from their external, diverse and objective perspectives on issues brought before the Board for its deliberation. All key information on the Directors is set out on pages 28 to 31 of this report.

Best efforts have been made to ensure that in addition to contributing their valuable expertise and insight to Board deliberations, each Director also brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made by the Board. All Directors are encouraged to participate actively in the development of Perennial's strategic plans and operations, and in the performance review of the Management and the Group. No individual or small group of individuals dominates the Board's decision-making process. Non-executive Directors also confer among themselves without the presence of the Management as and when the need arises. Non-executive Directors comprise a majority of the Board.

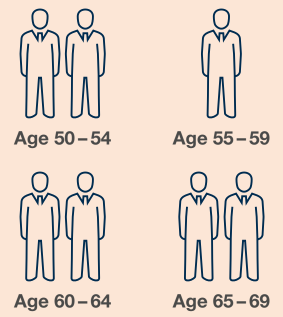
Key Features of our Board

- Strong and independent element on the Board
- More than half of the Board consist of independent Directors
- Separation of the roles of Board Chairman and CEO
- None of the Directors has served on the Board for more than 9 years
- Other than the CEO, no other Director is a former or current employee of Perennial
- External professionals have provided training for the Directors

Independence



Age Profile



The Board, through the NC, reviews the size and composition of the Board annually. The NC seeks to ensure that the Board size is appropriate in facilitating effective decision-making and constructive debate, taking into account the scope and nature of Perennial's operations. The NC also aims to maintain an appropriate balance and diversity of experience, skills, knowledge, gender, age, perspectives, qualifications and other attributes in the relevant areas among the Directors in order to build an effective and cohesive Board. Any potential conflicts of interest are also taken into consideration.

The NC is of the view that the current size and composition of the Board provides an appropriate balance and diversity of skills, experience and knowledge of the industry and that the Directors, as a Group, have the necessary core competencies in finance, business or management experience and industry knowledge to allow for diverse and objective perspectives on Perennial's business strategy and directions. Taking into account the scope and nature of Perennial's operations as well as the requirements of the business, the Board concurs with the NC that the current size and composition of the Board provides for sufficient balance and diversity and at the same time, facilitates effective decision-making at the Board and Board Committees.

The Board is supportive of gender diversity and shares the view that female directors may offer fresh perspective and enhance the decision-making process. However, the Board is also of the view that gender should not be the main selection criteria and to look beyond gender to seek diversity of background, knowledge and thought in the appointment of a Director. The NC would continue to look out for a prospective new director with experience in the healthcare sector who is also female to achieve gender diversity.

With an increasing focus on board diversity which generally lead to better corporate governance and company overall performance, Perennial recognises that board diversity is an essential element contributing to the sustainable development of the Company. Notwithstanding that, the NC is of the view that the Board has an appropriate level of independence and diversity of thought and background in its composition. In view of the Code which was introduced on 6 August 2018, the NC intends to implement a board diversity policy which will take into account relevant measurable objectives such as skills, management experience, gender, age, ethnicity and other relevant factors. It will report to the Board on an annual basis on the progress made in achieving the objectives.

The NC carries out a proactive review of the Board composition at least annually or as and when an existing non-executive Director indicates 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 Perennial's strategic and operational objectives. In carrying out this assessment, the NC will take into account that the Board composition should reflect balance in matters such as skill representation, tenure, gender, experience, age spread and diversity before making relevant recommendations for appointment or re-election of the Director to the Board.

Review of Directors' Independence

The NC reviews and evaluates the independence of the Directors on an annual basis. The Board will then, in turn, assess the independence of each Director, taking into account the recommendations of the NC. When evaluating the independence of the Directors, the Board follows the guidance in the Code, where an independent director is defined as one who is independent in conduct, character and judgement, and has no relationship with Perennial, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of a director's independent business judgement in the best interests of the Group.

Annually, each Director is required to submit his declaration of independence by completing the Director's Independence Checklist ("**Checklist**"). The Checklist is based on the Code's definition of an "independent director" and guidance as to the existence of relationships which would deem a Director as non-independent. Newly-appointed Directors are also requested to complete the Checklist to confirm their independence. In addition, Directors are required to immediately report to Perennial on any changes in their external appointments, interests in shares and other pertinent information (including any corporate developments relating to their external appointments) which may affect their independence. The NC and Board also examine different relationships identified by the Code that might impair a Director's independence and objectivity.

For the financial year ended 31 December 2018, all Directors have completed their Checklist which has been evaluated by the NC and Board to determine their independence. The NC has affirmed that the independent Directors are Mr Eugene Lai, Mr Chua Phuay Hee, Mr Lee Suan Hiang and Mr Ooi Eng Peng. The Board concurred with the NC's assessment of the independence of the relevant Directors.

The Board and the Management fully appreciate that an effective and robust board whose members engage in open and constructive discussion and challenge the Management on its assumptions and proposals is fundamental to good corporate governance. A board should also aid in the development of strategic proposals and oversees the effective implementation by Management to achieve set objective.

Independent Directors also meet without the presence of the Management on a need-to basis to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the Executive Director. Feedback from such meetings will subsequently be communicated by the Lead Independent Director to the Chairman of the Board.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Chairman and Chief Executive Officer ("**CEO**") of the Company are separate persons and they are not immediate family members. The roles of the Chairman and the CEO are deliberately kept distinct through a clear division of responsibilities to ensure effective oversight, appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The current Chairman is Mr Kuok Khoon Hong and he is responsible for providing Perennial with strong leadership and leading the Board in discharging its duties effectively. He also ensures effective functioning of the Board on all aspects of its role. He facilitates the relationship and information flow within and between the Board, CEO and the Management, sets the agendas for Board meeting with inputs from the Management, ensures sufficient allocation of time for thorough discussion of each agenda item at Board meetings, and engages the Board and Management in effective discussions. The Chairman also promotes an open environment for deliberation and ensures that the Board meetings are conducted objectively and professionally, where all views are heard and debated in a fair and open manner. At the same time, the Chairman also monitors follow-up to the Board's decisions and ensure that such decisions are translated into executive actions.

In addition, the Chairman works with the Board, the Board Committees and Management to establish risk limits undertaken by the Group and at the same time, promotes a high standard of integrity and corporate governance. He also acts as a sounding board for the CEO and provides leadership, guidance and advice to the Management, particularly with regard to Perennial's growth strategy and developments. At AGMs and other Shareholders' meetings, he plays a pivotal role in fostering constructive dialogue between Shareholders, the Board and the Management.

The CEO, assisted by the Management team, makes strategic proposals to the Board and after robust Board discussions, executes the agreed strategies and policies, manages and develops Perennial's businesses and implements the Board's decisions. The current CEO is Mr Pua Seck Guan and his primary role includes effectively managing and supervising the day-to-day business operations, reporting to the Board on all aspects of the operations and performance, managing and cultivating good relationships with all stakeholders and ensuring effective communication with the stakeholders.

Taking cognisance that the Chairman is a non-independent Director, the Board has appointed Mr Eugene Lai as the Lead Independent Director to serve as an intermediary between the independent Directors and the Chairman. He is also the Chairman of the RC and a member of the ARC and NC.

The Lead Independent Director acts as a counter-check on Management issues in the decision-making process and avails himself to address Shareholders' concerns for which contact through normal channels to the Chairman or Management has failed to resolve or is inappropriate. He facilitates communication between the Board and Shareholders or other stakeholders of Perennial. He also works closely with the independent Directors, and when necessary, meets them without the presence of the Chairman or the Management to discuss matters that were deliberated during the Board meetings and on such occasions as deem appropriate. The feedback which the Lead Independent Director obtained during such meetings is communicated to the Chairman.

Through the establishment of various Board Committees with power and authority to perform key functions beyond the authority of, or without the undue influence from, the Chairman or the Vice-Chairman, and the establishment of internal controls to allow effective oversight of Perennial's businesses by the Board, the Board is of the view that the decision-making process is objective and transparent, and decisions are made in the best interests of Perennial and its Shareholders.

BOARD MEMBERSHIP

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

Key terms of reference of the NC:

- Approve the appointment of CEO and other key management personnel and review the succession plans for Directors and key management personnel within the Company
- Review the effectiveness of the Board and the Board Committees and evaluate the performance and contribution of the Directors
- Review and recommend candidates for appointments to the Board and the Board Committees
- Review the training and development of the Board, key management personnel and talented executives within the Company
- Review and recommend nomination for re-appointment or re-election or renewal of appointment of the Director
- Determine if a Director is independent
- Assess each Director's contribution and performance
- Recommend to the Board objective performance criteria for the purpose of evaluating the Board's performance as a whole and to implement performance evaluation established by the Board
- Evaluate the Board's performance as a whole

Appointment and Re-appointment of Directors

In reviewing the succession plans for the Board, the NC has put in place a formal and transparent process for the renewal of the Board and the selection of new Directors. At least annually or on each occasion where an existing non-executive Director indicates his intention to retire or resign, the NC reviews the size, composition, gender, skill mix and competencies of the Board members to take stock of the expertise within the Board, and to identify the Board's current and future needs, taking into consideration the growth and the evolving business requirements of Perennial. The NC considers, *inter alia*, the knowledge, experience and attributes of the existing Directors, the retirement and re-election of Directors, each Director's performance and contributions, and whether new competencies are required to enhance the Board's effectiveness.

In the light of such review and in consultation with the Chairman of the Board, the NC assesses if there is any inadequate representation in respect of any of those attributes. When the need to appoint a new Director arises, either to strengthen the Board or to replace a retiring Director, the NC will establish the profile required for the role and the desirable competencies for the particular appointment in order for the Board to have an appropriate mix of core competencies to fulfil its roles and responsibilities.

The search for potential candidates to be appointed to the Board is conducted through contacts of and recommendations from the Directors and Management. If the need arises, external consultants may also be engaged to access a wider base of potential candidates. The NC will shortlist and interview potential candidates to assess his or her suitability and ensure that the candidate is aware of the expectations and the level of commitment required as a Director. The NC also considers whether the potential candidate is able to commit sufficient time and effort to effectively carry out the responsibilities as a Director. The NC then recommends the most suitable candidate to the Board for appointment as a Director.

The criteria and guidelines for appointment of new Directors are broadly set out as follows:

Background	Experience	Independence
• Possess good reputation as persons of integrity	• Have core competencies to meet the current or foreseeable needs of Perennial • Complement the skills and competencies of the existing Directors • Have the necessary qualifications and varied experience • Preferably have experience in acting as a director of a listed company	• Be impartial, objective and independent • Have the courage to voice their independent opinions free from the influence or pressure of other Directors or the Management

Procedures and control mechanisms are also in place to ensure that independence of the Directors is actively monitored. Please refer to page 96 on Board Independence.

With respect to the annual retirement by rotation and re-election of Directors, the NC reviews the composition of the Board and the needs of Perennial at the relevant time as well as the Director's performance, attendance, contributions, preparedness and competing time commitments, before making the relevant recommendations to the Board for subsequent Shareholders' approval at the AGM. Each member of the NC will recuse himself from deliberations of his own re-election.

Pursuant to the Company's Constitution, one-third (or, if the number is not a multiple of three, the number nearest to but not greater than one-third) of the Board of Directors, including CEO who also sits on the Board, are required to retire and are subject to re-election at every AGM of the Company ("**One-third Retirement Rule**"). Retiring Directors are selected on the basis of those who have been longest in office since their last appointment or re-election, and as between those persons who became Directors on the same day, they will be selected by agreement or by lot. In addition, pursuant to Rule 720(5) of the SGX-ST Listing Rules, all Directors are to submit themselves for re-election at least once every three years. A newly-appointed Director must also subject himself for retirement and re-election at the AGM immediately following his appointment. Thereafter, he is subject to the One-third Retirement Rule. The role of the CEO is separate from his position as a Board member, and does not affect the ability of Shareholders to exercise their right to appoint all of the Board members.

At the forthcoming AGM, the Directors standing for re-election are Mr Kuok Khoon Hong, Mr Ooi Eng Peng and Mr Pua Seck Guan. Mr Kuok is currently the Chairman of the Board and a member of the EC and RC. Mr Ooi is the Chairman of the ARC and member of the CDC. Mr Pua is the CEO of Perennial and an Executive Director of the Board and member of the EC and CDC. Mr Kuok, Mr Pua and Mr Ooi have indicated their willingness to stand for re-election at the coming AGM. The NC has nominated and recommended to the Board for their re-election at the forthcoming AGM, and the Board has endorsed the recommendation.

The Board does not encourage the appointment of alternate Directors. No alternate Director has been or is currently being appointed to the Board.

Review of Directors' Time Commitments

Perennial believes that Directors who sit on multiple boards will bring with them a wide range of experience and broad knowledge of business best practices and strategies to provide invaluable leadership contributions for the long-term success of Perennial. The Board is of the opinion that the maximum number of listed company board representation should be based on the capacity and circumstances of each individual Director instead of prescribing a numerical limit. The NC monitors and determines annually whether a Director, who has multiple board representations and other principal commitments, has sufficient time to adequately carrying out his duties as a Director of Perennial by taking into account the participation, effectiveness, contributions and the actual conduct of the individual Director.

In the financial year, the NC recognises that the Directors have effectively discharged their duties as Director of the Company in their commitments, contributions and oversight of Perennial, taking into consideration their board representation in other listed companies and their principal commitments. The NC also noted that based on the attendance and participation at the Board and Board Committee meetings held in the financial year, all Directors were able to actively engaged and contributed in such meetings to carry out their duties. The NC was therefore satisfied that for the financial year, where a Director had other listed company board representations and/or other principal commitments, each of such Director has given sufficient time and attention to the affairs of the Group and has been able to discharge his duties as a Director effectively.

BOARD PERFORMANCE

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

Board Evaluation Process and Performance Criteria

NC seeks to ensure the Directors appointed to the Board and Board Committees, whether individually or collectively, possess the background, experience, knowledge in the business, competence in finance and management skills critical to the Group's business. Besides, NC has assured that each of the Directors brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

Each year, in consultation with the NC, the Board assesses its performance to determine if it is performing effectively as well as to identify key areas for improvement. Perennial has in place a formal process to evaluate the effectiveness and performance of the Board and the Board Committees. The performance evaluation criteria were recommended by the NC and approved by the Board. The evaluations are done by way of each Director completing various questionnaires which seek their views on the different aspects of performance by the Board and the Board Committees, and the areas of improvement to increase the effectiveness of the Board and Board Committees.

To assess the Board's performance, each Director is required to evaluate on factors including the effectiveness of the Board and the Board Committees, adequacy of the blend of skillsets and expertise in the Board, and the relevance and timeliness of the Board and the Board Committee's meeting agendas and papers. The assessment also considers factors such as the size and composition of the Board and the Board Committees, Board processes, the Board and the Board Committees' roles as well as communication within the Board and with the Management. The assessment results and feedback are consolidated by the Company Secretary for analysis by the NC. The NC evaluates the assessment results and feedback, and deliberates on the areas of strengths and weaknesses to improve the effectiveness of the Board and the Board Committees.

For the financial year ended 31 December 2018, the Directors had completed the questionnaires which assessed the effectiveness of the Board and the Board Committees. The results of the assessment indicated that the Board and Board Committees had functioned effectively.

The Board is of the opinion that the effectiveness of the Board stems from the collective effort of the Directors and not purely based on the contributions of individual Directors.

The Board is also cognisant that contributions by an individual Director can take other forms, including providing objective perspectives on issues, facilitating business opportunities and strategic relationships and accessibility to the Management beyond formal meetings.

Moving forward, the Board will undertake an annual assessment of individual Directors. Criteria for such assessment shall include the Director's level of understanding regarding Perennial's business environment, degree of preparedness, level of participation, attendance at Board and Board Committee meetings, the Director's expertise and experience, effectiveness in highlighting potential issues and in challenging the Management where necessary.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Key terms of reference of the RC:

- Review and recommend the remuneration framework for the Board and key management personnel
- Review and recommend the remuneration packages for each Director as well as the key management personnel
- Consider, review and approve and/or vary (if necessary) the entire specific remuneration package and service contract terms for each key management personnel in relation to the executive remuneration policy within the Company
- Consider and approve termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to key management personnel
- Review the on-going appropriateness and relevance of executive remuneration policy and other benefit programmes
- Review and approve the design of all option plans, stock plans and/or other equity based plans
- Determine each year whether awards will be made under each of the equity plans
- Review and approve each award as well as the total proposed awards under each plan in accordance to the rules governing each plan
- Review, approve and keep under review performance hurdles and/or fulfilment of performance hurdles for each of the equity based plans

The primary function of the RC is to ensure a formal and transparent process in developing remuneration policy and in determining the remuneration packages of individual Director and key management personnel. The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, benefit-in-kinds and specific remuneration packages for each Director. The RC aims to build a capable and committed management team, through competitive compensation packages and progressive policies which are aligned with the long-term interests and risk policies of Perennial, and which can attract, retain and motivate a pool of talented employees to drive business growth and strategy while creating long-term shareholder value.

The RC also reviews the Company's obligations arising from the termination of the employment contracts of the executive Director and key management personnel. The RC is of the view that the termination clauses are fair and reasonable as such contracts only contain the standard clause on notice period for termination. In the deliberation of remuneration matters, none of the RC members is involved in deciding any remuneration, compensation, share-based incentives or any form of benefits to be granted to himself.

In discharging their duties, the RC may seek advice from Human Resource Department of Perennial ("**HR**") and external consultants, whenever necessary. For the financial year ended 31 December 2018, no external remuneration consultant was engaged.

As part of Perennial's formal succession planning, HR assists to identify the critical positions at both the Executive and Management level. The requirements and gaps of these positions are determined before mapping succession to the pipeline of internal high potential executive talents that have been identified. HR recognises that there may be gaps in the developmental readiness of identified talents for the roles that they were meant to succeed, and are designing and implementing career development plans for members of our international talent pipeline, to narrow such gaps. These plans include on the job assignments, job rotations, international assignments and assuming larger or different roles in the organisation. HR is also reviewing and surveying the practices of other corporations and harmonising best practices that are suited for Perennial's culture, structure and strategy.

LEVEL AND MIX OF REMUNERATION, DISCLOSURE ON REMUNERATION

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

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

Remuneration for Non-Executive Directors

The non-executive Directors receive their Directors' fees in accordance with their various levels of contributions, taking into account factors such as their responsibilities, effort and time spent for serving on the Board and the Board Committees. Their remuneration package consists of basic retainer fees as a Director as well as additional fees for serving on the Board Committees. A larger fee is accorded to the chairman of each Board Committee in view of the greater responsibility. The Lead Independent Director also receives an additional fee which reflects his expanded responsibility.

There is no change to the annual fee structure for the Board for the financial year ended 31 December 2018 as compared to the preceding financial year. As per previous years, the non-executive Directors do not receive any salary and their remuneration does not include any variable components.

The fee structure for non-executive Directors for the financial year ended 31 December 2018 is as follows:

Fee Structure	S$
Basic Retainer Fee	
Director	50,000
Audit and Risk Committee	
Committee Chairman	25,000
Committee Member	15,000
Remuneration Committee	
Committee Chairman	10,000
Committee Member	5,000
Nomination Committee	
Committee Chairman	10,000
Committee Member	5,000
Lead Independent Director	10,000

The details of remuneration for the Directors and CEO for the financial year ended 31 December 2018 are provided in the table below.

Directors of the Company	Salary inclusive of Annual Wage Supplement ("AWS") and employer's CPF $'000	Bonus and other benefits inclusive of employer's CPF $'000	Stock options granted and other share–based incentives and awards $'000	Director's Fees $'000	Total $'000
Executive Director					
Mr Pua Seck Guan	514	905	552	–	1,971
Non–Executive Directors					
Mr Kuok Khoon Hong	–	–	–	55	55
Mr Ron Sim	–	–	–	55	55
Mr Eugene Lai	–	–	80	90	170
Mr Ooi Eng Peng	–	–	42	75	117
Mr Lee Suan Hiang	–	–	80	80	160
Mr Chua Phuay Hee	–	–	80	65	145

The RC ensures that the non-executive Directors are not over-compensated to the extent that their independence may be compromised. Mr Pua Seck Guan, being the Executive Director and CEO of the Company, does not receive any Director's fees but he is remunerated for his role as a member of the Management. For the financial year ended 31 December 2018, the Company has issued one million share options to each independent non-executive Director. The aggregate Directors' fees for non-executive Directors are subject to Shareholders' approval at the upcoming AGM.

For the financial year ended 31 December 2018, Perennial did not appoint any external remuneration consultants to advise on the remuneration of the Directors.

Remuneration for Executive Director and Key Management Personnel

The Company advocates a remuneration system that is flexible and responsive to market conditions as well as a remuneration framework that is based on the key principle of aligning compensation to business performance and strategic objectives. Such performance-centric remuneration is linked to the achievement of corporate and individual performance targets, both in terms of short and long-term quantifiable objectives, as well as to support the ongoing enhancement of shareholder value. The remuneration system also takes into account the value creation capability of the Executive Directors and key management personnel. The Board determines value creation to be the amount of value-add contributed by the individual, including but not limited to deal introduction to the Company, cost-savings ideas and novel initiatives which have the potential of increasing the performance of the Company.

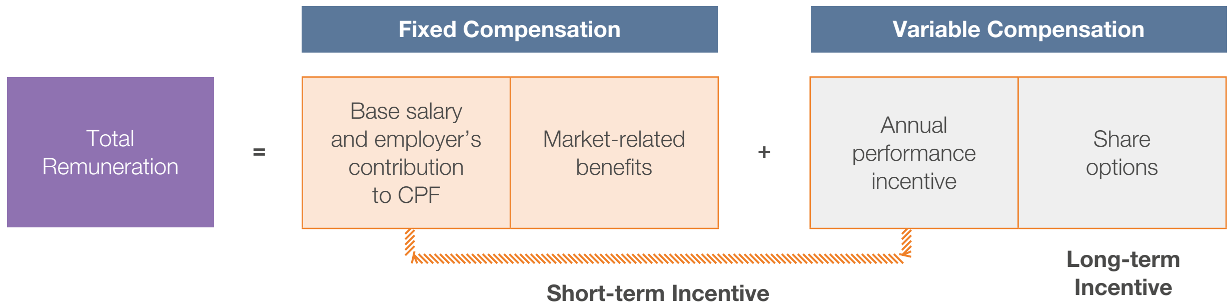
In designing the remuneration structure, the RC seeks to ensure that the level and mix of remuneration is competitive and relevant in attracting, motivating and retaining the employees. The RC also exercises independent judgment in ensuring that the remuneration structure is aligned with the interests of Shareholders and promote long-term success and sustainable growth of Perennial.

The balance between fixed and variable compensation elements changes according to the individual employee's performance, value creation, rank and department, so as to incentivise employees into adopting appropriate risk behaviours and remaining focused on prudent risk management. The RC considers the mix of fixed and variable compensation to be appropriate for Perennial and for each individual role.

The remuneration structure also takes into account Perennial's risk policies and risk tolerance limits as well as the time horizon of risks, in order to build a sustainable leadership and business in the long term. The RC is satisfied that there are adequate risk mitigation features in the Company's remuneration structure, such as prudent funding of annual cash compensation and the vesting feature in Perennial Employee Share Option Scheme 2014. The RC is also of the view that the overall level of remuneration is not considered to be at a level which is likely to promote behaviour contrary to Perennial's risk profile. The RC also has the discretion not to award incentive in any year if an executive is involved in misconduct or fraud resulting in financial loss to Perennial. The RC will continue to undertake periodic reviews of compensation-related risks.

In determining the remuneration of key management personnel, the Company leveraged on external consultants' data on pay benchmarks as guidance and compares itself against peer companies and comparably-sized local listed companies with which the Company competes with for talent and capital. The RC is of the view that the remuneration of key management personnel is competitive and fair and they have met the performance targets.

The key remuneration components for key management personnel are summarised below:



The remuneration mix for key management personnel comprises two key components: fixed and variable compensation. These components comprise various elements which ensure a close linkage between total compensation and the achievement of long term business objectives, thereby driving sustainable performance for Perennial.

(a) Fixed Compensation

(i) Base Salary and Compulsory Employer Contribution

Base salary is determined by benchmarking against similar and comparable industries, taking into account an individual's responsibilities, competencies, performance, value creation, qualifications and experience.

(ii) Market-Related Benefits

The market-related benefits provided are comparable with local market practices.

(b) Variable Compensation

The variable compensation is designed to support Perennial's business strategy and the ongoing creation of shareholder value through the delivery of annual financial and operational objectives.

(i) Annual Performance Incentive

This is a short-term incentive that is linked to the achievement of pre-agreed financial and non-financial performance targets for Perennial and individual employees. Company-wide performance targets are dependent on factors such as business performance, profitability and operational growth. Individual performance targets are set at the beginning of each financial year and are aligned to the overall strategic, financial and operational goals of Perennial. This encourages day-to-day behaviour and actions that are aligned towards the creation of value for shareholders and stakeholders.

In determining the cash payout quantum for employees, the RC takes into account overall business performance and individual performance, amongst other considerations.

(ii) Share-Based Compensation

Share options are incentive plans that were designed to discourage short-termism and to encourage sustainability and long-term thinking to deliver sustainable value to the business, shareholders and stakeholders.

Perennial Employee Share Option Scheme 2014 ("**Perennial ESOS 2014**") was established with the objective of motivating employees of managerial level and above to strive for sustained long-term growth and superior performance in Perennial. It also aims to foster a share ownership culture among employees within the Company and better align employees' incentives with Shareholders' interests. The share options scheme involves the grant of Market Price share options which are vested and released over four consecutive years at the rate of 25% for each year. The vesting of the first tranche of any such share options will be on the first anniversary of the Date of Grant. Perennial ESOS 2014 was approved and adopted by Shareholders of the Company on 10 October 2014.

Under Perennial ESOS 2014, share options were granted based on the achievement of corporate and individual performance targets. These performance targets, which are approved by the RC, are chosen as they are the key drivers of shareholder value creation and are aligned to Perennial's business objectives.

In the financial year ended 31 December 2018, 23.74 million share options were granted under Perennial ESOS 2014. The RC has reviewed and is satisfied that the quantum of performance-related bonuses and the value of share options vested under the Perennial ESOS 2014 was fair and appropriate, taking into account the extent to which their performance conditions were met.

More information on the Perennial ESOS 2014 can be found in the Directors' Statement from pages 125 to 126 and in the Notes to Financial Statements from pages 173 to 175. And for more information on the Directors' shareholding of the Company, please refer to page 122.

For the financial year ended 31 December 2018, the details of remuneration for the top five key management personnel are set out below:

Name	Remuneration Bands	Salary inclusive of AWS and employer's CPF %	Bonus and other benefits inclusive of employer's CPF %	Stock options granted and other share-based incentives and awards %	Total %
Liak Teng Lit	Between $1,000,000 and $1,249,999	76.4	23.6	-	100
Koh Ming Chye, Ivan*	Between $750,000 and $999,999	40.8	42.5	16.7	100
Gan Chui Chui Belinda	Between $500,000 and $749,999	71.3	28.7	-	100
Annie Lee	Between $500,000 and $749,999	57.1	19.6	23.3	100
Low Sock Ching Joanna*	Between $500,000 and $749,999	43.6	43.7	12.7	100

* Remuneration disclosed includes overseas posting allowances and benefits.

The aggregate remuneration paid to the top five key management personnel of the Company (excluding the CEO) for the financial year was S$3,802,685.

For the financial year ended 31 December 2018, the Company does not have any employee who is a substantial shareholder, save for Mr Pua Seck Guan whose remuneration is being disclosed above, or an immediate family member of a Director, the CEO or a substantial shareholder of the Company. Immediate family member refers to the spouse, child, adopted child, step-child, sibling or parent. There were no termination, retirement or post-employment benefits granted to Directors, CEO and any key management personnel. There were also no special retirement plan, "golden parachute" or special severance packages given to the key management personnel.

ACCOUNTABILITY AND AUDIT

Perennial believes that strict compliance with statutory reporting requirements and the adoption of good business practices are imperative to maintaining Shareholders' confidence and trust in the Group and at the same time, delivering sustainable value to its Shareholders.

Directors receive operational and financial reports regarding Perennial's performance, which includes key performance indicators, variance analyses, property updates, strategic and business highlights and key developments to enable them to be keep abreast and make a balanced and informed assessment of Perennial's performance, financial position and prospects. Shareholders are provided with quarterly and full-year financial results which are approved by the Board. In line with the SGX-ST's requirements, negative assurance statements were issued by the Board to accompany Perennial's quarterly financial results announcements, confirming that to the best of its knowledge, nothing had come to its attention which would render Perennial's quarterly results false or misleading. The Company has also procured undertakings from its directors and key officers under Rule 720(1) of the SGX-ST Listing Rules.

The Board is also updated on relevant changes to rules, regulations and accounting standards so that it can monitor and supervise the Group complies with the relevant regulatory requirements.

The Management also highlighted key business indicators and major issues that are relevant to the Group's performance from time-to-time for the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Group recognises the importance of a robust risk management and internal control system to safeguard the assets of Perennial and Shareholders' interests. The Board has overall responsibility for the governance of risk management and internal controls.

Perennial proactively manages risks and embeds the risk management process into all planning and decision-making processes as well as in the day-to-day operations at the Company and Group levels. The Board sets the overall strategic direction, governs the risk management strategy and framework, and determines the risk appetite and risk policies for Perennial. With these in place, the Board oversees the Management in the design, implementation and monitoring of risk management and internal control systems, and ensures that strategies are aligned with the risk appetite as well as any potential emerging risks that Perennial may face.

The Board delegates the responsibility of overseeing Perennial's risk management framework and policies to the ARC. The ARC reviews, at least on an annual basis, the key organisational risks and robustness of Perennial's risk management and internal control systems, including financial, operational, compliance and information technology ("**IT**") controls, and reports to the Board any observations and recommendations under its purview as it considers necessary. The ARC also recommends on the risk tolerance limits and other associated risk parameters, as well as determines the nature and extent of the significant risks which the Board is willing to assume in achieving Perennial's strategic objectives and value creation. The ARC also assesses the group's compliance with the risk management framework to effectively identify, measure, manage and monitor risks.

Risk Management

Perennial understands that its business environment presents opportunities that need preparation and planning in order to be seized as well as uncertainties that need to be actively managed. In this regard, Perennial has implemented a comprehensive Enterprise Risk Management ("**ERM**") framework which enables Perennial to deal with business opportunities and uncertainties by identifying key risks and enacting the appropriate mitigating plans and actions.

The ERM framework, which is largely derived from ISO 31000 Risk Management – Principles and Guidelines (2009), lays out the governing policies, processes and systems to identify, evaluate and manage risks as well as to facilitate the assessment on the adequacy and effectiveness of the Group's risk management system. The ERM framework is approved by the ARC and the Board, and is reviewed annually to ensure its relevance to Perennial's business environment.

On a quarterly basis, the Management, being responsible for the implementation of ERM and day-to-day management of risks in Perennial, reports to the ARC on the key risks as well as provides updates on the risk management activities of Perennial's business. At the same time, the ARC and the Board review the key risk indicators and risk dashboard, and discuss the status of the risk exposures and risk management action plans.

Perennial also produces and maintains risk registers for the risks it faces as well as the corresponding internal controls it has in place to manage or mitigate those risks. The risk profile, risk registers and the controls are reviewed by the ARC and reported to the Board annually at the minimum.

For the financial year ended 31 December 2018, the ARC and Board had reviewed Perennial's risk management framework, policies and system, and is satisfied that the Group's risk management system continued to be adequate and effective.

Adequate and Effective System of Internal Controls

Supporting the ERM framework (Please refer to pages 109 to 114 of this report) is a system of internal controls, comprising Group-wide governance and internal control policies, procedures and guidelines which cover financial, operational, IT and regulatory compliance matters. Such internal control mechanisms include segregation of duties, approval authorities and limits, and checks and balances embedded in business processes. Fraud risk management processes and the implementation of policies, such as the Whistle-blowing Policy and Employee Code of Conduct, also help to establish a clear tone from the Management with regard to employees' business and ethical conduct. This system of internal controls is reviewed for continuous improvement and strengthening.

Internal and external auditors conduct audits that involve testing the adequacy and effectiveness of material internal controls. Such audits provides an independent assessment and assurance on the reliability, adequacy and effectiveness of our system of internal controls, risk management procedures, governance framework and processes. Any material non-compliance or lapses in internal controls, together with corrective measures recommended by internal and external auditors, are reported to the ARC. The adequacy, timeliness and effectiveness of the measures taken by the Management in response to the recommendations made by the internal and external auditors are also reviewed by the ARC. The results of these audits serve to provide the basis on the adequacy of Perennial's internal controls.

For the financial year, the Board has received written assurance from the CEO and CFO:

(a) that financial records of Perennial have been properly maintained, the financial statements for the financial year ended 31 December 2018 give a true and fair view of Perennial's operations and financial results; and

(b) that the internal controls and risk management systems of Perennial are adequate and effective in addressing the financial, operational, compliance and IT risks of the Group in its current business environment.

The Board believes that the ERM framework is adequate and effective for Perennial, taking into account the size of the company and the business environment it operates in. Moreover, the Board believes that the ERM framework is sufficiently comprehensive since it is largely derived from ISO 31000 Risk Management – Principles and Guidelines (2009). The Board has also observed that the Management, being familiar with the ERM framework, implements it effectively and provides the ARC and the Board with timely updates on Perennial's risk management activities. In relation to Perennial's internal controls, the Board derives comfort that such internal controls are being audited by both internal and external auditors on an annual basis and any lapses in internal controls are promptly brought to the attention of the Board in order for corrective measures to be implemented as soon as practicable. Based on the Board's review of the ERM framework and internal controls established and maintained by Perennial, work performed by external and internal auditors, and written assurance received from the CEO and CFO, the Board is of the view that Perennial's risk management systems and internal control systems are adequate and effective in addressing the financial, operational, compliance and IT risks which the Group considers relevant and material to its current business scope and environment. The ARC concurs with the Board's comments provided in the foregoing. For the financial year ended 31 December 2018, the Board and the ARC have not identified any weaknesses in Perennial's internal controls and risk management systems.

However, all internal controls and risk management systems contain inherent limitations and 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. Owing to such inherent limitations, the Board notes that the systems of risk management and internal controls established by the Management provide reasonable, but not absolute assurance that Perennial will not be adversely affected by any event that can be reasonably foreseen or anticipated, as it strives to achieve its business objectives. The Board will ensure that should any significant internal control failings or weaknesses arise, necessary remedial actions will be swiftly taken.

AUDIT AND RISK COMMITTEE

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

The ARC comprises four directors, chaired by Mr Ooi Eng Peng and its members are Mr Eugene Lai, Mr Lee Suan Hiang and Mr Chua Phuay Hee. All members, including the ARC Chairman are independent non-executive directors. The Board considered all the ARC members to have the appropriate finance and business management knowledge and experience to discharge their responsibilities. The ARC does not comprise former partners or directors of the company's external auditors, KPMG, within a period of two years, or who holds any financial interest in KPMG.

Authority and Duties of the ARC

The ARC is guided by its terms of reference which is reviewed when necessary to ensure relevancy and compliance with good corporate governance and best practices. In particular, the ARC:

- reviews the quarterly, half-year and full year results announcements, accompanying press releases, presentation slides and financial statements of the Group, as well as the adequacy and accuracy of information disclosed prior to submission to the Board for approval;
- reviews significant financial reporting issues and key areas of management judgments so as to ensure the integrity of the financial statements of the Group and any announcements relating to Perennial's financial performance;
- reviews the assurance from the CEO and the CFO on the financial records and financial statements;
- reviews and reports to the Board at least annually on the adequacy and effectiveness of Perennial's internal controls, including financial and accounting, operational, compliance and IT controls, and risk management systems;
- reviews the effectiveness, independence and adequacy of internal audit function, the scope and results of the audit reviews, the annual audit plan and the internal audit reports, including the adequacy of internal audit resources and its appropriate standing within Perennial;
- oversees the implementation of the improvements required on internal control weaknesses identified and ensures that Management provides the necessary cooperation to enable the internal auditors to perform its function;
- reviews the scope and results of the external audit, the annual audit plans, the audit reports and the independence and objectivity of the external auditors taking into consideration the requirements under the Accountants Act (Chapter 2) of Singapore, including but not limited to, the aggregate and respective fees paid for audit and non-audit services and the cooperation extended by Management to allow an effective audit;
- makes recommendations to the Board on the nomination for the appointment, re-appointment and removal of external and internal auditors, and approves the remuneration and terms of engagement of the external and internal auditors;
- monitors Perennial's compliance with laws and regulations, particularly those of the Companies Act and the SGX-ST Listing Rules;
- reviews the Whistle-blowing Policy and arrangements put in place by which staff and external parties may, in confidence, raise probable improprieties in matters of financial reporting or other matters, with the objective that arrangements are in place for the independent investigation of such matters and for appropriate follow up actions;
- oversees the procedures established to regulate interested person transactions and ensuring the compliance of such transactions with the Listing Rules; and
- report to the Board on material matters, findings and recommendations; and deliberate on resolutions relating to conflicts of interest situations involving the Company and the vendors.

The ARC has full access to the Management and reasonable resources to enable it to discharge its functions properly and the explicit authority to investigate any matter within its terms of reference. The Management is required to provide the fullest co-operation in furnishing information and resources in carrying out all requests made by the ARC. The ARC also has direct access to the internal auditors and external auditors, and has full discretion to invite any Director or executive officer to attend its meetings. Similarly, both the internal and external auditors are given unrestricted access to the ARC. The ARC is also authorised to engage any firm of accountants, lawyers or other external independent professionals as it sees fit to provide independent advice to assist in the review or investigation on such matters within its terms of reference as it deems appropriate at the expense of Perennial.

The ARC met four times during the financial year ended 31 December 2018, and all other Directors (who are not members of the ARC) are invited to attend the ARC meetings. CEO, CFO, Company Secretary, internal and external auditors as well as the other Management staff attended these ARC meetings. In addition, whenever necessary, other employees of Perennial will be invited to attend the ARC meetings to answer queries and provide detailed insights into their areas of operations. The ARC is provided with all necessary information ahead of the ARC meetings to enable them to make informed decisions. Changes to accounting standards and issues which have a direct impact on financial statements are updated by Management and highlighted by the external auditors during quarterly ARC meetings.

Key Audit Matters

In the review of financial statements, the ARC has discussed with the Management on the accounting policies that were adopted and applied. The ARC has also considered the judgments and estimates made by the Management that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with the Management and KPMG, and were reviewed by the ARC:

Key Audit Matters	How the ARC has reviewed and decided on these matters
Accounting for Business Acquisitions	The key acquisitions were the acquisition of the remaining 50% stake in Capitol Singapore and the acquisition of 19.9% stake in WBL Corporation Ltd by associated company, Yanlord Perennial Investment (Singapore) Pte Ltd. Management has briefed the ARC on the financial impact of the acquisitions. The ARC reviewed the accounting treatment and estimates adopted by Management and was satisfied that the methodology and estimates used were appropriate and reasonable.
Valuation of Investment Properties	The ARC has been briefed by management on the performance of the investment properties, the development process and the valuation bases. The ARC noted that the valuations were performed by international valuer firms and the methodologies used were in line with industry practices and consistent with prior years. The ARC also assessed the overall appropriateness of the movement in fair value of the investment properties. The ARC, having considered the findings of the external auditors, including their assessments of the appropriateness of the valuation methodologies and assumptions adopted, was satisfied with the valuations adopted.
Valuation of Development Properties	The development properties comprised both completed project as well as projects under construction. Management regularly updated the ARC on the market prices of the projects in the vicinity as well as urban developments around the sites where the Group's developmental assets are located. The ARC has considered the methodology of deriving the values of the development properties and the findings of the external auditors and was satisfied with the valuations adopted in the accounts.
Impairment of Goodwill	Management performed an annual impairment test on the goodwill using discounted cash flows based on certain assumptions. The ARC noted the findings of the external auditors and was satisfied that the assumptions and estimates used for the annual impairment test are reasonable and within acceptable ranges.
Classification of Investment Properties	Management has briefed the ARC on the achievement of certain construction permits and the strategic intent to hold the asset for long-term lease and capital appreciation. The ARC was also briefed on the appointment of the hotel manager and the operations of the new The Capitol Kempinski Hotel Singapore. The ARC was satisfied with the rationale and basis of the reclassification and was of the view that the new asset category was appropriate for the intended use.

External Auditors

The Company has complied with Rules 712 and 715 read with 716 of the SGX-ST Listing Rules in relation to the appointment of its external auditors. In respect of appointments and re-appointments of external auditors, the ARC evaluates the performance of the external auditors, taking into consideration the Audit Quality Indicators Disclosure Framework published by ACRA. The ARC has also reviewed and is satisfied with the quality of the work carried out by the external auditors. Additionally, the ARC undertook a review of the independence of KPMG through reviewing the processes, policies and safeguards adopted by Perennial and KPMG relating to audit independence. Having also reviewed the nature, extent and volume of non-audit services provided to Perennial by KMPG and its affiliates, and the fees paid for such services, the ARC is satisfied that the provision of such services has not prejudiced KPMG's independence and objectivity. For the year ended 31 December 2018, the aggregate fees paid/payable to KPMG for external audit services were S$716,211. There were no fees paid to KPMG for non-audit services. No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the ARC.

In reviewing the nomination of KPMG for re-appointment for the financial year ended 31 December 2018, the ARC has taken into consideration the adequacy of resources, experience and competence of KPMG as well as the quality of audits performed. Satisfied that KPMG has demonstrated appropriate expertise and is adequately resourced and independent of the activities it audits, the ARC and Board have recommended the re-appointment of KPMG as the external auditors at the forthcoming AGM.

During the financial year, the ARC met with the external and internal auditors respectively, without the presence of the Management, to discuss the reasonableness of the financial reporting process, the system of internal controls, and the significant comments and recommendations by the auditors. The deliberate absence of the Management at these meetings is designed to provide a forum where auditors can feel free to raise any potential issues encountered in the course of their work without any possibility of influence by the Management.

Whistle-Blowing Policy

The ARC oversees Perennial's Whistle-blowing Policy, which provides the employees and parties who have dealings with Perennial with well-defined procedures and accessible and trusted channels to raise concerns about suspected fraud, corruption, dishonest practices or other probable improprieties in the workplace without fear of reprisals in any form within the limits of the law. The Whistle-blowing Policy is intended to provide a trusted avenue for Perennial's employees and other parties to come forward and report such concerns with confidence that it will be independently investigated and appropriate follow-up actions will be taken.

The Whistle-blowing Policy is reviewed by the ARC annually. The Whistle-blowing Policy and procedures, together with the dedicated whistle-blowing communication channel, are disseminated via email to all employees and also posted on Perennial's corporate website. The secured and protected whistle-blowing communication channel includes a dedicated and independent e-mail account that is only accessible by the ARC. The ARC is guided by the Whistle-blowing Policy to ensure proper and independent conduct of investigations under strict confidentiality, and execution of appropriate closure actions following completion of the investigations, including administrative, disciplinary, civil and/or criminal actions, and remediation of control weaknesses that perpetrated the fraud or misconduct so as to prevent a recurrence. Please refer to the Whistle-blowing Policy published on the Company's official website via *http://perennialrealestate.listedcompany.com/whistle_blowing_policy.html.*

INTERNAL AUDIT

Perennial's internal audit function is outsourced to EY, an international accounting firm. The Internal audit function assists the ARC in providing an independent and objective evaluation of the adequacy and effectiveness of the system of internal controls, it also improves and promotes effective and efficient business processes within the Group. EY performs reviews to examine the safeguarding of assets, the timeliness and accuracy in the recording of transactions, the compliance with relevant laws, regulations and policies established by the Group as well as the steps taken by Management to address control deficiencies.

EY reports directly to the ARC Chairman and has unfettered access to all documents, records, properties and personnel in Perennial, including unrestricted access to the ARC, the Board and the Management. EY adopts a risk-based methodology in drawing up Perennial's annual audit plan (the "**Audit Plan**"). The Audit Plan is planned in consultation with, but independently of, the Management. Key considerations for the Audit Plan include risk exposures, operating concerns and compliance to regulations, policies and procedures. The Audit Plan includes, amongst others, the audit scope, objectives, and resources to be allocated for the audits. At the beginning of each year, the Audit Plan is submitted to the ARC for review and approval to ensure that the Audit Plan covered sufficiently in terms of audit scope in reviewing the significant risks and internal controls of Perennial. Such significant controls comprise financial, operational, compliance and IT controls.

All internal audit reports, containing identified issues and corrective action plans, are submitted to the ARC and Board for deliberation, with copies of these reports extended to the CEO and relevant Management. At the quarterly ARC and Board meetings, EY also presents a summary of significant issues, recommendations and updates on the corrective actions taken by Management. The ARC has been satisfied that the recommendations made by EY were dealt with by the Management in a timely manner.

The internal audit function is staffed with persons with the relevant qualifications and experience, and EY carries out its function according to the standards set by nationally or internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing established by The Institute of Internal Auditors.

The ARC is responsible for approving the hiring, removal, evaluation and compensation of the auditing firm to which the internal audit function is outsourced. For the financial year, the ARC has reviewed and approved the appointment of EY and the fees payable to EY.

On an annual basis, the ARC also undertakes a review to assess the adequacy and effectiveness of the internal audit function. For the financial year, the ARC, having reviewed the Audit Plan, internal audit reports and quality and standard of the internal auditors' work performed for the year, is satisfied that EY is independent, effective and is adequately resourced to perform its functions.

SHAREHOLDER RIGHTS AND ENGAGEMENT

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

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

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

Shareholder Rights and Conduct of General Meetings

Perennial is committed to disclosing material and price-sensitive information in a timely, comprehensive and accurate manner as well as maintaining regular, effective and transparent communication with its Shareholders and analysts, fund managers, media and various stakeholders (together, the "**Investment Community**"). Our stakeholder groups are clearly defined in Perennial's full Sustainability Report which is available for download at www.perennialrealestate.com.sg.

To uphold these commitments, Perennial has a dedicated investor relations and corporate communications ("**IRCC**") team that reports to the CEO to effectively execute the Group's IRCC policy which is published on Perennial's corporate website. The IRCC team focuses on facilitating communication with Shareholders and the Investment Community and attending to their queries and concerns in a timely manner. The contact details of the IRCC team are listed on Perennial's corporate website and disclosed in this report to facilitate any queries from Shareholders and the Investment Community.

A dedicated investor relations section on Perennial's corporate website provides Shareholders and the Investment Community with pertinent financial and non-financial related information including financial results announcements, presentation slides and press releases, publications such as circulars and annual reports, shares and dividend information, updates on business and operations, and other relevant information.

Perennial treats all its Shareholders fairly and equitably and keeps Shareholders sufficiently informed of corporate performance or any changes the Company or its businesses which are likely to materially affect the share price or value of the Company, by disclosing relevant material information in a timely, fair and transparent manner via SGXNET, Perennial's corporate website. Quarterly and full-year results are also announced by Perennial within the mandatory period. To ensure level playing field and to provide confidence to Shareholders and the Investment Community, unpublished price sensitive information is not selectively disclosed. In the event that such information is inadvertently disclosed to a select group, it is immediately released to the public via SGXNET.

The Board has delegated authority to the CDC to review the promptness and adequacy of disclosures and to approve the public release of material information relating to Perennial.

Shareholders Meetings

Perennial fully supports active Shareholders' participation and voting at AGMs and Extraordinary General Meetings ("**EGMs**") and views such general meetings as important engagement sessions with Shareholders. All Shareholders are invited to attend, participate effectively in and vote at these general meetings, which are held at centralised locations in Singapore with convenient access to public transport.

Shareholders are informed of the general meetings, together with the relevant rules and voting procedures of such meetings, through notices of general meetings of Shareholders published in the local newspaper, reports or circulars sent to all Shareholders as well as via SGXNET and Perennial's corporate website. In compliance with the Company's Constitution and the prevailing laws and regulations, the Annual Report, Notice of AGM and related information are provided at least 14 days prior to the scheduled AGM to give Shareholders ample time to review the documents. Details and matters that require Shareholders' consideration and approval are clearly documented in the Annual Report or circulars to allow Shareholders to participate and vote effectively at the general meetings. The Notice of AGM, where relevant, may include explanatory notes on each item of special business. The Annual Report is also available to all of Shareholders via Perennial's corporate website.

Pursuant to Constitution of the Company, if any shareholder is unable to attend the meeting, he/she is allowed to appoint up to two proxies to attend, speak and vote on his/her behalf at the general meeting through an instrument appointing proxy deposited with the Company not less than 72 hours before the time appointed for the holding of the general meeting. Relevant intermediary as ascribed in Section 181 of the Companies Act, may however appoint more than two proxies to attend, speak and vote in the general meetings without being constrained by the two-proxy requirement.

Pursuant to Rule 730A(2) of the SGX-ST Listing Rules, Perennial will conduct voting by poll for all resolutions at the forthcoming AGM. The Board believes that voting by poll provides better clarity and enhances transparency of the voting process. At shareholders' meetings, each distinct issue is proposed as a separate resolution. The rationale for the resolutions to be proposed at the general meeting is set out in the notices of the meeting or its accompanying appendices. For greater transparency, the Company conducts electronic poll voting for all resolutions proposed at the general meetings. An independent scrutineer is appointed to facilitate the process at the meetings. The total number of votes cast for or against each resolution and the respective percentages will be announced to all Shareholders at the AGM. An announcement of the AGM results will also be made via SGXNET on the same day after the meeting. During the financial year ended 31 December 2018, the CEO, the Board Members and the Management were in attendance for the AGM. In the absence of Mr Kuok Khoon Hong, the Chairman of the Board, Mr Ron Sim, the Vice Chairman of the Board, presided as the Chairman at the AGM.

The Board Chairman, Chairman of each Board Committee, all Board Members, CEO, CFO, Company Secretary and members of the Management team are in attendance at AGMs or EGMs to respond to any questions and obtain feedback from Shareholders. Shareholders are encouraged to communicate their views, raise questions, provide feedback and discuss with the Board and the Management on issues pertaining to the proposed resolutions or any other matters regarding Perennial. The external auditor, KPMG, also attends the general meetings to assist in addressing queries from Shareholders relating to the conduct of the external audit and the preparation and content of the auditor's report. External legal advisors and other consultants (where applicable) are also invited to attend the general meetings and will assist the Board and the Management to respond to queries, where relevant. Shareholders also have the opportunity to communicate, discuss and interact with the Board and the Management after the general meetings.

The Company Secretary prepares minutes of general meetings, which include substantial comments or queries raised by Shareholders and the responses from the Chairman, Board Members and the Management. To safeguard Shareholders' interests and rights and to place adequate attention and focus on each issue, Perennial seeks to ensure that separate resolutions are proposed on each substantially separate issue. These minutes are posted on Perennial's corporate website.

Dividend Policy

Perennial has a formalised dividend policy which aims to balance cash return to Shareholders and the Investment Community for sustaining growth, while striving for an efficient capital structure. Through this policy, Perennial seeks to provide consistent and sustainable ordinary dividend payments to its Shareholders on an annual basis. The Company's policy is to declare a dividend of up to 25% of the distributable profits (excluding revaluation gains), after taking into account the appropriation of amounts which are sufficient and prudent to meet the working capital, capital expenditure and cash flow needs of the Company. For every dividend declaration made, Shareholders will be notified via an announcement made through SGXNET.

Engagement with Shareholders and Stakeholders

Perennial engages Shareholders and the Investment Community to communicate Perennial's strategic business plans and operating performance, share latest corporate and industry developments as well as to gather their views and feedback on a range of strategic and topical issues. Such interactions allow the Management to understand and consider the views and feedback from Shareholders and the Investment Community before formulating its key strategic decisions. In addition to the AGM which is used as the main forum for dialogue with Shareholders and Investment Community, CEO and the Management also attended investors' conferences and seminars and held dialogue sessions during the financial year. Perennial also engages with Shareholders and Investment Community through various platforms including phone calls, e-mail communications as well as publication content on Perennial's corporate website. The Sustainability report from pages 89 to 91 in this report provides Perennial's approach to address stakeholders' concerns and methods of engagement and also sets out the key areas of focus in relation to the management of stakeholders for the financial year ended 31 December 2018.

Dealings in Securities

Perennial adopts a trading policy based on the SGX-ST's best practices on dealing in securities which has been communicated to all employees in the Group. Pursuant to the SGX-ST's Listing Rule 1207(19), Perennial issues guidelines to Directors and employees in the Group, which set out the prohibitions against dealings in the Company's securities (i) while in possession of material unpublished price-sensitive information, (ii) during the two weeks immediately preceding, and up to the time of the announcement of, the Company's results for each of the first three quarters of its financial year and, (iii) during the one month preceding, and up to the time of announcement of, Perennial's results for the full financial year. The Directors and employees of Perennial are notified by the Company Secretary in advance of the commencement of each period where dealings in the Company's securities are prohibited.

Directors and employees of Perennial are also required to refrain from dealing in the Company's securities on short-term considerations and are required to observe insider trading laws at all times. They are also advised to be mindful and ensure that their dealings in securities do not contravene the laws on insider trading under the Securities and Futures Act.

Business Conduct

The Board and Management are committed to conducting business with integrity that is consistent with high standard of business ethics, as well as in compliance with all applicable laws and regulatory requirements. Perennial has in place an internal policy that governs the Employees' Code of Conduct, corporate gift guidelines and grievance handling procedures. This business conduct policy crystallises the Group's business principles and practices that are expected of its employees with respect to the matters which may have ethical implications, such as corruption, bribery, conflicts of interest, misappropriation of assets, violation of law and regulations, non-compliance with Perennial's policies and procedures, abuse of position and other misconduct.

The business conduct policy which is communicated to all Perennial's employees, provides a direct and understandable framework for employees to observe the Group's principles, such as integrity, honesty and responsibility, at all levels of the organisation.

Interested Person Transactions

Perennial has established a formal Interested Person Transaction ("**IPT**") Policy, which defines the levels and procedures to obtain approval for IPTs. The IPT Policy is to ensure that all transactions with interested persons are (i) conducted on normal commercial terms and are not prejudicial to the interests of Shareholders and, (ii) properly approved by the respective approving authorities and reported in a timely manner to the ARC. The IPT Policy is circulated to all departments in Perennial. All departments are required to be familiar with the IPT Policy and report any IPT to the ARC for review.

In accordance with the reporting requirements in Chapter 9 of the SGX-ST Listing Rule, Perennial also maintains a register of all IPT entered into by the Group. As stipulated in Perennial's IPT Policy, the Management reports the IPT register, which contains all transactions with interested persons and the relevant details of each transaction, to the ARC on a quarterly basis.

When a potential conflict of interest arises, the director concerned does not participate in discussion and refrains from exercising any influence over other members of the Board.

An audit on IPT is also incorporated into Perennial's annual internal audit plan and the findings are reported to the ARC. For the financial year ended 31 December 2018, the ARC is satisfied that the internal controls in respect of the identification, evaluation, review, approval and reporting of the IPTs are effective. More detailed information on the nature and transaction value of IPT for the financial year may be found in the supplemental information on page 208 in this report.

Material Contracts

Since the end of the previous financial period ended 31 December 2017, there are no material contracts entered into by Perennial or any of its subsidiaries that involves the interests of any Director or a controlling shareholder of Perennial, and no such contract subsisted as at 31 December 2018, except for those IPTs announced via SGXNET from time to time that are in compliance with the SGX-ST Listing Rules.

Risk Management

Perennial Real Estate Holdings Limited ("**Company**", and together with its subsidiaries, "**Perennial**") has put in place an Enterprise Risk Management ("**ERM**") framework to identify, measure, manage and monitor risks. The ERM framework, which includes the objectives, policies and procedures for risk management, is approved by the board of directors of the Company ("**Board**"). The framework is reviewed annually by the Board to ensure that the policies and measures stay relevant in the changing business landscape and regulations while meeting the business objectives of Perennial.

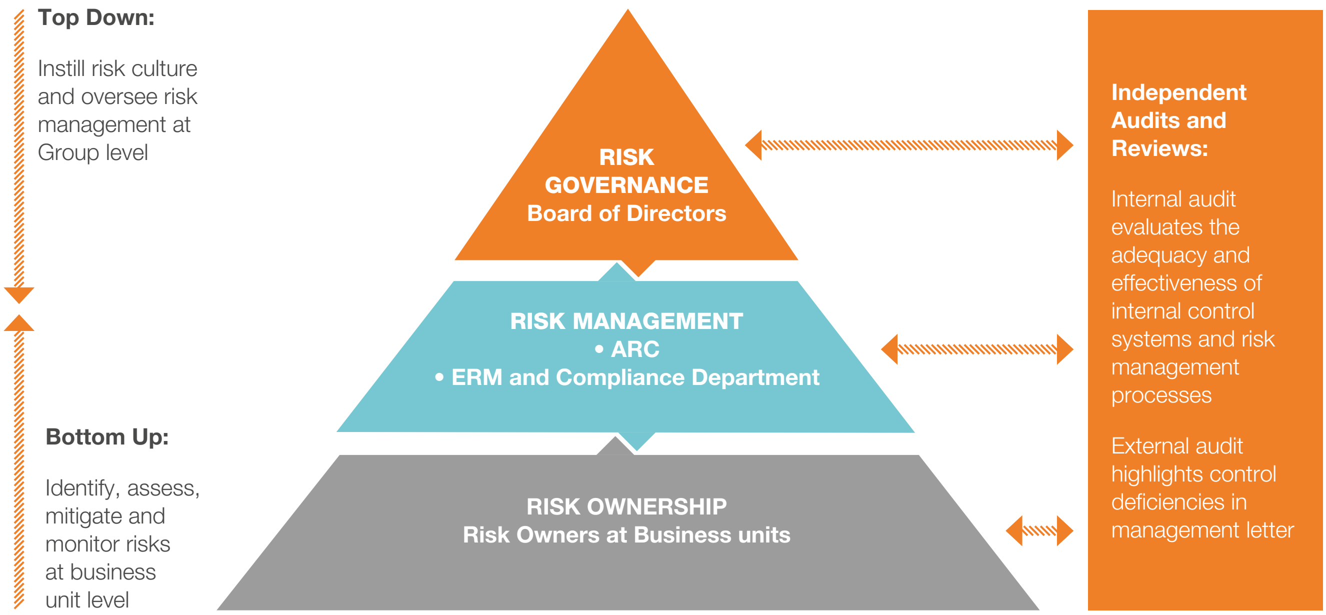
Risk management is an integral part of Perennial's strategic and decision-making process. The risk review and control process is embedded into day-to-day operations at all levels of Perennial.

The Company strongly believes that a proactive approach towards risk management ensures a disciplined pursuit of business objectives and strategies, thereby creating and preserving value for shareholders of the Company ("**Shareholders**").

RISK GOVERNANCE STRUCTURE

The Board sets the risk culture and is overall responsible for governing and managing the risks of Perennial which includes determining the risk appetite, overseeing the ERM framework and maintaining the risk profile. The Board is assisted by the Audit and Risk Committee ("**ARC**"), which in turn is supported by the ERM and Compliance Department and the Risk Owners at the various business units as outlined below:

RISK MANAGEMENT FRAMEWORK



<table>
<tr><th></th><th colspan="2">Description</th></tr>
<tr><td>Risk Governance</td><td colspan="2">Board of Directors
• Overall responsible for risk governance and ensuring a sound system of risk management and internal controls
• Governs the ERM framework and systems
• Reviews risk profile, key risks and mitigation strategies
• Determines risk appetite and tolerance limits</td></tr>
<tr><td>Risk Management</td><td>ARC
• Assists the Board in risk management oversight
• Formulates risk policies and oversees the design and implementation of risk management practices and internal control systems
• Oversees internal and external audit</td><td>ERM and Compliance Department
• Coordinates ERM activities
• Facilitates risk identification, analysis, evaluation and treatment, monitors risk management issues
• Assesses compliance with ERM framework and risk management practices
• Reports to ARC on all risk management related matters</td></tr>
<tr><td>Risk Ownership</td><td colspan="2">Risk Owners at Business units
• Responsible for risk management activities
• Embed risk management as an integral part of business unit processes
• Ensure implementation of improvements on risk measures
• Report business and operational risks and highlight key/emerging risks to ERM and Compliance Department</td></tr>
</table>

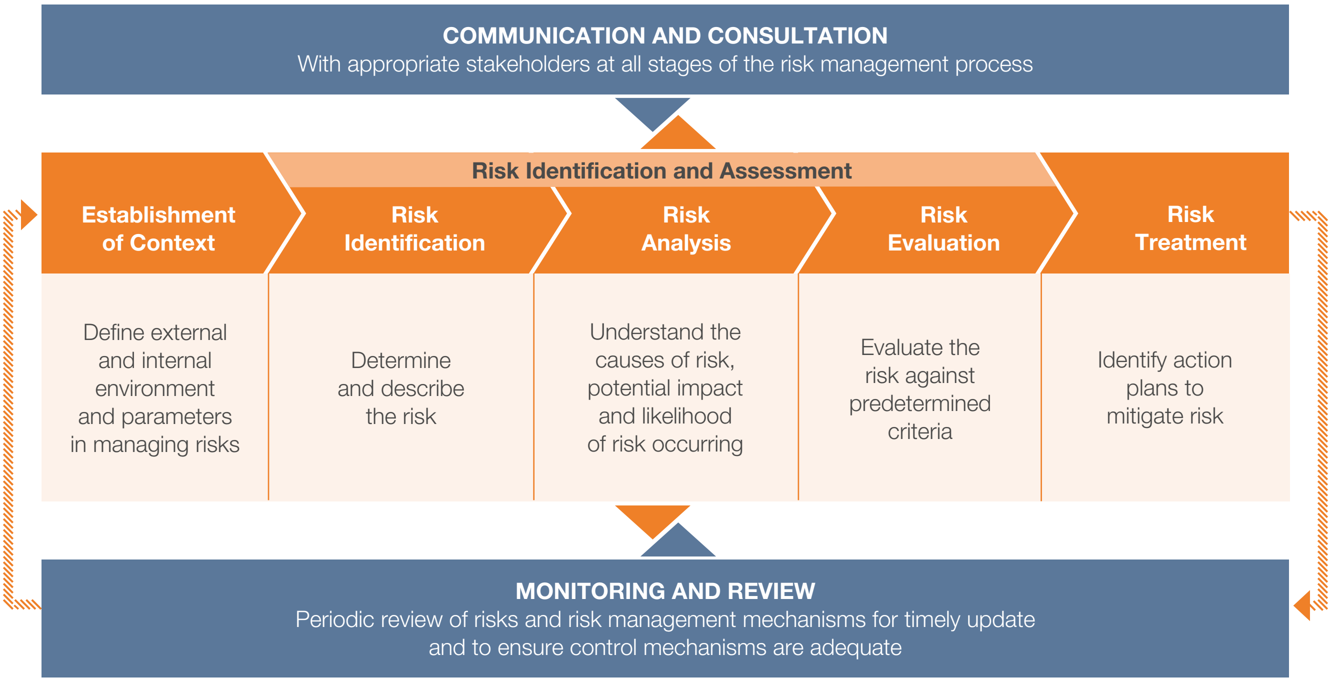
ERM FRAMEWORK

The objective of the ERM framework of the Company is to safeguard employees and assets, protect Shareholders' interests, ensure informed decision-making for intrinsic value creation and ultimately to uphold and enhance Perennial's reputation amongst its stakeholders. The Chief Executive Officer and the management team of Perennial ("**Management**") ensure the ERM framework is effectively implemented across Perennial.

Perennial's ERM framework sets out a systematic and structured approach for the identification, assessment, evaluation, monitoring and reporting of risks in an integrated, timely and consistent manner. In designing and reviewing the ERM framework, Perennial has adopted and made reference to various industry risk management standards, such as the ISO 31000 and the COSO framework, to be in line with the best practices.

The ERM framework encompasses a five-step risk management process of communication and consultation, establishment of context, risk identification and assessment, risk treatment as well as monitoring and review.

ERM FRAMEWORK



ERM PROCESS

In the risk identification and assessment process, the financial, operational and reputational impact of the risks as well as their likelihood are considered. Tools such as risk ratings, risk profile, key risk indicators and risk registers are used in this process. Perennial's risk management process is extended across all operating levels of each business unit, with the Risk Owners and their respective management team responsible for identifying and managing the risks within their functional areas.

To ensure that the risk profile and risk management system remain relevant to Perennial's business strategy and environment, the risk profile, risk registers and all identified risks and controls are regularly updated by their respective Risk Owners. The information is compiled by the ERM and Compliance Department and reviewed at least annually by the ARC and the Board.

The Management, respective Risk Owners and the ERM and Compliance Department monitor key risks on an on-going basis and report to the ARC and Board via a risk dashboard on a quarterly basis. The risk dashboard showcases the status of key strategic risks, risk exposures, risk management action plans, and highlights any potential emerging risk or increase in risk exposures including areas that require immediate attention or pre-emptive actions. The ARC and the Board are also apprised of the occurrence of significant risk events and the risk management activities undertaken by Perennial during the quarter.

PROACTIVE ERM

As risk management is an ongoing process, the ERM framework and related risk management system are reviewed annually, and where appropriate, refined by the Management, ARC and the Board, to take into account the changing business landscape and operating environment.

Perennial keeps abreast of the latest developments and good practices in risk management through participation in seminars and interactions with field practitioners. The Group seeks to enhance its risk management practices in the following ways:

The Management aims to foster a strong risk-awareness culture in Perennial, which encourages prudent risk-taking in decision-making and business processes. A robust internal control system and an effective, independent review and audit process are the twin pillars that underpin Perennial's ERM framework. While the Management is responsible for the design and implementation of effective internal controls, the internal audits conducted on business operations provide an independent assurance to the ARC of the adequacy and effectiveness of the risk management, financial reporting, internal controls and compliance systems.

Formalised guidelines, such as Perennial's Human Resource policy and Whistle-blowing Policy, together with structured monitoring and reporting processes are also established to promote good values and ethical behaviour among employees, which are key elements to an effective risk management system.

Through close collaboration with various stakeholders, Perennial will continue to refine and improve its ERM framework, systems and processes to ensure that they remain adequate and effective and risks are well-managed and monitored throughout the Group. This will enable Perennial to capitalise on growth opportunities amid the risks of a dynamic and challenging business environment.

RISK APPETITE AND TOLERANCE

There are inherent risks in any business ventures. The Group therefore tries to ensure that risks taken are not excessive when pursuing business opportunities. The Board determines risk appetite based on the extent of the risks that the Group is willing to accept in order to meet its strategic objectives. The risk appetite is expressed through clearly defined and measurable risk tolerance limits. Key risks are closely monitored with the risk tolerance limits and key risk indicators, which measure the exposures for such risks. The Board, assisted by the ARC, approves the risk tolerance limits and key risk indicators. Please find the key risk indicators for the key risks in the table on page 112 to 114.

KEY RISKS

Perennial takes the management of key risks as a key consideration towards fulfilling the Company's strategic priorities and value creation objectives. Perennial also undertakes a comprehensive review at least once a year to identify, monitor, manage and report key risks across the Group. Among all the risks identified, the key risks that are closely tracked are as follows:

Risk Management

Key Risk	Objective	Value Impact	Mitigation Measures	Key Risk Indicators	Linkage to Strategic Priority
Financial Risk – **Access to financing resources** – **Foreign exchange and interest rate fluctuation**	To contain exposures to the various types of financial risks (liquidity, interest rate, foreign currency etc.) in order to limit any negative impact on the Group's results and financial position	• Increased financing costs which adversely impact financial performance • Inability to fulfil financial obligations or secure funding • Insufficient cash flows	• Active monitoring of debt maturity profile and cash flows • Maintaining an adequate level of cash flows and available loan facilities • Expanding sources of funding through retail bond market and multicurrency debt issuance programme • Instilling financial discipline in all levels and maintaining a financially sound balance sheet • Improving cash flows through acquisition of new investments to generate recurring income and contribute to a stable income stream (For more details on how various types of financial risk are managed, please see page 184 to page 189)	• Gearing and debt ratios • Working capital ratio	
Project Development Risk – **Inability to meet completion timeline and project specifications**	To ensure the timeliness, quality and safety of all development projects	• Adverse impact on financial and operational performance • Reputational damage	• Proactive management process to monitor project progress per approved timeline • Stringent pre-qualification procedures to appoint well-qualified vendors with proven track records • Regular site visits by the Management and asset managers to monitor the development progress	• Project cost overrun as a percentage of total project cost • Progress of the project	
Investment Risk – **Financial loss on investment**	To ensure investments are made according to the stated investment strategy, consistent with the portfolio objectives and after careful analysis and the assessment of the potential risks and returns	• Investment loss • Adverse impact on financial and operational performance	• Adopting a systematic approach of risk assessment and risk evaluation for each investment proposal, including macro and project-specific risk analyses • Objective evaluation based on a comprehensive set of investment parameters, supported by due diligence, feasibility studies and sensitivity analyses on key investment assumptions and variables • Early identification of potential business and partnership synergies • Active tracking of project updates and overall investment portfolio performance	• Return on investment ratio • Overall portfolio asset valuation	

Strategic Priorities

Acquire, own and develop large-scale mixed-use development projects in first-tier and second-tier provincial capitals and major cities which are in close proximity to transportation hubs

Acquire assets which can be repositioned and redeveloped to extract embedded value

Introduce healthcare real estate as an asset class in large-scale integrated developments

Adopt strata-sale/long-term hold strategy to better manage fund flows, while benefitting from operating long-term assets

Achieve first-mover advantage in high growth and untapped emerging markets

Invest in or form strategic partnerships with established local and foreign healthcare or medical-related operators to scale up the business

Key Risk	Objective	Value Impact	Mitigation Measures	Key Risk Indicators	Linkage to Strategic Priority
Compliance Risk – **Breach of relevant laws and regulations**	To ensure compliance with relevant laws and regulations in all material aspects	• Penalty, legal actions and/or loss of operating licenses • Financial and reputational damage	• Identifying applicable laws and regulatory obligations, highlighting emerging regulatory changes and inculcating active compliance into the day-to-day operations across all assets • Constantly keeping abreast of changes in laws and regulations through updates, trainings and consultations with legal counsels or external professional advisors	• Regulatory queries, warnings and breaches	
Macroeconomic Risk – **Economic slowdown in Singapore or China** – **Adverse global economic conditions**	To ensure that the Company is prepared and takes appropriate strategies to mitigate any potential adverse impact from deteriorating macroeconomic conditions	• Reduced revenue • Negative impact on valuation as well as gearing and debt ratios • Increased cost of financing and holding cost of investment assets • Negative impact on asset divestment	• Adopting a disciplined approach towards financial management • Constantly reviewing business strategies to formulate pre-emptive mitigations • Vigilant monitoring of budgets and expenditures, key global economic trends and the macroeconomic environment of Perennial's investments • Strengthening competitiveness through product and service differentiation • Diversifying investment portfolio across geographies and asset classes • Focusing on cities and countries where the Company's Management or Sponsors have extensive market knowledge	• Major economic indicators such as GDP growth	
Medical and Healthcare Business Risk – **Lack of competency in the highly regulated industry** – **Loss of trust from patients**	To avoid any common pitfalls when operating in a complex and highly regulated industry	• Regulatory or legal actions and/or loss of operating licenses • Reputational damage	• Liaising with relevant local authorities and consultants to actively monitor medical and healthcare-related regulation or policy developments • Deployment of medical and healthcare industrial information systems to guide treatment decisions and help with handling of exceptions reported • Establishment of robust operational level Standard Operation Procedures (**"SOPs"**) to prevent errors and incidents • Engaging healthcare professionals with good track records	• Number and trend of complaints and warnings received • Number of regulatory/legal actions	

Risk Management

Key Risk	Objective	Value Impact	Mitigation Measures	Key Risk Indicators	Linkage to Strategic Priority
Health, Security and Safety Risk – **Fatality, injury or security issues**	To safeguard the Company's resources and to prevent incidents or conditions that may be detrimental to relevant stakeholders' health and safety	• Injury or even fatality • Operational disruption • Financial and reputational damage	• Establishment of SOPs to ensure employees and contractors adhere to onsite work safety rules and procedures • Processes to escalate and report any occurrence of health, security and safety incidents to the Management and Board • At the asset level, security personnel are employed to guard the property and keep a lookout for suspicious events/ persons. The Operations team also patrols the property daily at regular intervals to identify unusual happenings • Ensuring adequate public liability insurance coverage is in place for all premises	• Number of incidents (fire, water seepage etc.) in managed assets • Number of accidents sustained by members of the public, tenants, service providers, and/or our employees	
Fraud and Corruption Risk – **Fraud or corruption activities carried out internally and/ or involving external stakeholders**	To prevent fraud and corruption, enhance the Company's governance, and maintain integrity in the Company's operations	• Financial and reputational loss • Litigation or regulatory actions	• Regular review and audit of internal control systems • Employee Code of Conduct to guide professional behaviour in line with Company's core values • Whistle-blowing Policy and process for reporting and investigation of suspected fraudulent activities • Regular review of finance, human resources and operations policies as well as delegation of authority • Restriction of access control on all critical information systems	• Number of suspected fraud/ corruption cases reported	

Strategic Priorities

- Acquire, own and develop large-scale mixed-use development projects in first-tier and second-tier provincial capitals and major cities which are in close proximity to transportation hubs
- Acquire assets which can be repositioned and redeveloped to extract embedded value
- Introduce healthcare real estate as an asset class in large-scale integrated developments
- Adopt strata-sale/long-term hold strategy to better manage fund flows, while benefitting from operating long-term assets
- Achieve first-mover advantage in high growth and untapped emerging markets
- Invest in or form strategic partnerships with established local and foreign healthcare or medical-related operators to scale up the business

Investor and Media Relations

Perennial Real Estate Holdings Limited ("**Perennial**" or the "**Company**") is committed to regular, timely and transparent communications with its shareholders ("**Shareholders**"), as well as analysts, potential investors, the media and various stakeholders (collectively known as the "**Investment Community**").

Perennial's Investor Relations and Corporate Communication ("**IRCC**") efforts are overseen by the Chief Executive Officer ("**CEO**").

ENGAGING THE INVESTMENT COMMUNITY

Perennial adopts an active stance in assisting Shareholders and the Investment Community to make informed investment decisions on the Company and its prospects by communicating the Company's strategic plans, financial and operating performance, and business developments.

All information deemed material and price sensitive is made available immediately through announcements on SGXNET and also updated on a timely basis on Perennial's dedicated investor relations ("**IR**") page on the corporate website (*http://www.perennialrealestate.com.sg*).

An email alert service is also provided to help investors keep abreast of the Company's latest developments.

Statutory announcements, past financial results, financial data, corporate information, corporate governance framework and policies, such as the Whistle-blowing Policy and IRCC Policy, are easily accessible on the IR webpage.

Meanwhile, Perennial's management and IRCC team hold regular dialogues with the Company's Shareholders and Investment Community to better understand their views and to build strong relationships.

In FY2018, the senior management and IRCC team continued to maintain active, effective communication with the Company's Shareholders and the Investment Community through communication channels such as one-on-one meetings, group meetings, calls, post-results luncheons, conferences and investor fairs, non-deal roadshows and emails.

Joint briefings for the media and analysts were also hosted by the management for the half year and full year financial results announcements. During these sessions, pertinent issues raised are considered and the IRCC team then fine-tunes its communication and engagement efforts based on the feedback received.

As part of its commitment to lifting the standards of shareholder communications, Perennial continued to sponsor the Securities Investors Association (Singapore) ("**SIAS**") Shareholder Communication Programme, a key platform for reaching out to retail investors. With retail investors constituting an important audience for the Company, this platform is central to Perennial's communication strategy.

During the year, a Pre-Annual General Meeting ("**AGM**") was held to effectively engage the Company's Shareholders who were also SIAS' members. The meeting gave Perennial's senior management the opportunity to understand the concerns of this important group of stakeholders.

Perennial held its FY2017 AGM on 24 April 2018. The event was well attended by about 260 Shareholders. The Minutes of Meeting and AGM presentation slides were also made available on the IR webpage for the benefit of Shareholders who were unable to attend.

The year also saw Perennial's CEO Mr Pua Seck Guan participating at INVEST Fair 2018's Singapore Exchange Securities Trading Limited ("**SGX**") Corporate Connect platform, where he addressed a receptive audience made up of Singapore's retail investors.

Separately, Perennial's China CEO Mr Ivan Koh presented at the SGX Beijing Representative Office 10th Anniversary Summit to an audience of Chinese institutional investors, who are increasingly showing interest in Perennial's stock.

In the year, site visits to Perennial's facilities in China were organised for investors who were keen to understand Perennial's operations and the implementation of its integrated real estate and healthcare strategy.

Moving forward, the IRCC team will step up its engagement efforts to showcase the progress that Perennial has made in both its real estate and healthcare businesses, particularly in Chengdu where it now has an operating model of its high speed railway regional healthcare and commercial hub.

Perennial is covered by two sell-side research houses, namely CGS-CIMB Securities (Singapore) Pte Ltd and DBS Vickers Securities (Singapore) Pte Ltd.

Perennial's CEO Mr Pua Seck Guan engaging retail investors at INVEST Fair 2018

Investor and Media Relations

STRENGTHENING CORPORATE GOVERNANCE

Perennial remains committed to strong corporate governance and high corporate disclosure standards, with a view towards maximising shareholders' value. In the year under review, Perennial moved up four spots to rank 15th on the 2018 Singapore Governance and Transparency Index. It also clocked a nine-point increase from the year before to achieve a total score of 101, testifying to the Company's commitment to upholding good governance.

Perennial continuously benchmarks itself against best practices and policies to raise its governance and disclosure standards. The Company voluntarily adopted the new Code of Corporate Governance 2018 ahead of the statutory compliance timeline.

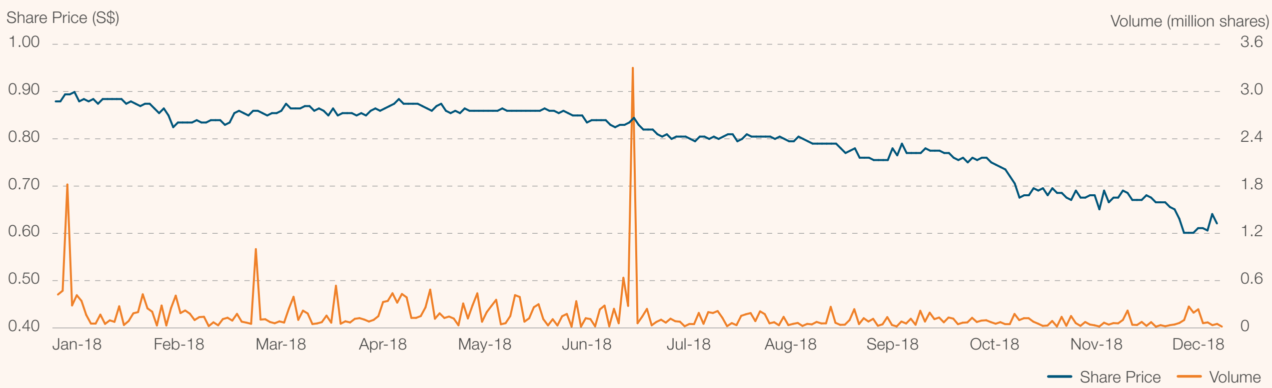
SHARE INFORMATION

Perennial started trading on the Mainboard of SGX under the stock symbol 40S from 26 December 2014. Perennial's closing share price on the last day of 2018 was S$0.62, which translates to a total market capitalisation of approximately S$1 billion.

As at 31 December 2018, approximately 82.3% of the stock was held by four of Perennial's core sponsors: Mr Kuok Khoon Hong (effective interest of 36.5%), Wilmar International Limited (effective interest of 20%), Mr Ron Sim (effective interest of 15.5%), and Mr Pua Seck Guan (effective interest of 10.3%).

For the financial year ended 31 December 2018, a dividend of 0.4 Singapore cents has been proposed.

Perennial Daily Share Price and Volume for FY2018



INVESTOR RELATIONS CALENDAR FOR FY2018

Events	Date
1Q 2018 Results Announcement	8 May 2018
Non-deal Roadshow in Singapore	11 June 2018
1H 2018 Results Announcement	3 August 2018
1H 2018 Results Analysts/Media Briefing	3 August 2018
Post-1H 2018 Investor Luncheon	3 August 2018
INVEST Fair 2018 – SGX Corporate Connect	26 August 2018
SGX Beijing Representative Office 10th Anniversary Summit	5 November 2018
3Q 2018 Results Announcement	7 November 2018
FY2018 Results Announcement	13 February 2019
FY2018 Results Analysts/Media Briefing	13 February 2019
Post-FY2018 Investor Luncheon	13 February 2019
FY2018 Annual General Meeting	25 April 2019
Books Closure Date for Proposed Dividend	3 May 2019
Proposed Payment of FY2018 First and Final Dividend	22 May 2019

INVESTOR RELATIONS CALENDAR FOR FY2019

Events	Date
1Q 2019 Results Announcement	May 2019
1H 2019 Results Announcement	August 2019
3Q 2019 Results Announcement	November 2019
FY2019 Results Announcement	February 2020

Our Community

PIHMH – Autism Awareness at Fun Marketplace

Perennial Qingyang Mall – Annual 'Give the Children a Warm Winter' CSR Campaign

Chinatown Point – Cultural and Charity Activities in Collaboration with Kreta Ayer-Kim Seng Community Centre

Perennial is a strong advocate of creating and adding value to the communities in which we operate, with a focus on the young and the elderly segments of these communities. We achieve this goal through a three-pronged Corporate Social Responsibility ("**CSR**") approach: by corporate giving, by partnering community organisations and by staff volunteerism.

I. CORPORATE GIVING

Perennial's total contribution, including cash and in-kind sponsorships, amounted to over S$1.2 million in FY2018. Some of the activities that we supported included:

- Programmes for Good Health and Wellness (such as the awareness campaign for the Singapore Bone Marrow Donor Programme, race packs for participants of The Music Run, Breast Cancer Awareness Month, The North Face Outdoor Training Session, as well as health and fitness roadshows by the Singapore Health Promotion Board)
- Education, Arts and Cultural Programmes for the Community (such as the Perennial Real Estate Scholarships offered by the National University of Singapore's Department of Real Estate, Autism Awareness at Fun Marketplace event at Perennial International Health and Medical Hub ("**PIHMH**") in Chengdu, Give the Children a Warm Winter campaign, Band of Doodlers Exhibition (which showcased local artists), Singapore Book Fair and Singapore Night Festival).

II. PARTNERSHIPS WITH COMMUNITY ORGANISATIONS

Harnessing the strengths of local community organisations to create programmes that truly address local needs is a key priority.

In FY2018, our strategic community partners included Focus On The Family Singapore ("**Focus**") for its *Create with Mum* Programme and Lions Befrienders for Perennial's annual Singapore CSR initiative.

Following the collaboration with Focus last year to help them launch their inaugural mother-and-child programme to foster strong family bonds, we held another two sessions this year. Once again, mother-child pairs from non-profit organisations were invited to attend. In the year, we also joined forces with a broad range of grassroots and community organisations to further grow and develop the communities where we have a presence. This led us to support cultural activities organised by Kreta Ayer-Kim Seng Community Centre Elderly Care and Sun Yat Sen Nanyang Memorial Hall.

In 2018, Perennial Qingyang Mall in Chengdu held its fifth flagship Give the Children a Warm Winter annual charity fundraising, where winter wear and educational materials were collected from sponsors for children living in the rural Bian'er township, which is located in the mountainous area in Sichuan's Danba county.

Perennial Jihua Mall in Foshan also collaborated with a local kindergarten to organise a charity marketplace event to raise funds for less privileged children who needed treatment for cataract.

CHIJMES – *Create with Mum* Programme

III. EMPLOYEE VOLUNTEERISM

During the year, our staff enthusiastically volunteered their time and service to support various causes. Some of the activities that they participated included deliveries of supplies to needy children in the Bian'er township and helping out at the Urban Redevelopment Authority's Car-free Sunday, which promotes more vibrant and sustainable public spaces for all. Our Singapore staff and their families also participated in the annual Pink Ribbon Walk to support breast cancer awareness.

Collectively, our staff volunteers dedicated a total of 2,257 volunteer hours in FY2018 to serve the communities in which we operate.

Car-free Sunday

PERENNIAL SINGAPORE CSR DAY 2018: A NOSTALGIC DAY OUT

Nostalgia was the theme of the day when Perennial held its Singapore CSR Day on 27 October 2018.

Joining forces with Lions Befrienders and Asian Film Archive, Perennial brought about 400 low-income seniors from Lions Befrienders' Senior Activity Centres as well as Cluster Support and Befriending Programme to a movie screening at the iconic Capitol Theatre.

The seniors enjoyed watching the screening of a restored version of the 1957 blockbuster Cantonese film, Moon Over Malaya, while nibbling on servings of nostalgic snacks.

The film starred movie legends Patrick Tse and Nam Hong, and featured scenic shots of Singapore and Malaysia, which provided the seniors with an opportunity to relive their good old days.

To ensure the seniors had a lovely day out, over 100 Perennial employees, led by the senior management team, took on different roles to ensure all the finer details were taken care of. The staff volunteers bonded with the seniors over the post-movie quiz and karaoke session, and had a great time partaking a wholesome lunch at Capitol Singapore.

The event was staged in conjunction with the World Day for Audiovisual Heritage, an UNESCO designated day to recognise audiovisual as part of the world's heritage.

Our People

At Perennial, we believe that it is our human capital that underpin our past, current and future success. A diverse, committed and engaged workforce is key to our ability to sustain growth and to scale new heights.

With that in mind, we continued to focus on our integrated human capital strategy built on (i) Workplace Equality and Safety, (ii) Talent Management and Development and (iii) Active Employee Engagement.

Workplace Equality and Safety

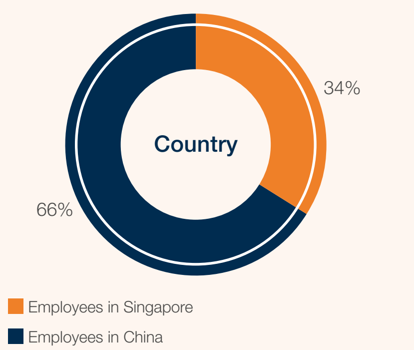
Perennial is a signatory of the Employers' Pledge for fair and progressive employment practices with the Tripartite Alliance for Fair Employment Practices ("**TAFEP**") and a member of the Singapore National Employer Federation.

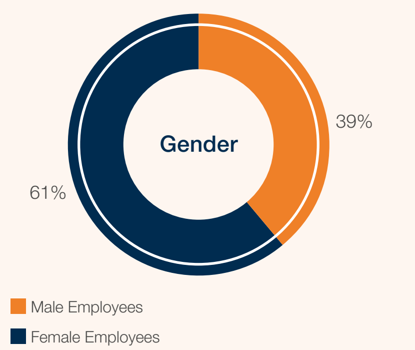
We are committed to TAFEP's principles of giving people equal opportunities for employment and rewarding employees according to merit. All job applicants are treated fairly regardless of ethnicity, age or gender, in accordance with our merit-based employment practices.

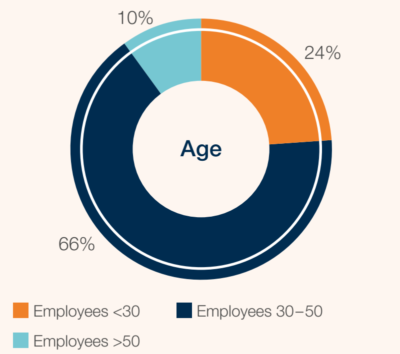
In the area of employees' annual performance appraisal, we adopt a merit-based framework to review performance and determine rewards. The fundamental goal is to assess work performance objectively based on measurable variables and to reward employees based on their performance. This has enabled us to reinforce a merit-based culture.

Up to the end of 2018, Perennial was supported by a global workforce of 391.

Our workforce comprises a higher proportion of females to males, with 61% females and 39% males. The company's female employees are well represented at the middle and senior management level. In 2018, 56% of senior management were females.







China and Singapore Teams at Senior Management Retreat in Chengdu

Singapore Team Lunar New Year Celebration

We have a good representation of employees across different age groups, with 66% of employees who are between 30–50 years old, 24% of our employees less than 30 years old and 10% who are above 50 years old.

In the area of providing a safe and healthy environment for our employees, we have introduced and adopted workplace safety measures to improve safety and health standards and have been certified by the Workplace Safety and Health Council to be bizSAFE Level 3.

Aligned with our commitment to provide a safe and positive work environment, whistle-blowing rights are accessible to all employees without retribution. Our Whistle-blowing Policy and procedures provide employees with well-defined, accessible and trusted channels to report valid concerns on malpractice and impropriety in the workplace.

Our People

Foshan Team-building

Talent Management and Development

Developing a robust talent pool is fundamental to delivering Perennial's growth. To build our talent pool, we actively seek dynamic and talented people to join the team. We make a conscious effort to recruit people at different points in their careers, from fresh graduates to mid-career professionals and industry veterans, in order to ensure depth and breadth in our talent pool.

It is important to us that our people are able to grow professionally and we strive to help them reach their highest potential. We encourage them to take a proactive role in learning and advancing themselves for long-term professional growth. To facilitate this, we require at least 75% of employees to attend at least one learning event per year, a target which we achieved in 2018. Employees are encouraged to enrol in seminars, workshops and skills programmes to enhance their professional expertise and skills-set. In 2018, staff attended seminars and training programmes covering areas on Accounting, Digital Marketing, Fire Safety, Property Stamp Duty and Service Excellence. Globally, we invested a total of 10,000 training hours developing our people in 2018. This translates to an average of 26 training hours completed by each employee for the year, well above the 11.5 training hours per employee in 2017.

As part of our talent development initiatives, we advocate internal mobility and job rotations, as well as regularly identifying staff for inter-mall, inter-functional and inter-city transfer opportunities. A vibrant internal job market provides our people with the opportunity to expand their exposure and acquire new skills. In 2018, 1 out of 10 of our positions were filled by internal transfers.

Active Employee Engagement

At Perennial, we believe that an engaged workforce is vital to the organisation's growth and success. This explains our open door policy, which allows employees to obtain a prompt response to problems or concerns relating to any aspects of employment with the Company. Management and Human Resources nurture and practise a culture of trust, openness and transparency regardless of position to encourage open communication and feedback to better engage employees.

The commitment to reach out to staff at every level can also be seen in senior management's initiatives to keep staff informed. Our staff engagement channels include staff communication session by the Chief Executive Officer ("**CEO**"). During the staff communication session, our CEO shares key business strategic directions and invite employees to share their views and ask questions.

As we believe in building an inclusive and harmonious work environment, we encourage employees to join us in our year round team bonding activities. Aimed at building group camaraderie and team spirit, these activities include birthday and festival celebrations, excursions as well as corporate social responsibility events.

China Medical Team Training

Statutory Accounts

Directors' Statement

We are pleased to submit this annual report to the shareholders of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

(a) the financial statements set out on pages 132 to 207 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") 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.

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

DIRECTORS

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

Kuok Khoon Hong
Ron Sim
Eugene Paul Lai Chin Look
Ooi Eng Peng
Lee Suan Hiang
Chua Phuay Hee
Pua Seck Guan

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, and share options in the Company and in related corporations (other than wholly-owned subsidiaries, excluding Perennial Treasury Pte. Ltd.) are as follows:

	Holdings registered in the name of directors		Holdings in which directors are deemed to have an interest	
Name of director	At beginning of the year	At end of the year	At beginning of the year	At end of the year
The Company				
Ordinary shares				
Kuok Khoon Hong	–	–	592,448,031[1]	606,120,716[2]
Ron Sim[3]	254,421,564	254,652,664	2,059,035	2,059,035
Ooi Eng Peng	78,634	78,634	–	–
Lee Suan Hiang[4]	200,000	200,000	200,000	200,000
Pua Seck Guan[5]	7,139,168	7,423,668	164,024,526	164,095,626
\$300 million 3-year 4.65% Retail Bonds due 2018				
Kuok Khoon Hong[6]	–	–	20,000,000	–
\$280 million 4-year 4.55% Retail Bonds due 2020				
Kuok Khoon Hong[7]	–	–	33,713,000	33,713,000

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES *(cont'd)*

Name of director	Holdings registered in the name of directors: At beginning of the year	Holdings registered in the name of directors: At end of the year	Holdings in which directors are deemed to have an interest: At beginning of the year	Holdings in which directors are deemed to have an interest: At end of the year
$120 million 3-year 3.90% Fixed Rate Notes due 2021				
Kuok Khoon Hong[8]	–	–	–	50,000,000
$180 million 2-year 5.95% Fixed Rate Notes due 2020				
Kuok Khoon Hong[9]	–	–	–	30,000,000
Ron Sim[10]	–	–	–	10,000,000
Pua Seck Guan	–	5,000,000	–	–
Subsidiary				
Perennial Treasury Pte. Ltd.				
$125 million 3-year 4.90% Fixed Rate Notes due 2019				
Kuok Khoon Hong[11]	–	–	1,250,000	1,250,000
$100 million 3-year 3.85% Fixed Rate Notes due 2020				
Kuok Khoon Hong[12]	–	–	29,250,000	29,250,000

Notes:

(1) Mr Kuok Khoon Hong's deemed interest in the Shares arises from his shareholdings in HRPY Holdings Limited ("**HPRY**"), Hong Lee Holdings (Pte) Ltd, Longhlin Asia Limited, Pearson Investments Limited, Kuok Hock Swee & Sons Sdn Bhd, through Madam Yong Lee Lee (his spouse) and Langton Enterprise Ltd, a company wholly-owned by Madam Yong Lee Lee.

(2) Mr Kuok Khoon Hong's deemed interest in the Shares arises from his shareholdings in HPRY, Hong Lee Holdings (Pte) Ltd, Longhlin Asia Limited, Kuok Hock Swee & Sons Sdn Bhd, Pearson Investments Limited and Jaygar Holdings Limited, through trust accounts controlled by him, through Madam Yong Lee Lee (his spouse) and Langton Enterprise Ltd, a company wholly-owned by Madam Yong Lee Lee.

(3) Mr Ron Sim's direct interest includes the Shares held through bank nominees. Mr Ron Sim is deemed interested in the Shares held by Madam Teo Sway Heong (his spouse).

(4) Mr Lee Suan Hiang's deemed interest in the Shares arises from the Shares held through bank nominees.

(5) Mr Pua Seck Guan's deemed interest in the Shares arises from his shareholdings in PSG Holdings Pte. Ltd. and Shares held in the name of bank nominees.

(6) The deemed interest of Mr Kuok Khoon Hong in the Company's 3-Year 4.65% Retail Bonds due 2018 arises from his shareholdings in HPRY. The Bonds were redeemed on maturity in October 2018.

(7) The deemed interest of Mr Kuok Khoon Hong in the Company's 4-Year 4.55% Retail Bonds due 2020 arises from the bonds held through a bank nominee and from his shareholdings in HPRY.

(8) The deemed interest of Mr Kuok Khoon Hong in the Company's 3-Year 3.90% Notes due 2021 arises from his shareholdings in HPRY.

(9) The deemed interest of Mr Kuok Khoon Hong in the Company's 2-Year 5.95% Notes due 2020 arises from his shareholdings in HPRY and Longhlin Asia Limited respectively.

(10) The deemed interest of Mr Ron Sim in the Company's 2-Year 5.95% Notes due 2020 arises from his shareholdings in TWG Tea Company Pte. Ltd.

(11) The deemed interest of Mr Kuok Khoon Hong in the subsidiary's 3-Year 4.90% Notes due 2019 arises from his shareholdings in HPRY.

(12) The deemed interest of Mr Kuok Khoon Hong in the subsidiary's 3-Year 3.85% Notes due 2020 arises from his shareholdings in HPRY.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES *(cont'd)*

	Holdings registered in the name of directors	
Name of director	At beginning of the year	At end of the year
Perennial Employee Share Option Scheme 2014		
Grant of options to subscribe for ordinary shares exercisable from 16 May 2016 to 15 May 2020 at $1.07 per share		
Eugene Paul Lai Chin Look	500,000	500,000
Lee Suan Hiang	500,000	500,000
Chua Phuay Hee	500,000	500,000
Grant of options to subscribe for ordinary shares exercisable from 9 October 2016 to 8 October 2020 at $0.95 per share		
Pua Seck Guan	5,100,000	5,100,000
Grant of options to subscribe for ordinary shares exercisable from 13 May 2018 to 12 May 2022 at $0.88 per share		
Eugene Paul Lai Chin Look	1,000,000	1,000,000
Ooi Eng Peng	1,000,000	1,000,000
Lee Suan Hiang	1,000,000	1,000,000
Chua Phuay Hee	1,000,000	1,000,000
Pua Seck Guan	5,100,000	5,100,000
Grant of options to subscribe for ordinary shares exercisable from 23 March 2019 to 22 March 2023 at $0.87 per share		
Eugene Paul Lai Chin Look	–	1,000,000
Ooi Eng Peng	–	1,000,000
Lee Suan Hiang	–	1,000,000
Chua Phuay Hee	–	1,000,000
Pua Seck Guan	–	5,100,000

By virtue of Section 4 of the Singapore Securities and Futures Act, Chapter 289, Mr Kuok Khoon Hong is deemed to have an interest in the shares of all the subsidiaries to the extent held by the Company.

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

There was no change in any of the above mentioned directors' interests in the Company between the end of the financial year and 21 January 2019.

SHARE OPTIONS

Perennial Employee Share Option Scheme 2014 ("Perennial ESOS 2014")

The Perennial ESOS 2014 was approved by shareholders of the Company at an Extraordinary General Meeting held on 10 October 2014.

Under the rules of the Perennial ESOS 2014, all directors (including non-executive and independent directors) and employees of the Company and its subsidiaries are eligible to participate in the Perennial ESOS 2014. Controlling shareholders are also eligible to participate in the Perennial ESOS 2014 subject to the approval of independent shareholders in the form of separate resolutions for each participant.

Under the Perennial ESOS 2014, the option entitles eligible participants to subscribe for ordinary share in the Company at a price equal to the volume-weighted average price of the Company's shares on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the three consecutive trading days immediately preceding the Date of Grant of that Option ("**Market Price**") or at a discount to the Market Price (up to a maximum 20%).

The maximum number of shares (in respect of the options) that may be granted under the Perennial ESOS 2014, after taking into account of (i) the total number of new shares allotted and issued and/or to be allotted and issued (excluding treasury shares) pursuant to options granted under the Perennial ESOS 2014; and (ii) the total number of shares subject to any other share option or share incentive schemes of the Company, shall not exceed 15% of the total number of issued shares (excluding treasury shares) provided always that all number of shares available to each controlling shareholder or each of their associates shall not exceed 10% of the shares available under the Perennial ESOS 2014.

The Remuneration Committee ("**RC**") is charged with the administration of the Perennial ESOS 2014 in accordance with the rules of the Perennial ESOS 2014. The number of options to be awarded to a participant is dependent on job grade level, performance and criticality to the long-term growth and profitability of the Group.

On 22 March 2018, the Company granted options to certain directors and employees of the Group to subscribe for a total of 23,740,000 shares at $0.87 per share (based on Market Price). All options granted under the Perennial ESOS 2014 are valid for a term of 5 years from the date of their grants and are exercisable in the following manner for eligible participants who have been in employment with more than 12 months services as at date of grant:

- After 1st anniversary of the date of grant – 25% of options granted
- After 2nd anniversary of the date of grant – 25% of options granted
- After 3rd anniversary of the date of grant – 25% of options granted
- After 4th anniversary of the date of grant – 25% of options granted

For eligible participants who have been in employment with less than 12 months services as at date of grant:

- After 2nd anniversary of the date of grant – 25% of options granted
- After 3rd anniversary of the date of grant – 25% of options granted
- After 4th anniversary of the date of grant – 25% of options granted
- After 4.5th anniversary of the date of grant – 25% of options granted

In respect of the Perennial ESOS 2014, no participant received option which totalled 5% or more of the total number of shares available under the scheme except as disclosed below:

Name of participant	Options granted during the financial year ended 31/12/2018 '000	Aggregate options granted since the commencement of the scheme to 31/12/2018 '000	Aggregate options exercised since the commencement of the scheme to 31/12/2018 '000	Aggregate options outstanding as at 31/12/2018 '000
Pua Seck Guan	5,100	15,300	–	15,300

No option has been granted with exercise price set at a discount to the Market Price of the shares at the date of grant.

As at 31 December 2018, the total number of outstanding options under the grant was 56,540,000 (2017: 38,330,000).

SHARE OPTIONS *(cont'd)*

At the end of the financial year, details of the unissued ordinary shares under options are as follows:

Unissued Shares under Perennial ESOS 2014

Date of grant	As at 1/1/2018 '000	No. of options granted during the year '000	No. of options lapsed/ cancelled '000	No. of options exercised '000	As at 31/12/2018 '000	Exercise price per share $	Validity period
15/5/2015	11,290	–	(1,500)	–	9,790	1.07	16/5/2016 – 15/5/2020
8/10/2015	5,100	–	–	–	5,100	0.95	9/10/2016 – 8/10/2020
12/5/2017	21,940	–	(1,950)	–	19,990	0.88	13/5/2018 – 12/5/2022
22/3/2018	–	23,740	(2,080)	–	21,660	0.87	23/3/2019 – 22/3/2023
Total	38,330	23,740	(5,530)	–	56,540		

The number of outstanding options represents 3.40% of the total number of shares issued (excluding treasury shares) as at 31 December 2018.

During the financial year, except as disclosed in this statement, there were:

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

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries; and

(iii) no options that entitle the holders to participate, by virtue of the options, in any share issue of any other corporation have been granted.

The information on directors and employees participating in the Perennial ESOS 2014 is as follows:

	Aggregate options granted during the financial year '000	Aggregate options granted since commencement of the option scheme to 31/12/2018 '000	Aggregate options exercised since commencement of the option scheme to 31/12/2018 '000	Aggregate options lapsed since commencement of the option scheme to 31/12/2018 '000	Aggregate options outstanding as at 31/12/2018 '000
Eugene Paul Lai Chin Look	1,000	2,500	–	–	2,500
Ooi Eng Peng	1,000	2,000	–	–	2,000
Lee Suan Hiang	1,000	2,500	–	–	2,500
Chua Phuay Hee	1,000	2,500	–	–	2,500
Pua Seck Guan	5,100	15,300	–	–	15,300
Employees	14,640	41,630	–	(9,890)	31,740
Total	23,740	66,430	–	(9,890)	56,540

AUDIT COMMITTEE

The Audit and Risk Committee ("**ARC**") comprises four independent directors. The members of the ARC during the year and at the date of this statement are:

Ooi Eng Peng (Chairman)
Eugene Paul Lai Chin Look
Chua Phuay Hee
Lee Suan Hiang

The ARC carried out its functions in accordance with Section 201B(5) of the Companies Act, the SGX-ST Listing Manual and the Code of Corporate Governance 2018.

The ARC has held four meetings since the last directors' statement. In performing its functions, the ARC has met with the Company's external and internal auditors.

AUDIT COMMITTEE *(cont'd)*

The ARC also reviewed the following:

- the appropriateness of quarterly, half-year and full year results announcements;
- reliability and integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;
- at least annually on the adequacy and effectiveness of the Group's internal controls, including financial and accounting, operational, compliance and IT controls, and risk management systems;
- the effectiveness and adequacy of internal and external audits;
- the implementation of improvements to internal control systems identified by internal auditors;
- the appointment, re-appointment and removal of external and internal auditors, and approves the remuneration and terms of engagement of the external and internal auditors;
- the Group's compliance with laws and regulations, particularly those of the Companies Act and the SGX-ST Listing Manual;
- the whistle-blowing policy; and
- the procedures established to regulate interested person transactions and ensuring the compliance of such transactions with the SGX-ST Listing Manual.

The ARC has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The ARC also recommends the appointment and re-appointment of the external auditors and reviews the level of audit and non-audit fees.

The ARC has conducted an annual review of the non-audit services provided by KPMG LLP and is satisfied that such services did not affect their independence as external auditors of the Company.

The ARC has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

AUDITORS

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

On behalf of the Board of Directors

KUOK KHOON HONG
DIRECTOR

PUA SECK GUAN
DIRECTOR

13 March 2019

Independent Auditors' Report

Members of the Company
Perennial Real Estate Holdings Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Perennial Real Estate Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 132 to 207.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("**the Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Accounting for business acquisitions
(Refer to Note 28 to the financial statements)

Risk

The Group makes acquisitions as part of its business strategy. For financial year ended 31 December 2018, the significant acquisitions were the acquisition of Capitol Investment Holdings Pte Ltd by the Group for an aggregate consideration of $129.6 million and the acquisition of WBL Corporation Limited by the Group's associate for an aggregate consideration of $116.1 million.

Such transactions can be complex and judgement is involved in determining whether a transaction is a business combination or an acquisition of an asset; and each with a different accounting treatment. In accounting for a business combination, judgements are applied and there exist inherent uncertainties in estimating the fair value of the identified assets and liabilities that make up the acquisition; and allocating the overall purchase price to those identified assets and liabilities, with any excess or shortfall being recognised as goodwill on the statement of financial position or bargain purchase in the statement of profit or loss respectively.

Our response

We assessed the accounting of the acquisitions by examining legal and contractual documents to determine whether these acquisitions are business combinations or the acquisition of assets.

We compared the methodologies and key assumptions applied in arriving at the fair values of the identifiable assets acquired and liabilities assumed to generally accepted market practices and market data.

Findings

The judgements applied by the Group in determining whether the significant acquisitions are business combination or acquisitions of assets were balanced. The methodologies used are in line with generally accepted market practices. The key assumptions applied in arriving at the fair values of significant identified assets acquired and liabilities assumed, and the resulting allocation of purchase price was within an acceptable range of outcomes.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(cont'd)*

Key audit matters *(cont'd)*

Valuation of investment properties
(Refer to Note 5 to the financial statements)

Risk

As at 31 December 2018, the Group has investment properties, mainly in Singapore and China, with a total carrying amount of $3.3 billion.

These investment properties are stated at fair values based on external independent valuations. The valuation process involves significant judgement in determining the appropriate valuation methodology to be used and in estimating the underlying assumptions to be applied. The valuations are sensitive to key assumptions applied in deriving future cash flows, average value per square metre, capitalisation rates, discount rates and terminal yield rates. Any changes in the key assumptions will have an impact on the valuation.

Our response

We assessed the competency and objectivity of the external independent valuers and held discussion with the valuers to understand their assumptions and basis used.

We considered the valuation methodologies used against those applied by valuers for similar property types. We tested the integrity of inputs of the future cash flows used in the valuation to supporting leases and other documents. We evaluated the appropriateness of the average value per square metre and discount, capitalisation and terminal yield rates applied by comparing them against historical rates and available industry data, taking into consideration comparability and market factors.

Findings

The valuers are members of generally-recognised professional body for valuers. The valuation methodologies used are in line with generally accepted market practices. The key assumptions applied are comparable to the historical trends and within the range of available industry data.

Valuation of development properties
(Refer to Note 10 to the financial statements)

Risk

Development properties comprise completed commercial properties in Singapore, and development properties under construction and land parcels in China. The development properties are stated at the lower of their cost and net realisable values ("**NRV**"). NRV represents the estimated selling price, less the estimated costs of completion and estimated costs necessary to make the sale. As at 31 December 2018, the carrying value of development properties amounted to $1.1 billion.

The Group assessed the NRV of the completed commercial properties in Singapore by taking into consideration the expected selling prices.

For the development properties under construction and land parcels in China, the Group engaged external independent valuers to assess the NRV of the development properties. The external independent valuers' assessments take into consideration, among others, unit prices of comparable projects, gross development value of the development properties and the estimated costs to complete the development. In deriving the gross development value, the external independent valuers made certain assumptions, including market rent and capitalisation and discount rates.

Our response

For the completed commercial properties in Singapore, we assessed the Group's expected selling prices by comparing them to recent transacted prices for the relevant property or prices of comparable properties located in the same vicinity.

For the development properties under construction and land parcels in China, we independently validated the unit prices of the comparable projects and evaluated the reasonableness of market rent, capitalisation and discount rates by comparing to available industry data, taking into consideration comparability and market factors. We also compared the estimated cost to complete the properties assumed by the external independent valuers against construction costs of the comparable projects.

Findings

We found that the assumptions applied in the determination of NRV of the development properties to be within the range of available market data.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(cont'd)*

Key audit matters *(cont'd)*

Impairment of goodwill
(Refer to Note 7 to the financial statements)

Risk

The Group has recorded goodwill in relation to its management business, at a carrying value of $63.2 million as at 31 December 2018.

The Group has used the value-in-use approach, using discounted cash flow method, in estimating the recoverable amount of the management business. In applying the discounted cash flow method, the Group applied a number of key assumptions, including cash flow projections of the management business, growth rates and discount rates.

Our response

We assessed the key assumptions applied by management, including those relating to cash flow projections and growth rates, taking into consideration management's planned strategies around revenue streams and costs initiatives, and compared them against historical performance and committed management contracts. We also compared the discount rates used by management to available market data.

Findings

The key assumptions applied are assessed to be optimistic when compared to the range of available market data and historical trends, taking into consideration the committed management contracts.

Classification of investment properties
(Refer to Notes 4 and 5 to the financial statements)

Risk

The Group transferred part of its development properties under construction to investment properties under development following a change in use. The Group also reassessed the classification of a hotel property based on the terms of management contract signed during the year and classified it as property, plant and equipment. There is judgement involved in determining the classification of development properties, investment properties and property, plant and equipment.

Our response

In assessing the transfer from development properties under construction to investment properties under development and the classification of the hotel property as property, plant and equipment, we held discussions with key management personnel, inspected internal business plans, and considered the key terms of external contracts and agreements.

Findings

We found the Group's assessment of the transfer of the development properties under construction to investment properties under development and the classification of the hotel property as property, plant and equipment to be appropriate.

Other information

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

We have obtained all other information prior to the date of this auditors' report.

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

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

Responsibilities of management and directors for the financial statements

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(cont'd)*

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditors' report is Karen Lee Shu Pei.

KPMG LLP
PUBLIC ACCOUNTANTS AND
CHARTERED ACCOUNTANTS

Singapore
13 March 2019

Statements of Financial Position

As at 31 December 2018

		Group			Company		
	Note	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000
Non-current assets							
Property, plant and equipment	4	**297,445**	1,657	1,624	**233**	186	–
Investment properties	5	**3,349,533**	1,659,723	1,371,972	**–**	–	–
Subsidiaries	32	**–**	–	–	**2,637,351**	2,692,753	2,742,725
Associates and joint ventures	6	**2,491,511**	2,471,443	1,993,529	**–**	–	–
Intangible assets and goodwill	7	**78,345**	80,949	83,553	**–**	–	–
Other financial assets	8	**72,510**	87,583	67,214	**72,510**	87,583	67,214
Trade and other receivables	9	**4,211**	14,568	15,786	**–**	–	–
		6,293,555	4,315,923	3,533,678	**2,710,094**	2,780,522	2,809,939
Current assets							
Development properties	10	**1,088,059**	1,704,465	2,757,943	**–**	–	–
Inventories		**1,234**	–	–	**–**	–	–
Trade and other receivables	9	**210,630**	572,668	528,493	**148,951**	102,267	78,546
Cash and cash equivalents	11	**76,856**	111,678	226,243	**4,582**	6,080	4,963
		1,376,779	2,388,811	3,512,679	**153,533**	108,347	83,509
Total assets		**7,670,334**	6,704,734	7,046,357	**2,863,627**	2,888,869	2,893,448
Non-current liabilities							
Loans and borrowings	12	**2,176,102**	1,369,767	1,892,456	**615,128**	279,317	605,578
Junior bonds	13	**30,000**	30,000	143,977	**–**	–	–
Redeemable preference shares	14	**–**	–	47,613	**–**	–	–
Trade and other payables	16	**84,171**	31,773	33,932	**–**	–	–
Deferred tax liabilities	17	**156,166**	81,373	61,375	**–**	–	–
		2,446,439	1,512,913	2,179,353	**615,128**	279,317	605,578
Current liabilities							
Loans and borrowings	12	**761,960**	974,994	823,062	**–**	337,251	29,125
Trade and other payables	16	**475,232**	290,961	257,111	**12,754**	9,341	21,996
Current tax liabilities		**10,325**	9,988	4,915	**869**	740	–
		1,247,517	1,275,943	1,085,088	**13,623**	347,332	51,121
Total liabilities		**3,693,956**	2,788,856	3,264,441	**628,751**	626,649	656,699
Net assets		**3,976,378**	3,915,878	3,781,916	**2,234,876**	2,262,220	2,236,749
Equity							
Share capital	18	**2,208,267**	2,208,267	2,208,267	**2,208,267**	2,208,267	2,208,267
Other reserves	19	**459,750**	463,554	439,756	**16,972**	30,513	7,764
Foreign currency translation reserve		**(158,084)**	(66,309)	–	**–**	–	–
Retained earnings		**222,712**	161,777	68,578	**9,637**	23,440	20,718
Equity attributable to owners of the Company		**2,732,645**	2,767,289	2,716,601	**2,234,876**	2,262,220	2,236,749
Non-controlling interests	20	**1,243,733**	1,148,589	1,065,315	**–**	–	–
Total equity		**3,976,378**	3,915,878	3,781,916	**2,234,876**	2,262,220	2,236,749

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

Consolidated Statement of Profit or Loss

Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Revenue	21	**78,261**	74,505
Cost of sales		**(47,530)**	(26,105)
Gross profit		**30,731**	48,400
Other income	22	**327,448**	144,871
Administrative expenses		**(37,760)**	(25,815)
Other operating expenses		**(491)**	(3,671)
Results from operating activities		**319,928**	163,785
Finance income		**12,511**	20,044
Finance costs		**(96,911)**	(69,466)
Net finance costs	23	**(84,400)**	(49,422)
Share of results of associates and joint ventures, net of tax		**56,279**	55,826
Profit before tax		**291,807**	170,189
Tax expense	24	**(82,302)**	(31,344)
Profit for the year	25	**209,505**	138,845
Profit for the year attributable to:			
Owners of the Company		**78,055**	100,299
Non-controlling interests	20	**131,450**	38,546
		209,505	138,845
Earnings per share (cents)			
Basic	27	**4.70**	6.02
Diluted	27	**4.70**	6.02

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Profit for the year		**209,505**	138,845
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets		**–**	21,120
Foreign currency translation differences relating to foreign operations, net of tax		**(72,858)**	(53,211)
Foreign currency translation differences on monetary item forming part of net investment in foreign operations, net of tax		**(5,778)**	(1,257)
Share of other comprehensive income of associates and joint ventures		**(42,767)**	(35,618)
		(121,403)	(68,966)
Items that will not be reclassified subsequently to profit or loss			
Net change in fair value of equity investments, at fair value through other comprehensive income		**(14,514)**	–
Other comprehensive income for the year, net of tax		**(135,917)**	(68,966)
Total comprehensive income for the year		**73,588**	69,879
Total comprehensive income attributable to:			
Owners of the Company		**(27,271)**	55,367
Non-controlling interests	20	**100,859**	14,512
		73,588	69,879

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Attributable to owners of the Company						
	Share capital $'000	Other reserves $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2017	2,208,267	439,756	(39,255)	107,833	2,716,601	1,065,315	3,781,916
Effect of adoption of SFRS(I) 1	–	–	39,255	(39,255)	–	–	–
At 1 January 2017, restated	2,208,267	439,756	–	68,578	2,716,601	1,065,315	3,781,916
Total comprehensive income for the year							
Profit for the year	–	–	–	100,299	100,299	38,546	138,845
Other comprehensive income							
Net change in fair value of available-for-sale financial assets	–	21,028	–	–	21,028	92	21,120
Foreign currency translation differences relating to foreign operations, net of tax	–	–	(28,951)	–	(28,951)	(24,260)	(53,211)
Foreign currency translation differences on monetary item forming part of net investment in foreign operations, net of tax	–	–	(1,257)	–	(1,257)	–	(1,257)
Share of other comprehensive income of associates and joint ventures	–	6	(36,101)	343	(35,752)	134	(35,618)
Total other comprehensive income	–	21,034	(66,309)	343	(44,932)	(24,034)	(68,966)
Total comprehensive income for the year	–	21,034	(66,309)	100,642	55,367	14,512	69,879
Transactions with owners, recognised directly in equity							
Contributions and distributions to owners							
Share-based payment transactions	–	2,980	–	–	2,980	–	2,980
Dividends paid (note 19)	–	–	–	(6,661)	(6,661)	–	(6,661)
Capital injection by non-controlling interests	–	–	–	–	–	137,703	137,703
Return of capital to non-controlling interests	–	–	–	–	–	(66,253)	(66,253)
Purchase of treasury shares	–	(1,021)	–	–	(1,021)	–	(1,021)
Transfer to statutory reserve	–	782	–	(782)	–	–	–
Total contributions and distributions to owners	–	2,741	–	(7,443)	(4,702)	71,450	66,748
Changes in ownership interests in subsidiaries							
Disposal of subsidiary with change in control	–	–	–	–	–	(2,688)	(2,688)
Other capital transactions							
Share of reserves of associate and joint venture	–	23	–	–	23	–	23
Total transactions with owners	–	2,764	–	(7,443)	(4,679)	68,762	64,083
At 31 December 2017	2,208,267	463,554	(66,309)	161,777	2,767,289	1,148,589	3,915,878

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Attributable to owners of the Company						
	Share capital $'000	Other reserves $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2018	2,208,267	463,554	(66,309)	161,777	2,767,289	1,148,589	3,915,878
Total comprehensive income for the year							
Profit for the year	–	–	–	78,055	78,055	131,450	209,505
Other comprehensive income							
Net change in fair value of equity investments, at fair value through other comprehensive income	–	(14,514)	–	–	(14,514)	–	(14,514)
Foreign currency translation differences relating to foreign operations, net of tax	–	–	(44,860)	–	(44,860)	(27,998)	(72,858)
Foreign currency translation differences on monetary item forming part of net investment in foreign operations, net of tax	–	–	(3,522)	–	(3,522)	(2,256)	(5,778)
Share of other comprehensive income of associates and joint ventures	–	543	(43,393)	420	(42,430)	(337)	(42,767)
Total other comprehensive income	–	(13,971)	(91,775)	420	(105,326)	(30,591)	(135,917)
Total comprehensive income for the year	–	(13,971)	(91,775)	78,475	(27,271)	100,859	73,588
Transactions with owners, recognised directly in equity							
Contributions and distributions to owners							
Share-based payment transactions	–	2,929	–	–	2,929	–	2,929
Dividends paid (note 19)	–	–	–	(16,618)	(16,618)	–	(16,618)
Non-reciprocal capital contribution made to a non-wholly-owned subsidiary	–	(1,193)	–	–	(1,193)	1,193	–
Capital injection by non-controlling interests	–	–	–	–	–	21,154	21,154
Purchase of treasury shares	–	(1,956)	–	–	(1,956)	–	(1,956)
Transfer to statutory reserve	–	922	–	(922)	–	–	–
Total contributions and distributions to owners	–	702	–	(17,540)	(16,838)	22,347	5,509
Changes in ownership interests in subsidiaries							
Acquisition of non-controlling interests without change in control	–	9,465	–	–	9,465	(28,246)	(18,781)
Acquisition of subsidiary with non-controlling interests	–	–	–	–	–	4,114	4,114
Disposal of subsidiary with change in control	–	–	–	–	–	(3,930)	(3,930)
Total changes in ownership interests in subsidiaries	–	9,465	–	–	9,465	(28,062)	(18,597)
Total transactions with owners	–	10,167	–	(17,540)	(7,373)	(5,715)	(13,088)
At 31 December 2018	2,208,267	459,750	(158,084)	222,712	2,732,645	1,243,733	3,976,378

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

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit for the year		**209,505**	138,845
Adjustments for:			
Depreciation of property, plant and equipment		**4,684**	679
Bad debts written-off		**–**	88
Amortisation of intangible assets	7	**2,604**	2,604
Change in fair value of investment properties	5	**(309,077)**	(84,695)
Foreign currency exchange (gain)/loss (net)		**(205)**	3,649
Net finance costs	23	**84,400**	49,422
Share of results of associates and joint ventures, net of tax		**(56,279)**	(55,826)
Gain on disposal of partial interest in a subsidiary		**–**	(35,519)
Re-measurement to fair value of:			
– pre-existing equity interest in a subsidiary		**(13,884)**	–
– remaining equity interest in a former subsidiary		**–**	(20,151)
Allowance for doubtful receivables		**–**	19
Equity-settled share-based payment transactions		**2,929**	2,980
Tax expense	24	**82,302**	31,344
		6,979	33,439
Changes in:			
– inventories		**(521)**	–
– development properties		**(30,615)**	(120,897)
– trade and other receivables		**68,251**	(48,381)
– trade and other payables		**(54,720)**	18,193
Cash used in operations		**(10,626)**	(117,646)
Tax paid		**(4,717)**	(4,582)
Net cash used in operating activities		**(15,343)**	(122,228)
Cash flows from investing activities			
Interest received		**5,905**	5,131
Acquisition of subsidiaries, net of cash acquired	28	**(94,379)**	–
Proceeds from partial disposal of interests in subsidiary, net of cash disposed	28	**–**	73,118
Acquisition of plant and equipment		**(12,681)**	(765)
Development expenditure – investment properties		**(71,446)**	(33,824)
Dividends from an associate		**5,555**	6,106
Loans to associates and joint ventures		**(33,594)**	(181,205)
Loans to a related corporation		**(23,554)**	–
Investment in associates and joint ventures		**(105,123)**	(163,417)
Acquisition of other investments		**–**	(3,196)
Dividends from other financial assets		**4,074**	4,072
Net cash used in investing activities		**(325,243)**	(293,980)

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

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flows from financing activities			
Dividends paid to owners of the Company		**(16,618)**	(6,661)
Purchase of treasury shares		**(1,956)**	(1,021)
Proceeds from loans and borrowings		**1,891,360**	910,644
Payment of upfront debt arrangement costs		**(6,944)**	(5,368)
Repayments of loans and borrowings		**(1,293,739)**	(591,586)
Repayment of loan to a former joint venture's shareholder		**(395,730)**	–
Loans from affiliated companies		**142,996**	–
Repayment of loan to an affiliated company		**(30,642)**	–
Loan from a third party		**30,642**	–
Loan from joint venture and associate		**20,428**	20,429
Loan from non-controlling interests		**64,342**	–
Capital injection by non-controlling interests		**21,154**	137,703
Return of capital to non-controlling interests		**–**	(66,253)
Acquisition of non-controlling interests	28	**(18,781)**	–
Interest paid		**(99,543)**	(93,723)
Net cash from financing activities		**306,969**	304,164
Net decrease in cash and cash equivalents		**(33,617)**	(112,044)
Cash and cash equivalents at beginning of the year		**111,678**	226,243
Effect of exchange rate fluctuations on cash held		**(1,205)**	(2,521)
Cash and cash equivalents at end of the year	11	**76,856**	111,678

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

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised by the Board of Directors on 13 March 2019.

1 DOMICILE AND ACTIVITIES

Perennial Real Estate Holdings Limited (the "**Company**") is a company incorporated in the Republic of Singapore and has its registered address at 8 Shenton Way, #36-01, AXA Tower, Singapore 068811.

The consolidated financial statements as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "**Group**" and individually as "**Group entities**") and the Group's interest in equity-accounted investees.

The principal activities of the Group are those of investment holding, real estate investment and development, asset and property management services, and healthcare services.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)**"). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore ("**FRS**"). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 *Financial Instruments* have affected the reported financial position, financial performance and cash flows is provided in note 35.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 3.6 and note 5 – Classification of investment properties
Note 3.1(ii) and note 28 – Recognition of acquisitions as business combinations or asset acquisitions

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

Note 5 – Determination of fair value of investment properties
Note 7 – Impairment test: key assumptions underlying recoverable amounts of cash-generating unit ("**CGU**") containing goodwill
Note 10 – Determination of net realisable value of development properties

2 BASIS OF PREPARATION *(cont'd)*

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

Measurement of fair values

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

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as property valuations, broker quotes or pricing services, is used to measure fair values, then the management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation matters are reported to the Group's Audit and Risk Committee.

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

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

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

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

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

Note 5 – Investment properties
Note 15 – Share-based payment arrangements
Note 26 – Financial instruments

3 SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("**NCI**") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.1 Basis of consolidation *(cont'd)*

(i) Business combinations (cont'd)

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

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Business combinations and property acquisitions

Where a property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

The Group accounts for an acquisition as a business combination when an integrated set of activities is acquired in addition to the property. In determining whether an integrated set of activities is acquired, management considers whether significant processes, such as strategic management and operational processes, are acquired.

When the Group acquires an asset or a group of assets that does not constitute a business, the acquisition is accounted for as asset acquisition. In such cases, the individual identifiable assets acquired and liabilities assumed are recognised. The cost of acquisition is allocated between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. Such transactions do not give rise to goodwill.

(iii) Subsidiaries

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

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

(iv) Acquisition of entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

(v) Loss of control

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

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

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.1 Basis of consolidation *(cont'd)*

(vi) Investments in associates and joint ventures (equity-accounted investees) (cont'd)

Investments in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("**OCI**") of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its investment in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(vii) Transactions eliminated on consolidation

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

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

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

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of an investment in equity securities designated as at fair value through other comprehensive income ("**FVOCI**") (2017: available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss)) are recognised in OCI.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either other income or other operating expenses depending on whether foreign currency movements are in a net gain or net loss position.

(ii) Foreign operations

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

Foreign currency differences are recognised in OCI. Since 1 January 2017, the Group's date of transition to SFRS(I), such differences have been recognised in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

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

(ii) Classification and subsequent measurement

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

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

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

Financial assets at amortised cost

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

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

Debt investments at FVOCI

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

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

Equity investments at FVOCI

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

Financial assets at FVTPL

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.3 Financial instruments *(cont'd)*

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

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

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

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

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

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

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

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

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

Financial assets at FVTPL

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

Financial assets at amortised cost

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

Debt investments at FVOCI

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

Equity investments at FVOCI

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

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

The Group classified non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.3 Financial instruments *(cont'd)*

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

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

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets were recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents, and trade and other receivables, excluding prepayments.

Available-for-sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were designated as available for sale or were not classified in any other categories of financial assets. Available-for-sale financial assets were recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at fair value and changes therein, other than impairment losses, were recognised in OCI and accumulated in the fair value reserve in equity. When these amounts were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Available-for-sale financial assets comprised equity investments.

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

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

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprise loans and borrowings, junior bonds, redeemable preference shares and trade and other payables, excluding deferred income and advanced rental received.

(iii) Derecognition

Financial assets

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

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

Financial liabilities

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

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

(iv) Offsetting

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

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.3 Financial instruments *(cont'd)*

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are recognised as a deduction from equity, net of any tax effects.

Preference share capital

The Group's redeemable preference shares are classified as financial liabilities, because they bear non-discretionary dividends and are redeemable in cash by the holders. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

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

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

(vii) Intra-group financial guarantees in the separate financial statements

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

Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of loss allowance.

Expected credit losses ("**ECLs**") are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement to financial position as 'loans and borrowings'.

Intra-group financial guarantees in the separate financial statements – Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for subsequent measurement, the financial guarantees were measured at the higher of the amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

3.4 Property, plant and equipment

(i) Recognition and measurement

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.4 Property, plant and equipment *(cont'd)*

(i) Recognition and measurement (cont'd)

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

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

• Leasehold land and building	Lease period ranging from 47 to 91 years
• Renovation	3 years or lease term whichever is shorter
• Computer equipment and software	1 – 3 years
• Plant and machinery	5 – 15 years
• Furniture, fittings and equipment	3 – 10 years
• Motor vehicles	10 years

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

3.5 Intangible assets and goodwill

(i) Goodwill

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

Subsequent measurement

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

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated based on the cost of the asset, less its residual value.

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.5 Intangible assets and goodwill *(cont'd)*

(ii) Other intangible assets (cont'd)

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current year and comparative years are as follows:

- Asset management agreements 10 years
- Property management agreements 10 years

Amortisation methods and useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Investment properties

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

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

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

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

Transfer to, or from, investment properties are made where there is a change in use. Examples of evidence of a change in use include:

- commencement of development with a view to sell, for a transfer from investment properties to development properties;
- commencement of leasing activities, for a transfer from development properties to investment properties;
- commencement of owner-occupation, for a transfer from investment properties to property, plant and equipment; and
- end of owner-occupation, for a transfer from property, plant and equipment to investment properties.

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

3.7 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.8 Development properties

Development properties are measured at the lower of cost and net realisable value. Cost includes acquisition costs, development expenditure, capitalised borrowing costs (applicable to performance obligations satisfied at a point in time) and other costs directly attributable to the development activities.

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

When a development property is transferred to investment property, any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.9 Impairment

(i) Non-derivative financial assets and contract assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for ECLs on financial assets measured at amortised costs, contract assets (as defined in SFRS(I) 15) and intra-group financial guarantee contracts ("**FGC**").

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

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

Simplified approach

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

General approach

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

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

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

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

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

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

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

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

Measurement of ECLs

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

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.9 Impairment *(cont'd)*

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

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

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statements of financial position

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

Loss allowances for FGC are recognised as a financial liability to the extent that they exceed the initial carrying amount of the FGC less the cumulated income recognised.

Write-off

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

Policy applicable before 1 January 2018

A financial asset not carried at FVTPL, including an interest in an associate and joint venture, was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

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

Loans and receivables and contract assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.9 Impairment *(cont'd)*

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

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

Loans and receivables and contract assets *(cont'd)*

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss recognised previously in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

(ii) Associates and joint ventures

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

(iii) Non-financial assets

The carrying amount of the Group's non-financial assets, other than investment properties and development properties are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.10 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as employee benefit expense in profit or loss in the periods during which the related services are rendered by employees.

(ii) Short-term employee benefits

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

(iii) Share-based payment transactions

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

3.11 Provisions

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

Levies

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

3.12 Revenue

(i) Rental income

Rental income from investment properties is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period in which they are earned.

(ii) Sale of development properties

Revenue is recognised when control over the property has been transferred to the customer. In respect of a development property where the Group has an enforceable right to payment for performance completed to date, revenue is recognised based on the percentage of completion. The percentage of completion is measured by reference to the work performed, based on the ratio of construction costs incurred to-date to the estimated total construction costs. Profits are recognised only in respect of finalised sales contracts to the extent that such profits relate to the progress of the construction work.

In respect of a development property where the Group has no enforceable right to payment until the property is delivered to the customer, revenue is recognised upon handover of units to the customers.

Revenue is measured at the transaction price agreed under the contract. Progress billings to the customer are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones.

Where the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception.

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.12 Revenue *(cont'd)*

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

(iv) Revenue from real estate management services

Property management and asset management services are provided as a series of distinct good or services that are substantially the same and transferred over time, either separately or in combination as an integrated offering, and are treated as a single performance obligation. Accordingly, the revenue from property management and asset management services is recognised as the service is performed over time.

Revenue from acquisition, divestment and leasing services is recognised upon completion of the service, at a point in time.

3.13 Finance income and finance costs

The Group's finance income and finance costs include interest income and interest expense, recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.14 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provision, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising from the initial recognition of goodwill.

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.14 Tax *(cont'd)*

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.15 Earnings per share

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and directors.

3.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' results are reviewed regularly by the Group's Chief Executive Officer ("**CEO**") (the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire investment properties and development properties.

3.17 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.18 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not effective and have not yet been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in note 36.

4 PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land and building $'000	Renovation $'000	Computer equipment and software $'000	Plant and machinery $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Total $'000
Group								
Cost								
At 1 January 2017		–	822	1,657	171	1,681	250	4,581
Additions		–	154	166	7	223	197	747
Disposals		–	(14)	(30)	(160)	(7)	–	(211)
Written-off		–	–	–	–	(9)	–	(9)
Translation differences		–	(11)	(18)	–	(17)	(5)	(51)
At 31 December 2017		–	951	1,775	18	1,871	442	5,057
At 1 January 2018		–	951	1,775	18	1,871	442	5,057
Acquisition of subsidiaries	28	–	–	102	180	7,913	–	8,195
Additions		–	4,912	2,130	2,721	2,918	–	12,681
Transfer from investment properties	5	218,259	–	–	28,503	33,048	–	279,810
Written-off		–	–	–	–	(49)	–	(49)
Translation differences		–	(108)	(51)	(60)	(46)	(6)	(271)
At 31 December 2018		218,259	5,755	3,956	31,362	45,655	436	305,423
Accumulated depreciation								
At 1 January 2017		–	325	1,236	163	1,186	47	2,957
Depreciation charge for the year		–	245	121	2	274	37	679
Disposals		–	(2)	(30)	(160)	(6)	–	(198)
Written-off		–	–	–	–	(9)	–	(9)
Translation differences		–	(4)	(9)	–	(15)	(1)	(29)
At 31 December 2017		–	564	1,318	5	1,430	83	3,400
At 1 January 2018		–	564	1,318	5	1,430	83	3,400
Depreciation charge for the year		851	627	676	684	1,802	44	4,684
Written-off		–	–	–	–	(49)	–	(49)
Translation differences		–	(14)	(16)	(4)	(21)	(2)	(57)
At 31 December 2018		851	1,177	1,978	685	3,162	125	7,978
Carrying amounts								
At 1 January 2017		–	497	421	8	495	203	1,624
At 31 December 2017		–	387	457	13	441	359	1,657
At 31 December 2018		217,408	4,578	1,978	30,677	42,493	311	297,445

4 PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

	Computer equipment and software $'000	Motor vehicles $'000	Total $'000
Company			
Cost			
At 1 January 2017	–	–	–
Additions	–	197	197
At 31 December 2017	–	197	197
At 1 January 2018	–	197	197
Additions	162	–	162
At 31 December 2018	162	197	359
Accumulated depreciation			
At 1 January 2017	–	–	–
Depreciation charge for the year	–	11	11
At 31 December 2017	–	11	11
At 1 January 2018	–	11	11
Depreciation charge for the year	95	20	115
At 31 December 2018	95	31	126
Carrying amounts			
At 1 January 2017	–	–	–
At 31 December 2017	–	186	186
At 31 December 2018	67	166	233

Transfer from investment properties

During the year, the Group appointed Kempinski Hotels S.A. to operate the Capitol Kempinski Hotel, Singapore. Based on the terms of the management contract, management has assessed that the hotel no longer qualifies as an investment property as the Group retains significant exposure to variations in the cash flows generated by the operations of the hotel. Accordingly, the Group transferred the hotel from investment property to property, plant and equipment.

Security

As at 31 December 2018, leasehold land and building of the Group with a total carrying amount of $217.4 million (2017 and 1 Jan 2017: Nil) were pledged as security for loans and borrowings (see note 12).

5 INVESTMENT PROPERTIES

		Group	
	Note	**2018 $'000**	2017 $'000
At beginning of the year		**1,659,723**	1,371,972
Additions		**84,828**	75,379
Acquisition of subsidiaries	28	**776,510**	–
Transfer to property, plant and equipment	4	**(279,810)**	–
Transfer from development properties		**865,788**	147,616
Change in fair value		**309,077**	84,695
Translation differences		**(66,583)**	(19,939)
At end of the year		**3,349,533**	1,659,723

5 INVESTMENT PROPERTIES *(cont'd)*

Investment properties comprise 5 (2017: 3; 1 Jan 2017: 3) completed commercial properties which are leased to third parties and 3 (2017: 2; 1 Jan 2017: 1) investment properties under development. The leases contain initial lease terms ranging from 1 year to 15 years. Subsequent renewals are negotiated with the lessees.

Contingent rental, based on tenants' turnover, recognised in profit or loss amounted to $4.9 million (2017: $4.3 million).

During the year, borrowing costs capitalised in investment properties under development amounted to $23.1 million (2017: $16.7 million). These borrowing costs were incurred at interest rates ranging from 3.15% – 9.00% (2017: 3.16% – 5.39%) per annum.

Classification of investment properties

In determining whether a property is classified as investment property or development property, the Group determines the business model of the property (see note 3.6 for transfer to, or from, investment properties).

Transfer to property, plant and equipment

During the year, the Group transferred the Capitol Kempinski Hotel, Singapore, from investment property to property, plant and equipment (see note 4).

Transfer from development properties

During the year, following the change in use of two of its properties in Beijing Tongzhou Development Phase 1 ("**Tongzhou Plot 14-1 & 14-2**"), the Group transferred the properties from development properties to investment properties under development.

In 2017, following the change in use of certain properties of Xi'an North High Speed Railway Integrated Development Plot 4 ("**Xi'an Plot 4**"), the Group transferred the properties from development properties to investment properties under development.

Measurement of fair value

The fair value of investment properties is determined by external independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued.

The valuers have considered valuation techniques including the residual method, direct comparison method, capitalisation approach and discounted cash flows method in arriving at the open market value as at the reporting date. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sales prices to that, reflective of the investment properties. The capitalisation approach capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates. The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value.

In deriving residual method of valuation, the estimated gross development costs and developer's profit are deducted from the gross development value to arrive at the residual value of land. The gross development value is the estimated value of the property assuming satisfactory completion of the development as at the date of the valuation. The gross development value is derived based on valuation techniques above.

Changes in fair values are recognised as gains in profit or loss and included in other income. All gains are unrealised.

Fair value hierarchy

As at 31 December 2018, the fair value measurement for the investment properties of $3,349.5 million (2017: $1,659.7 million; 1 Jan 2017: $1,372.0 million) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2.4).

Level 3 fair values

The Level 3 fair value table which shows a reconciliation from the opening to the ending balance is set out in the table above.

5 INVESTMENT PROPERTIES *(cont'd)*

Valuation technique and significant unobservable inputs

The following table shows the Group's valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable input and fair value measurement
Investment properties – Singapore	Capitalisation approach	• Capitalisation rate 4.50% – 5.00% (2017: 4.50%; 1 Jan 2017: 5.00%)	The estimated fair value increases with decreases in the capitalisation rate.
Investment properties – People's Republic of China ("**PRC**")	Capitalisation approach	• Capitalisation rate 5.25% (2017: 5.50%; 1 Jan 2017: Nil)	The estimated fair value increases with decreases in the capitalisation rate.
	Direct comparison	• Average value of RMB9,400 – RMB14,000 (2017: RMB9,100 – RMB9,600; 1 Jan 2017: RMB9,000 – RMB22,000[(1)]) per square metre	The estimated fair value increases with increases in average value of a similar class of assets.
	Discounted cash flow method	• Discount rate 8.00% – 8.75% (2017: 8.50% – 8.75%; 1 Jan 2017: 8.75%) • Terminal yield rate 5.50% – 6.50% (2017: 5.75% – 6.50%; 1 Jan 2017: 6.50%)	The estimated fair value increases with decreases in the discount rate and terminal yield rate.
Investment properties under development – PRC	Capitalisation approach	• Capitalisation rate 3.75% – 5.25% (2017: 6.25%; 1 Jan 2017: 6.50%)	The estimated fair value increases with decreases in the capitalisation rate.
	Direct comparison	• Average value of RMB10,800 – RMB12,800 (2017: RMB12,500 – RMB14,000; 1 Jan 2017: RMB13,000 – RMB13,500) per square metre	The estimated fair value increases with increases in average value of a similar class of assets.
	Discounted cash flow method	• Discount rate 7.25% – 8.75% (2017: 8.25%; 1 Jan 2017: Nil) • Terminal yield rate 4.00% – 5.50% (2017: 5.75%; 1 Jan 2017: Nil)	The estimated fair value increases with decreases in the discount rate and terminal yield rate.

(1) The comparable value of RMB22,000 per square metre was related to an investment property where the external independent valuer adopted the direct comparison method as one of its valuation techniques as at 1 January 2017 but not 31 December 2017.

Security

As at 31 December 2018, investment properties together with land use rights with a total carrying amount of $3,110.8 million (2017: $1,456.2 million; 1 Jan 2017: $1,372.0 million) were pledged as security for loans and borrowings (see note 12) and junior bonds (see note 13).

6 ASSOCIATES AND JOINT VENTURES

	Group		
	2018 $'000	2017 $'000	1 Jan 2017 $'000
Interests in associates	**1,001,693**	792,864	628,691
Interests in joint ventures	**1,401,233**	1,426,345	1,284,278
Loans to associates	**68,748**	235,044	71,998
Loans to joint ventures	**19,837**	17,190	8,562
	2,491,511	2,471,443	1,993,529

Loans to associates and joint ventures as at 1 January 2017 and 31 December 2017 were classified as loans and receivables. On adoption of SFRS(I) 9, the loans are classified as financial assets at amortised cost. Allowance for impairment on these loans on adoption of SFRS(I) 9 is insignificant.

The loans are unsecured, interest-free and have no fixed terms of repayment. The settlement of these loans is neither planned nor likely to occur in the foreseeable future and hence the loans are classified as non-current.

6 ASSOCIATES AND JOINT VENTURES *(cont'd)*

The Group's interests in the associates included investment in junior bonds of $118.6 million and redeemable preference shares of $28.7 million (2017: junior bonds of $118.6 million and redeemable preference shares of $28.7 million; 1 Jan 2017: junior bonds of $49.9 million) which are stapled together with the equity investment of the associates. The junior bonds bear interest at the lower of 10% per annum and excess fund (determined based on the profits for the period before interest on junior bonds).

Associates

The Group has 6 (2017: 6; 1 Jan 2017: 4) associates that are material and a number of associates that are individually immaterial to the Group. The material associates own and develop commercial, retail, hospitality and residential related real estate assets and healthcare services which are aligned to the Group's principal activities. All associates are equity-accounted. The following are material associates:

			Ownership interests held by the Group		
Name of associates	Principal activities	Country of incorporation	**2018 %**	2017 %	1 Jan 2017 %
Nation Mind Development Limited and its subsidiaries[(a)(d)^] ("**Nation Mind**")	Investment holding and property development	Hong Kong	**30.0**	30.0	30.0
Perennial Tongzhou Holdings Pte. Ltd. and its subsidiaries[(b)] ("**Perennial Tongzhou Holdings**")	Investment holding and property development	Singapore	**46.6**	46.6	46.6
Perennial Shenton Investors Pte. Ltd. and its subsidiaries[(b)] ("**Perennial Shenton**")	Investment and property holding	Singapore	**31.2**	31.2	31.2
Perennial Chinatown Point LLP and its subsidiaries[(b)(e)] ("**Chinatown Point**")	Investment and property holding	Singapore	**45.5**	45.5	40.0
Perennial Somerset Investors Pte. Ltd. and its subsidiaries[(a)^] ("**Perennial Somerset**")	Investment and property holding	Singapore	**30.0**	30.0	–[(c)]
Yanlord Perennial Investment (Singapore) Pte. Ltd.[(a)(f)^] ("**YPIS**")	Investment holding	Singapore	**45.0**	45.0	–

(a) Audited by other auditors.

(b) Audited by KPMG LLP, Singapore.

(c) Perennial Somerset was classified as a subsidiary as at 1 January 2017.

(d) Effective interest held by the Group is 20%.

(e) As at 31 December 2017 and 31 December 2018, the Group holds 50.6% effective interest with the same percentage of voting rights of the entity. The entity is considered to be an associate as the Group does not have the ability to direct the relevant activities of the entity.

(f) Effective interest held by the Group is 32.5%.

^ This associate is not considered significant to the Group as defined under the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual. For this purpose, an associated company is considered significant as defined under SGX-ST Listing Manual if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

Acquisition of associates

(i) On 1 March 2018, the Group's associate, YPIS, acquired 19.9% equity interest in WBL Corporation Limited ("**WBL**"), for a cash consideration of $116.1 million. As a result, YPIS's equity interest in WBL increased from 10.0% to 29.9%. The Group has an effective interest of 9.7% in WBL.

The Group recognised a gain on bargain purchase amounting to $21.2 million. The gain is included in the share of results of associates in the consolidated statement of profit or loss. The gain on bargain purchase represents the excess of fair values of the identifiable net assets over total purchase consideration.

(ii) On 3 November 2017, the Group acquired additional 5.4% equity interest in Chinatown Point for a cash consideration of $8.5 million. As a result, the Group's effective interest in Chinatown Point increased from 45.2% to 50.6%.

6 ASSOCIATES AND JOINT VENTURES *(cont'd)*

Associates *(cont'd)*

Acquisition of associates *(cont'd)*

(iii) In 2017, the Group, through its subsidiary, Perennial UW Pte. Ltd., invested in an equity interest of 45.0% in YPIS, an associate at an investment cost of $164.5 million. YPIS acquired 33.7% equity interest in United Engineers Limited ("**UEL**"), for a cash consideration of $567.4 million. The Group had an effective interest of 10.9% in UEL.

The Group recognised a gain on bargain purchase amounting to $26.1 million. The gain was included in the share of results of associates in the consolidated statement of profit or loss. The gain on bargain purchase represented the excess of fair values of the identifiable net assets over total purchase consideration.

The following summarises the financial information of each of the Group's material associates based on their respective (consolidated) financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also analyses, in aggregate, the carrying amount and share of profit or loss and OCI of the remaining individually immaterial associates.

31 December 2018	Nation Mind $'000	Perennial Tongzhou Holdings $'000	Perennial Shenton $'000	Chinatown Point $'000	Perennial Somerset $'000	YPIS $'000	Immaterial associates $'000	Total $'000
Revenue	–	–	50,112	31,717	44,023	–		
(Loss)/Profit after tax	(168)	11	2,011	57,727	184	47,967		
OCI	6,287	(15,148)	–	–	–	(7,723)		
Total comprehensive income	6,119	(15,137)	2,011	57,727	184	40,244		
Attributable to associate's shareholders	6,119	(15,137)	2,011	57,727	184	40,244		
Non-current assets	41	576,772	118,500	477,007	103	874,188		
Current assets	699,470	8,975	1,174,218	37,312	1,131,720	6,568		
Non-current liabilities	(111,241)	–	(825,405)	(296,109)	(709,325)	–		
Current liabilities	(260,443)	(236)	(23,556)	(4,642)	(26,862)	(394,359)		
Net assets	327,827	585,511	443,757	213,568	395,636	486,397		
Attributable to associate's shareholders	327,827	585,511	443,757	213,568	395,636	486,397		
Carrying amount of interest in associate at end of the year	98,348	272,856	138,452	108,142	118,691	218,879		
Group's interest in net assets of associate at beginning of the year	96,512	279,910	137,825	83,453	118,636	30,007	46,521	792,864
Group's share of:								
– (Loss)/Profit after tax	(50)	5	627	29,210	55	21,585	2,059	53,491
– OCI	1,886	(7,059)	–	–	–	(3,475)	(1,221)	(9,869)
Total comprehensive income	1,836	(7,054)	627	29,210	55	18,110	838	43,622
Additions/Acquisitions during the year	–	–	–	–	–	6,300	–	6,300
Capitalisation of loan to associate	–	–	–	–	–	164,462	–	164,462
Dividends received during the year	–	–	–	(4,521)	–	–	(1,034)	(5,555)
Carrying amount of interest in associate at end of the year	98,348	272,856	138,452	108,142	118,691	218,879	46,325	1,001,693

6 ASSOCIATES AND JOINT VENTURES *(cont'd)*

Associates *(cont'd)*

31 December 2017	Nation Mind $'000	Perennial Tongzhou Holdings $'000	Perennial Shenton $'000	Chinatown Point $'000	Perennial Somerset $'000	YPIS $'000	Immaterial associates $'000	Total $'000
Revenue	–	–	77,738	32,488	49,774	–		
(Loss)/Profit after tax	(189)	(352)	10,528	13,765	(1,722)	63,547		
OCI	(27,053)	(13,378)	–	–	–	3,121		
Total comprehensive income	(27,242)	(13,730)	10,528	13,765	(1,722)	66,668		
Attributable to associate's shareholders	(27,242)	(13,730)	10,528	13,765	(1,722)	66,668		
Non-current assets	46	591,298	112,800	429,020	9	699,166		
Current assets	612,867	9,571	1,161,457	34,765	1,117,669	62,552		
Non-current liabilities	(30,928)	–	(812,363)	(295,568)	(692,631)	(365,470)		
Current liabilities	(260,278)	(221)	(20,148)	(3,529)	(29,595)	(329,565)		
Net assets	321,707	600,648	441,746	164,688	395,452	66,683		
Attributable to associate's shareholders	321,707	600,648	441,746	164,688	395,452	66,683		
Carrying amount of interest in associate at end of the year	96,512	279,910	137,825	83,453	118,636	30,007		
Group's interest in net assets of associate at beginning of the year	104,685	286,309	134,540	74,300	–	–	28,857	628,691
Group's share of:								
– (Loss)/Profit after tax	(57)	(164)	3,285	6,780	(516)	28,596	(199)	37,725
– OCI	(8,116)	(6,235)	–	–	–	1,411	(527)	(13,467)
Total comprehensive income	(8,173)	(6,399)	3,285	6,780	(516)	30,007	(726)	24,258
Additions/Acquisitions during the year	–	–	–	8,479	–	–	18,390	26,869
Carrying amount of a partially disposed subsidiary with change of control re-measured as an associate	–	–	–	–	119,152	–	–	119,152
Dividends received during the year	–	–	–	(6,106)	–	–	–	(6,106)
Carrying amount of interest in associate at end of the year	96,512	279,910	137,825	83,453	118,636	30,007	46,521	792,864

6 ASSOCIATES AND JOINT VENTURES *(cont'd)*

Associates *(cont'd)*

1 January 2017	Nation Mind $'000	Perennial Tongzhou Holdings $'000	Perennial Shenton $'000	Chinatown Point $'000	Immaterial associate $'000	Total $'000
Non-current assets	35	604,225	104,035	428,019		
Current assets	592,917	10,333	1,197,480	35,719		
Non-current liabilities	(238,231)	–	(839,415)	(6,706)		
Current liabilities	(5,773)	(179)	(30,882)	(292,460)		
Net assets	348,948	614,379	431,218	164,572		
Group's share of net assets	104,685	286,309	134,540	74,300		
Carrying amount of interest in associate	104,685	286,309	134,540	74,300	28,857	628,691

Joint ventures

The Group has 5 (2017: 5; 1 Jan 2017: 4) joint ventures that are material and a number of joint ventures that are individually immaterial to the Group. The material joint ventures own and develop commercial, retail, hospitality and residential related real estate assets and healthcare services which are aligned to the Group's principal activities. All joint ventures are equity accounted. The following are material joint ventures:

Name of joint ventures	Principal activities	Country of incorporation	Ownership interests held by the Group 2018 %	2017 %	1 Jan 2017 %
Capitol Investment Holdings Pte. Ltd. and its subsidiaries[a] ("**Capitol Singapore**")	Investment and property holding	Singapore	–[d]	50.0	50.0
Chengdu Huifeng Commercial Real Estate Co., Ltd.[b] ("**Chengdu Huifeng**")	Property development	PRC	**50.0**	50.0	50.0
Chengdu Changfeng Real Estate Development Co., Ltd.[b] ("**Chengdu Changfeng**")	Property development	PRC	**50.0**	50.0	50.0
Shenyang Summit Real Estate Development Co., Ltd.[b] ("**Shenyang Summit**")	Investment and property holding	PRC	**50.0**	50.0	50.0
Shanghai Yixian Renshoutang Eldercare Group Co., Ltd. (formerly known as Shanghai RST Chinese Medicine Co., Ltd.)[c]^ ("**Renshoutang**")	Investment holding	PRC	**49.9**	49.9	–
Perennial HC Holdings Pte. Ltd.[a]^ ("**PHCH**")	Investment holding	Singapore	**45.0**	–[e]	–

(a) Audited by KPMG LLP, Singapore.
(b) Audited by other member firms of KPMG International.
(c) Audited by other auditors.
(d) On 8 May 2018, the Group's equity interest in Capitol Singapore increased from 50% to 100% and Capitol Singapore became subsidiaries of the Group from that date (see note 28).
(e) PHCH was incorporated as a subsidiary in 2017.
^ This joint venture is not considered significant to the Group as defined under the SGX-ST Listing Manual. For this purpose, a joint venture company is considered significant as defined under SGX-ST Listing Manual if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

6 ASSOCIATES AND JOINT VENTURES *(cont'd)*

Joint ventures *(cont'd)*

Incorporation and acquisition of joint ventures

(i) During the year, the Group increased its investment in Renshoutang by $29.4 million of which $21.6 million is included in trade and other payables as at 31 December 2018 (see note 16).

(ii) On 3 January 2018, the Group entered into a joint venture agreement to invest in, acquire and develop predominantly healthcare integrated mixed-use developments in China. Pursuant to the agreement, the Group holds 45.0% equity interest in the joint venture, PHCH which was previously incorporated as a subsidiary of the Group. PHCH has an initial committed capital of USD500 million. During the year, the Group invested USD62.3 million (approximately $84.8 million) in PHCH.

(iii) On 31 March 2017, the Group acquired 49.9% equity interest in Renshoutang for a purchase consideration of $130.5 million of which $8.3 million was included in trade and other payables (see note 16). The carrying amount of investment in Renshoutang as at 31 December 2017 included goodwill of $59.4 million. The goodwill represented the excess of total purchase consideration over fair values of the identifiable net assets.

The following summarises the financial information of each of the Group's material joint ventures based on their respective (consolidated) financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also analyses, in aggregate, the carrying amount and share of profit or loss and OCI of the remaining individually immaterial joint ventures.

6 ASSOCIATES AND JOINT VENTURES *(cont'd)*

Joint ventures *(cont'd)*

31 December 2018	Capitol Singapore $'000	Chengdu Huifeng $'000	Chengdu Changfeng $'000	Shenyang Summit $'000	Renshoutang $'000	PHCH $'000	Immaterial joint ventures $'000	Total $'000
Revenue	3,982	–	–	43,420	53,749	–		
(Loss)/Profit after tax[a]	(8,460)	(1)	(468)	23,577	426	(1,151)		
OCI	–	(9,350)	(9,728)	–	(6,506)	1,997		
Total comprehensive income	(8,460)	(9,351)	(10,196)	23,577	(6,080)	846		
Attributable to NCI	–	–	–	–	(165)	–		
Attributable to joint venture's shareholder	(8,460)	(9,351)	(10,196)	23,577	(5,915)	846		
(a) Includes:								
– Depreciation and amortisation	(24)	–	–	(10)	(5,203)	–		
– Interest expense	(9,049)	–	–	–	(4,684)	(218)		
– Tax expense	–	–	(2)	(2,952)	(521)	–		
Non-current assets	758,432	–	391,058	1,683,359	373,938	149,854		
Current assets[b]	299,049	350,445	113,524	179,371	76,142	40,683		
Non-current liabilities[c]	(4,670)	–	(29,689)	(289,441)	(90,248)	–		
Current liabilities[d]	(819,823)	(8)	(110,335)	(49,078)	(42,736)	(1,169)		
Net assets	232,988	350,437	364,558	1,524,211	317,096	189,368		
Attributable to NCI	–	–	–	–	430	–		
Attributable to joint venture's shareholder	232,988	350,437	364,558	1,524,211	316,666	189,368		
Carrying amount of interest in joint venture	116,494	175,218	182,279	762,106	158,016	85,216		
Other adjustments	(116,494)	–	–	–	317	–		
Carrying amount of interest in joint venture at end of the year	–	175,218	182,279	762,106	158,333	85,216		
(b) Includes cash and cash equivalents	–	13	1,603	6,465	10,000	40,669		
(c) Includes non-current financial liabilities (excluding trade and other payables and provisions)	–	–	–	–	(89,464)	–		
(d) Includes current financial liabilities (excluding trade and other payables and provisions)	–	–	–	–	–	–		
Group's interest in net assets of joint venture at beginning of the year	120,724	179,894	187,377	770,634	131,927	–	35,789	1,426,345
Group's share of:								
– (Loss)/Profit after tax	(4,230)	(1)	(234)	11,789	295	(518)	(4,313)	2,788
– OCI	–	(4,675)	(4,864)	(20,317)	(3,249)	899	(692)	(32,898)
Total comprehensive income	(4,230)	(4,676)	(5,098)	(8,528)	(2,954)	381	(5,005)	(30,110)
Additions/Acquisitions during the year	–	–	–	–	29,360	84,835	5,644	119,839
Carrying amount of interest in joint venture acquired as subsidiary	(116,494)	–	–	–	–	–	–	(116,494)
Other adjustments	–	–	–	–	–	–	1,653	1,653
Carrying amount of interest in joint venture at end of the year	–	175,218	182,279	762,106	158,333	85,216	38,081	1,401,233

6 ASSOCIATES AND JOINT VENTURES *(cont'd)*

Joint ventures *(cont'd)*

31 December 2017	Capitol Singapore $'000	Chengdu Huifeng $'000	Chengdu Changfeng $'000	Shenyang Summit $'000	Renshoutang $'000	Immaterial joint ventures $'000	Total $'000
Revenue	14,545	–	–	39,669	32,387		
Profit/(Loss) after tax[a]	386	(5)	15,299	19,537	2,431		
OCI	–	(7,216)	(7,186)	–	–		
Total comprehensive income	386	(7,221)	8,113	19,537	2,431		
Attributable to NCI	–	–	–	–	(99)		
Attributable to joint venture's shareholder	386	(7,221)	8,113	19,537	2,530		
(a) Includes:							
– Depreciation and amortisation	(89)	–	–	(37)	(3,213)		
– Interest expense	(25,803)	–	–	–	–		
– Tax credit/(expense)	1,951	–	(5,316)	(2,935)	(1,239)		
Non-current assets	758,361	–	397,800	1,727,826	342,039		
Current assets[b]	299,770	359,796	115,399	156,700	33,650		
Non-current liabilities[c]	(3,217)	–	(47,253)	(297,527)	(86,732)		
Current liabilities[d]	(813,467)	(8)	(91,192)	(45,731)	(24,527)		
Net assets	241,447	359,788	374,754	1,541,268	264,430		
Attributable to NCI	–	–	–	–	617		
Attributable to joint venture's shareholder	241,447	359,788	374,754	1,541,268	263,813		
Carrying amount of interest in joint venture	120,724	179,894	187,377	770,634	131,643		
Other adjustments	–	–	–	–	284		
Carrying amount of interest in joint venture at end of the year	120,724	179,894	187,377	770,634	131,927		
(b) Includes cash and cash equivalents	36,095	92	645	9,171	15,081		
(c) Includes non-current financial liabilities (excluding trade and other payables and provisions)	–	–	–	–	(85,926)		
(d) Includes current financial liabilities (excluding trade and other payables and provisions)	–	–	–	–	(1,228)		
Group's interest in net assets of joint venture at beginning of the year	120,531	183,505	183,320	775,742	–	21,180	1,284,278
Group's share of:							
– Profit/(Loss) after tax	193	(2)	7,649	9,768	1,265	(772)	18,101
– OCI	–	(3,609)	(3,592)	(14,876)	129	(203)	(22,151)
Total comprehensive income	193	(3,611)	4,057	(5,108)	1,394	(975)	(4,050)
Additions/Acquisitions during the year	–	–	–	–	130,533	14,442	144,975
Other adjustments	–	–	–	–	–	1,142	1,142
Carrying amount of interest in joint venture at end of the year	120,724	179,894	187,377	770,634	131,927	35,789	1,426,345

6 ASSOCIATES AND JOINT VENTURES *(cont'd)*

Joint ventures *(cont'd)*

1 January 2017	Capitol Singapore $'000	Chengdu Huifeng $'000	Chengdu Changfeng $'000	Shenyang Summit $'000	Immaterial joint ventures $'000	Total $'000
Non-current assets	740,937	–	372,290	1,761,990		
Current assets (includes cash and cash equivalents: $51.7 million)	303,669	367,009	121,587	135,491		
Non-current liabilities (includes non-current financial liabilities (excluding trade and other payables and provisions): Nil)	(17,614)	–	(56,980)	(303,557)		
Current liabilities	(785,930)	–	(70,255)	(42,440)		
Net assets	241,062	367,009	366,642	1,551,484		
Group's share of net assets	120,531	183,505	183,320	775,742		
Carrying amount of interest in joint venture	120,531	183,505	183,320	775,742	21,180	1,284,278

As at 31 December 2018, the share in a joint venture was pledged as security for loans and borrowings (see note 12).

7 INTANGIBLE ASSETS AND GOODWILL

Group	Goodwill $'000	Management contracts $'000	Total $'000
Cost			
At 1 January 2017, 31 December 2017 and 31 December 2018	63,155	26,040	89,195
Accumulated amortisation			
At 1 January 2017	–	(5,642)	(5,642)
Amortisation charge for the year	–	(2,604)	(2,604)
At 31 December 2017	–	(8,246)	(8,246)
Amortisation charge for the year	–	(2,604)	(2,604)
At 31 December 2018	–	(10,850)	(10,850)
Carrying amounts			
At 1 January 2017	63,155	20,398	83,553
At 31 December 2017	63,155	17,794	80,949
At 31 December 2018	63,155	15,190	78,345

Amortisation

The amortisation of management contracts is included in administrative expenses.

Impairment testing for CGUs containing goodwill

For the purposes of impairment testing, goodwill has been allocated to the Group's CGU as follows:

Group	**2018 $'000**	2017 $'000	1 Jan 2017 $'000
Management business	**63,155**	63,155	63,155

The recoverable amount of this CGU was based on value in use. Value in use was determined by discounting future cash flows to be generated from the continuing use of CGU based on the most recent forecasts approved by management for next five years.

7 INTANGIBLE ASSETS AND GOODWILL *(cont'd)*

Impairment testing for CGUs containing goodwill *(cont'd)*

The key assumptions used in the estimation of the recoverable amount are set out below.

Group	2018 %	2017 %	1 Jan 2017 %
Discount rate	**10.2 – 11.7**	10.8 – 12.2	9.6 – 13.1
Terminal value growth rate	**3.0**	3.0	3.0 – 5.0
Budgeted EBITDA growth rate	**3.0**	3.0	3.0 – 5.0

The discount rate used was pre-tax and reflected specific risks relating to the management business segment. The cash flow projections included specific estimates for the years and terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated revenue growth for the next five years.

As at 31 December 2018, the carrying amount of the CGU estimated by management exceeded its recoverable amount by an insignificant amount. As at 1 January 2017 and 31 December 2017, management has identified that a reasonably possible change in a key assumption could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which this assumption would need to change for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount	
Group	2017 %	1 Jan 2017 %
Discount rate	1.16	1.10

8 OTHER FINANCIAL ASSETS

	Group and Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000
Equity investments			
– at FVOCI	**72,510**	–	–
– available-for-sale	**–**	87,583	67,214
	72,510	87,583	67,214

Equity investments designated at FVOCI

At 1 January 2018, the Group and Company designated the investments in quoted equity securities as equity investments at FVOCI because these equity investments represent investments that the Group and Company intend to hold for the long-term for strategic purposes. In 2017, these investments were classified as available-for-sale.

Dividend income related to equity investments at FVOCI held at 31 December 2018 amounted to $3.5 million.

No strategic investments were disposed of during 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

The fair value of quoted equity securities is based on quoted bid price.

Equity investments of $71.4 million (2017: $86.2 million; 1 Jan 2017: $66.2 million) are pledged as security to obtain credit facilities (see note 12).

Information about the Group and the Company's exposures to market risks and fair value measurement is included in note 26.

9 TRADE AND OTHER RECEIVABLES

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	**2018 $'000**	2017 $'000	1 Jan 2017 $'000
Trade receivables	**12,252**	7,818	8,671	**1**	–	–
Deposits	**4,070**	4,218	4,854	**280**	284	–
Trade amounts due from:						
– subsidiaries	**–**	–	–	**22,036**	12,124	14,874
– associates	**1,399**	313	4	**2**	8	4
– joint ventures	**5,184**	2,750	2,746	**6**	2	–
Non-trade amounts due from:						
– subsidiaries	**–**	–	–	**40,447**	34,889	37,482
– associates	**13,305**	53,797	8,799	**–**	–	–
– joint ventures	*****	169	–	**–**	–	–
– an affiliated company	**500**	–	36,011	**–**	–	–
– non-controlling interests	**36,423**	36,972	34,111	**–**	–	–
Loans to associates	**23,083**	17,215	16,509	**–**	–	–
Loans to joint ventures	**31,596**	381,660	375,709	**–**	–	–
Loans to a related corporation	**23,554**	–	–	**–**	–	–
Interest receivables	**6,705**	27,630	13,005	**83,836**	52,040	24,032
Other receivables	**44,335**	38,034	28,691	**2,283**	2,693	2,072
	202,406	570,576	529,110	**148,891**	102,040	78,464
Prepayments	**12,435**	16,660	15,169	**60**	227	82
	214,841	587,236	544,279	**148,951**	102,267	78,546
Non-current	**4,211**	14,568	15,786	**–**	–	–
Current	**210,630**	572,668	528,493	**148,951**	102,267	78,546
	214,841	587,236	544,279	**148,951**	102,267	78,546

* amount less than $1,000

Non-trade amounts due from subsidiaries, associates, joint ventures, an affiliated company and non-controlling interests are unsecured, interest-free and repayable on demand.

Loans to associates are unsecured, bear interest rates between 4.35% – 9.00% (2017: 4.35%; 1 Jan 2017: 7.64% – 11.46%) per annum and repayable on demand.

Loans to joint ventures are unsecured, interest-free and repayable on demand. In 2017, loan to a joint venture of $368.6 million (1 Jan 2017: $368.6 million) bore interest rate of 3.50% (1 Jan 2017: 3.50%) per annum. The amount was fully received in 2018.

Loans to a related corporation are unsecured, repayable on demand and interest-free, except for an interest-bearing amount of $22.0 million (2017 and 1 Jan: Nil), which bears interest rate of 5.00% (2017 and 1 Jan: Nil) per annum.

There is no allowance for doubtful debts arising from the non-trade balances with subsidiaries and related parties as the ECL is insignificant.

The Group and the Company's exposure to credit and currency risks, and impairment losses for trade and other receivables are disclosed in note 26.

10 DEVELOPMENT PROPERTIES

	Group		
	2018 $'000	2017 $'000	1 Jan 2017 $'000
Development properties, at cost	1,088,059	1,704,465	2,757,943

Development properties consist of completed commercial properties for sale and land parcels that the Group has intention to develop and sell upon completion. The Group assessed the net realisable value of the completed properties for sale by reference to the recent transacted prices for the property or comparable properties and prevailing property market conditions. The net realisable value of the land parcels was assessed by reference to the gross development value of the properties and estimated costs to complete the development. The assessment of the gross development value involved making certain assumptions, including market rental, capitalisation and discount rates. Changes in market condition may affect the net realisable value of the development properties and accordingly, the carrying value of the development properties may have to be written down in the future periods.

10 DEVELOPMENT PROPERTIES *(cont'd)*

During the year, borrowing costs capitalised in development properties amounted to $3.9 million (2017: $12.8 million). These borrowing costs were incurred at interest rates ranging from 4.55% – 5.15% (2017: 2.01% – 4.90%) per annum.

There were no development properties recognised as 'cost of sales' in 2018 (2017: Nil).

Transfer to investment properties

During the year, the Group transferred Tongzhou Plot 14-1 & 14-2 from development properties to investment properties under development (see note 5).

In 2017, the Group transferred certain properties of Xi'an Plot 4, from development properties to investment properties under development (see note 5).

Security

As at 31 December 2018, development properties with a total carrying amount of $708.0 million (2017: $1,327.4 million; 1 Jan 2017: $2,284.7 million) were pledged as security for loans and borrowings (see note 12) and junior bonds (see note 13).

11 CASH AND CASH EQUIVALENTS

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	**2018 $'000**	2017 $'000	1 Jan 2017 $'000
Cash at bank and in hand	**68,194**	75,238	155,908	**4,582**	6,080	4,963
Short-term deposits	**8,662**	36,440	70,335	**–**	–	–
Cash and cash equivalents in the statements of financial position	**76,856**	111,678	226,243	**4,582**	6,080	4,963

Cash and cash equivalents amounting to $36.9 million (2017: $46.7 million; 1 Jan 2017: $49.0 million) is charged or assigned by way of security for credit facilities granted to the Group (see note 12).

12 LOANS AND BORROWINGS

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	**2018 $'000**	2017 $'000	1 Jan 2017 $'000
Non-current liabilities						
Bank loans (secured)	**1,184,266**	792,352	1,043,495	**36,741**	–	28,408
Bank loans (unsecured)	**313,664**	73,749	49,206	**–**	–	–
Medium term notes (unsecured)	**398,562**	224,349	222,585	**298,777**	–	–
Retail bonds (unsecured)	**279,610**	279,317	577,170	**279,610**	279,317	577,170
	2,176,102	1,369,767	1,892,456	**615,128**	279,317	605,578
Current liabilities						
Bank loans (secured)	**226,493**	325,996	703,062	**–**	37,941	29,125
Bank loans (unsecured)	**410,518**	249,736	120,000	**–**	–	–
Medium term notes (unsecured)	**124,949**	99,952	–	**–**	–	–
Retail bonds (unsecured)	**–**	299,310	–	**–**	299,310	–
	761,960	974,994	823,062	**–**	337,251	29,125

The Group and the Company's exposure to interest rate, foreign currency and liquidity risk are disclosed in note 26.

12 LOANS AND BORROWINGS *(cont'd)*

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate per annum %	Year of maturity	Face value $'000	Carrying amount $'000
Group					
31 December 2018					
Bank loans (secured)	RMB	4.90 – 5.39	2019 – 2027	110,392	110,270
Bank loans (secured)	SGD	2.10 – 4.55	2019 – 2022	1,307,987	1,300,489
Bank loans (unsecured)	SGD	2.51 – 5.11	2019 – 2021	725,080	724,182
Medium term notes (unsecured)[1]	SGD	4.90	2019	125,000	124,949
Medium term notes (unsecured)[1]	SGD	3.85	2020	100,000	99,785
Medium term notes (unsecured)[1]	SGD	3.90	2021	120,000	119,828
Medium term notes (unsecured)[1]	SGD	5.95	2020	180,000	178,949
Retail bonds (unsecured)	SGD	4.55	2020	280,000	279,610
				2,948,459	2,938,062
Company					
31 December 2018					
Bank loans (secured)	SGD	2.89 – 3.20	2021	37,291	36,741
Medium term notes (unsecured)[1]	SGD	3.90	2021	120,000	119,828
Medium term notes (unsecured)[1]	SGD	5.95	2020	180,000	178,949
Retail bonds (unsecured)	SGD	4.55	2020	280,000	279,610
				617,291	615,128
Group					
31 December 2017					
Bank loans (secured)	RMB	4.79 – 5.39	2018 – 2027	353,115	352,956
Bank loans (secured)	SGD	1.49 – 3.76	2018 – 2022	771,461	765,392
Bank loans (unsecured)	SGD	2.31 – 3.69	2018 – 2020	325,800	323,485
Medium term notes (unsecured)[1]	SGD	4.25	2018	100,000	99,952
Medium term notes (unsecured)[1]	SGD	4.90	2019	125,000	124,706
Medium term notes (unsecured)[1]	SGD	3.85	2020	100,000	99,643
Retail bonds (unsecured)	SGD	4.65	2018	300,000	299,310
Retail bonds (unsecured)	SGD	4.55	2020	280,000	279,317
				2,355,376	2,344,761
Company					
31 December 2017					
Bank loans (secured)	SGD	1.49 – 2.91	2018	38,765	37,941
Retail bonds (unsecured)	SGD	4.65	2018	300,000	299,310
Retail bonds (unsecured)	SGD	4.55	2020	280,000	279,317
				618,765	616,568

12 LOANS AND BORROWINGS *(cont'd)*

Terms and debt repayment schedule *(cont'd)*

	Currency	Nominal interest rate per annum %	Year of maturity	Face value $'000	Carrying amount $'000
Group					
1 January 2017					
Bank loans (secured)	RMB	4.90 – 6.15	2017 – 2021	286,531	286,484
Bank loans (secured)	SGD	1.26 – 4.12	2017 – 2019	1,469,199	1,460,073
Bank loans (unsecured)	SGD	2.12 – 4.15	2017 – 2018	170,000	169,206
Medium term notes (unsecured)[1]	SGD	4.25	2018	100,000	99,131
Medium term notes (unsecured)[1]	SGD	4.90	2019	125,000	123,454
Retail bonds (unsecured)	SGD	4.65	2018	300,000	298,278
Retail bonds (unsecured)	SGD	4.55	2020	280,000	278,892
				2,730,730	2,715,518
Company					
1 January 2017					
Bank loans (secured)	SGD	1.26 – 2.83	2017 – 2018	60,400	57,533
Retail bonds (unsecured)	SGD	4.65	2018	300,000	298,278
Retail bonds (unsecured)	SGD	4.55	2020	280,000	278,892
				640,400	634,703

(1) Medium term notes issued by the Company and Perennial Treasury Pte. Ltd., a subsidiary of the Group, under its $2 billion multicurrency debt issuance programme established on 22 January 2015. The notes are unconditionally and irrevocably guaranteed by the Company.

Security

As at 31 December 2018, the bank loans are secured on the following:

- Legal mortgage over certain property, plant and equipment (note 4), the investment properties and land use rights of the investment properties under development (see note 5) and development properties (see note 10);
- First fixed charge over the bank accounts and other assets of certain subsidiaries (see note 11);
- An assignment of all the rights, benefit, title and interest of the Group in relation to the sale and purchase agreements and tenancy agreements (including sale proceeds and rental proceeds) relating to investment properties;
- Assignments of rights under all material agreements and contracts (including tenancy agreements and construction agreements), property management agreement, insurance policies (as applicable);
- First legal mortgage over receivables from investment properties including all rights under, and all proceeds arising from tenancy agreements, sales agreements and property management agreement; and
- Share charges over all the shares in certain subsidiaries and joint venture.

Reconciliation of liabilities arising from financing activities

			Non-cash changes				
	1 January 2017 $'000	Financing cash flows $'000	Disposal of subsidiaries (note 28) $'000	Interest expense $'000	Foreign exchange movement $'000	Other changes $'000	31 December 2017 $'000
Loans and borrowings	2,715,518	313,690[1]	(686,483)	10,025	(5,373)	(2,616)	2,344,761
Interest payables	16,455	(93,723)	(163)	87,514	163	–	10,246
Non-trade amounts due to a joint venture	49,042	20,429	–	–	(823)	(5,635)	63,013

12 LOANS AND BORROWINGS *(cont'd)*

Reconciliation of liabilities arising from financing activities *(cont'd)*

			Non-cash changes			
	1 January 2018 $'000	Financing cash flows $'000	Interest expense $'000	Foreign exchange movement $'000	Other changes $'000	31 December 2018 $'000
Loans and borrowings	2,344,761	590,677[(1)]	7,160	(4,536)	–	2,938,062
Interest payables	10,246	(99,543)	114,127	(216)	(565)	24,049
Non-trade amounts due to a joint venture	63,013	20,428	–	(2,139)	–	81,302
Non-trade amounts due to non-controlling interests	29,742	64,342	–	(2,078)	1,061	93,067
Non-trade amounts due to an affiliated company	–	112,354	–	(2,755)	–	109,599
Non-trade amounts due to a third party	–	30,642	–	(752)	–	29,890

(1) Net proceeds from loans and borrowings, repayment of loans and borrowings, and payment of transaction costs related to loans and borrowings.

13 JUNIOR BONDS

	Group		
	2018 $'000	2017 $'000	1 Jan 2017 $'000
Junior bonds (secured)	**30,000**	30,000	143,977

The junior bonds were issued by certain subsidiaries of the Group (the "**Subsidiaries**").

Terms and debt repayment schedule

				Face value			Carrying amount		
Group	Currency	Nominal interest rate %	Year of maturity	**2018 $'000**	2017 $'000	1 Jan 2017 $'000	**2018 $'000**	2017 $'000	1 Jan 2017 $'000
Junior bonds (secured)	SGD	Lower of 10% per annum and excess fund*	2020	**30,000**	30,000	144,042	**30,000**	30,000	143,977

* Excess fund is determined based on the profits of the Subsidiaries for the year before interest on junior bonds.

Security

The junior bonds are secured on the following but subordinated to senior borrowings of the Subsidiaries:

(i) a legal mortgage over an investment property (see note 5) (2017: an investment property; 1 Jan 2017: an investment property and a development property (see note 10));

(ii) an assignment of the insurance policy relating to an investment property (2017: an investment property; 1 Jan 2017: an investment property and a development property); and

(iii) an assignment of all the rights, benefit, title and interest of the Subsidiaries in relation to the sale and purchase agreements and tenancy agreements (including sale proceeds and rental proceeds) relating to an investment property (2017: an investment property; 1 Jan 2017: an investment property and a development property).

14 REDEEMABLE PREFERENCE SHARES

	Group		
	2018 $'000	2017 $'000	1 Jan 2017 $'000
Redeemable preference shares	–	–	47,613

A previously-owned subsidiary of the Group (the "**Subsidiary**") issued 2,290,000 redeemable preference shares at $41.75 per share. All issued shares are fully paid. The Subsidiary may, at any time, by way of a directors' resolution, redeem the whole or some of the redeemable preference shares, by payment of $41.75 per share ("**Redemption Amount**") upon giving to each holder whose redeemable preference shares to be redeemed a redemption notice. The Subsidiary is obliged to pay, subject to the recommendation of the asset manager, the balance of any distributable profits, after all relevant interest on the secured bank loans and the secured junior bonds have been fully paid and setting aside any amounts that may be required to be reserved for capital expenditure.

The holders of the redeemable preference shares shall not be entitled to vote at any general meeting other than under the following circumstances:

(i) the resolution in question varies the rights attached to the redeemable preference shares; and

(ii) the resolution in question is for the winding-up of the Subsidiary.

The redeemable preference shares shall, in a winding-up of or reduction of capital by the Subsidiary, entitle the holders to full repayment of the Redemption Amount, in priority to any payment to the holders of the ordinary shares in the capital of the Subsidiary.

In 2017, the Group divested 20.2% of its equity interest in the Subsidiary. The remaining equity interest of 30% held by the Group was reclassified as an interest in associate (see notes 6 and 28).

15 SHARE-BASED PAYMENT ARRANGEMENTS

Perennial Employee Share Option Scheme 2014 ("**Perennial ESOS 2014**")

The Perennial ESOS 2014 was approved by shareholders of the Company at an Extraordinary General Meeting held on 10 October 2014.

Under the rules of the Perennial ESOS 2014, all directors (including non-executive and independent directors) and employees of the Company and its subsidiaries are eligible to participate in the Perennial ESOS 2014. Controlling shareholders are also eligible to participate in the Perennial ESOS 2014 subject to the approval of independent shareholders in the form of separate resolutions for each participant.

Under the Perennial ESOS 2014, the option entitles eligible participants to subscribe for ordinary share in the Company at a price equal to the volume-weighted average price of the Company's shares on the SGX-ST for the three consecutive trading days immediately preceding the Date of Grant of that Option ("**Market Price**") or at a discount to the Market Price (up to a maximum 20%).

The maximum number of shares (in respect of the options) that may be granted under the Perennial ESOS 2014, after taking into account of (i) the total number of new shares allotted and issued and/or to be allotted and issued (excluding treasury shares) pursuant to options granted under the Perennial ESOS 2014; and (ii) the total number of shares subject to any other share option or share incentive schemes of the Company, shall not exceed 15% of the total number of issued shares (excluding treasury shares) provided always that all number of shares available to each controlling shareholder or each of their associates shall not exceed 10% of the shares available under the Perennial ESOS 2014.

The Remuneration Committee ("**RC**") is charged with the administration of the Perennial ESOS 2014 in accordance with the rules of the Perennial ESOS 2014. The number of options to be awarded to a participant is dependent on job grade level, performance and criticality to the long-term growth and profitability of the Group.

On 22 March 2018, the Company granted options to certain directors and employees of the Group to subscribe for a total of 23,740,000 shares at $0.87 per share (based on Market Price). All options granted under the Perennial ESOS 2014 are valid for a term of 5 years from the date of their grants and are exercisable in the following manner for eligible participants who have been in employment with more than 12 months services as at date of grant:

- After 1st anniversary of the date of grant – 25% of options granted
- After 2nd anniversary of the date of grant – 25% of options granted
- After 3rd anniversary of the date of grant – 25% of options granted
- After 4th anniversary of the date of grant – 25% of options granted

15 SHARE-BASED PAYMENT ARRANGEMENTS *(cont'd)*

For eligible participants who have been in employment with less than 12 months services as at date of grant:

- After 2nd anniversary of the date of grant – 25% of options granted
- After 3rd anniversary of the date of grant – 25% of options granted
- After 4th anniversary of the date of grant – 25% of options granted
- After 4.5th anniversary of the date of grant – 25% of options granted

In respect of the Perennial ESOS 2014, no participant received option which totalled 5% or more of the total number of shares available under the scheme except as disclosed below:

Name of participant	Options granted during the financial year ended 31/12/2018 '000	Aggregate options granted since the commencement of the scheme to 31/12/2018 '000	Aggregate options exercised since the commencement of the scheme to 31/12/2018 '000	Aggregate options outstanding as at 31/12/2018 '000
Pua Seck Guan	5,100	15,300	–	15,300

No option has been granted with exercise price set at a discount to the Market Price of the shares at the date of grant.

As at 31 December 2018, the total number of outstanding options under the grant was 56,540,000 (2017: 38,330,000; 1 Jan 2017: 16,880,000).

At the end of the financial year, details of the unissued ordinary shares under options are as follows:

Unissued Shares under Perennial ESOS 2014

Date of grant	As at 1/1/2018 '000	No. of options granted during the year '000	No. of options lapsed/ cancelled '000	No. of options exercised '000	As at 31/12/2018 '000	Exercise price per share $	Validity period
15/5/2015	11,290	–	(1,500)	–	9,790	1.07	16/5/2016 – 15/5/2020
8/10/2015	5,100	–	–	–	5,100	0.95	9/10/2016 – 8/10/2020
12/5/2017	21,940	–	(1,950)	–	19,990	0.88	13/5/2018 – 12/5/2022
22/3/2018	–	23,740	(2,080)	–	21,660	0.87	23/3/2019 – 22/3/2023
Total	38,330	23,740	(5,530)	–	56,540		

The number of outstanding options represents 3.40% of the total number of shares issued (excluding treasury shares) as at 31 December 2018 (2017: 2.30%; 1 Jan 2017: 1.01%).

15 SHARE-BASED PAYMENT ARRANGEMENTS *(cont'd)*

Measurement of fair values – Equity-settled share-based payment arrangements

The fair value of the share options is measured using the Binomial Option Pricing Model (2017 and 1 Jan 2017: Black Scholes Simulation Model) which include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour, expected dividends, and the risk-free interest rate (based on government bonds).

The fair values and assumptions are set out below:

Year of grant	2018	2017	2015
Fair value at grant date ($)	**0.128**	0.168	0.226 – 0.247
Share price at grant date ($)	**0.865**	0.880	0.960 – 1.090
Exercise price ($)	**0.870**	0.880	0.950 – 1.070
Expected volatility (%)	**19.16**	19.46	27.2– 27.5
Expected life (years)	**5.0**	5.0	5.0
Expected dividend yield (%)	**1.13**	0.60	1.50
Risk-free interest rate (%)	**2.15**	1.75	1.50 – 1.85

Expense recognised in profit or loss

For details on the related employee benefit expenses, see note 25.

Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options are as follows:

	Weighted-average exercise price per share 2018 $	Number of options 2018 '000	Weighted-average exercise price per share 2017 $	Number of options 2017 '000
Outstanding at the beginning of the year	**0.95**	**38,330**	1.03	16,880
Granted during the year	**0.87**	**23,740**	0.88	22,000
Lapsed/cancelled during the year	**0.93**	**(5,530)**	1.05	(550)
Outstanding at end of the year	**0.92**	**56,540**	0.95	38,330
Exercisable at end of the year	**0.97**	**16,165**	1.03	7,820

The options outstanding at 31 December 2018 have a weighted-average exercise price of $0.92 (2017: $0.95; 1 Jan 2017: $1.03) per share and a weighted-average contractual life of 3.2 (2017: 3.6; 1 Jan 2017: 3.5) years.

16 TRADE AND OTHER PAYABLES

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	**2018 $'000**	2017 $'000	1 Jan 2017 $'000
Trade payables	**8,477**	227	2,825	**–**	–	–
Accrued development expenditures	**75,387**	88,116	57,501	**–**	–	–
Accrued operating expenses	**16,166**	9,793	12,251	**3,523**	3,051	3,078
Interest payables	**24,049**	10,246	16,455	**8,115**	5,340	5,341
Other payables	**63,756**	35,423	25,817	**518**	875	436
Security deposits	**14,453**	10,186	14,669	**–**	–	–
Non-trade amounts due to:						
– a joint venture	**81,302**	63,013	49,042	**–**	–	–
– an associate	**6**	6	–	**–**	–	–
– subsidiaries	**–**	–	–	**598**	75	13,141
– related corporations	**40,620**	73,313	48,211	**–**	–	–
– an affiliated company	**109,599**	–	30,178	**–**	–	–
– non-controlling interests	**93,067**	29,742	29,968	**–**	–	–
– a third party	**29,890**	–	–	**–**	–	–
	556,772	320,065	286,917	**12,754**	9,341	21,996
Deferred income	**–**	–	337	**–**	–	–
Advance rental received	**2,631**	2,669	3,789	**–**	–	–
	559,403	322,734	291,043	**12,754**	9,341	21,996
Non-current	**84,171**	31,773	33,932	**–**	–	–
Current	**475,232**	290,961	257,111	**12,754**	9,341	21,996
	559,403	322,734	291,043	**12,754**	9,341	21,996

Non-trade amounts due to a joint venture are unsecured, bear interest rate at 0.01% (2017: 0.01%; 1 Jan 2017: 0.01%) per annum and repayable on demand.

Non-trade amounts due to an associate, subsidiaries and related corporations are unsecured, interest-free and repayable on demand.

Non-trade amount due to an affiliated company is unsecured, bears interest rate at 5.15% per annum and repayable on demand.

As at 1 January 2017, non-trade amount due to an affiliated company was unsecured, interest-free and repayable on demand. The amount was fully repaid in 2017.

Non-trade amounts due to non-controlling interests consist of the followings:

(i) Loan of $23.2 million (2017: $24.3 million; 1 Jan 2017: $24.8 million) which is unsecured, interest-free and repayable on demand (2017 and 1 Jan 2017: repayable on demand from 2020). As at 31 December 2018, the non-controlling shareholders had undertaken not to demand settlement of the amounts for the next twelve months;

(ii) Loan of $6.2 million (2017: $1.3 million; 1 Jan 2017; $1.4 million) which is unsecured, interest-free and repayable on demand;

(iii) Loan of $58.6 million (2017 and 1 Jan 2017: Nil) which is unsecured, bears interest rate at 5.15% per annum and repayable on demand; and

(iv) The remaining amount of $5.1 million (2017: $4.1 million; 1 Jan 2017: $3.8 million) which is unsecured, interest-free and repayable on demand.

Non-trade amount due to a third party was a loan of $29.9 million (2017 and 1 Jan 2017: Nil) from a third party which was unsecured, bears interest rate at 9.00% per annum and repayable in 2019.

Included in other payables are:

(i) Additional investment of $21.6 million in Renshoutang (2017: deferred purchase consideration of $8.3 million for the acquisition of Renshoutang; 1 Jan 2017: Nil) (see note 6); and

(ii) Retention sums of $13.4 million (2017 and 1 Jan 2017: Nil).

The Group and the Company's exposures to liquidity and market risks relating to trade and other payables are disclosed in note 26.

17 DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Movements in deferred tax liabilities during the year are as follows:

	Balance as at 1/1/2017 $'000	Recognised in profit or loss (note 24) $'000	Foreign exchange differences $'000	Balance as at 31/12/2017 $'000	Recognised in profit or loss (note 24) $'000	Acquisition of subsidiaries (note 28) $'000	Foreign exchange differences $'000	Balance as at 31/12/2018 $'000
Group								
Investment properties	61,375	21,174	(1,176)	81,373	77,185	1,753	(4,145)	156,166

Unrecognised deferred tax liabilities

At 31 December 2018, a deferred tax liability of $1.5 million (2017: $1.1 million; 1 Jan 2017: $0.7 million) for temporary differences of $30.9 million (2017: $21.3 million; 1 Jan 2017: $14.4 million) related to investments in a subsidiary and a joint venture were not recognised because the Group controls the dividend policy of its subsidiaries and is able to veto the payment of dividends of its joint venture – i.e. the Group controls the timing of reversal of the related taxable temporary differences and it is satisfied they will not reverse in the foreseeable future.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item:

	Group		
	2018 $'000	2017 $'000	1 Jan 2017 $'000
Tax losses	**14,635**	5,429	26,717

Tax losses with expiry dates are as follows:

	Group		
	2018 $'000	2017 $'000	1 Jan 2017 $'000
Within 5 years	**14,047**	4,916	7,977

The remaining tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of this item because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

18 SHARE CAPITAL

	Ordinary shares	
	Number of Shares 2018 '000	Number of Shares 2017 '000
Company		
In issue at beginning and end of the year, including treasury shares	**1,665,144**	1,665,144
Less: Treasury shares	**(3,435)**	(1,169)
In issue at end of the year, excluding treasury shares	**1,661,709**	1,663,975

(a) All issued ordinary shares (excluding treasury shares) are fully paid, with no par value. All shares rank equally with regard to the Company's residual assets.

(b) The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meeting of the Company. All rights attached to the treasury shares are suspended until those shares are reissued.

18 SHARE CAPITAL *(cont'd)*

(c) Movement in the Company's treasury shares was as follows:

	Ordinary shares	
	Number of Shares 2018 '000	Number of Shares 2017 '000
Company		
At beginning of the year	1,169	–
Purchase of treasury shares	2,266	1,169
At end of the year	3,435	1,169

19 RESERVES

Other reserves

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	**2018 $'000**	2017 $'000	1 Jan 2017 $'000
Capital reserve	**440,441**	432,169	432,169	**–**	–	–
Fair value reserve	**11,179**	25,580	4,549	**10,825**	25,339	4,549
Equity compensation reserve	**9,005**	6,034	3,038	**9,124**	6,195	3,215
Statutory reserve	**2,102**	792	–	**–**	–	–
Reserve for own shares	**(2,977)**	(1,021)	–	**(2,977)**	(1,021)	–
	459,750	463,554	439,756	**16,972**	30,513	7,764

Capital reserve

Capital reserve comprises mainly the difference between the paid up capital of the shares issued and the fair value of the initial acquisition and reserve arising from the non-reciprocal capital contribution made to a non-wholly-owned subsidiary.

Fair value reserve

Fair value reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI (2017 and 1 Jan 2017: available-for-sale financial assets).

Equity compensation reserve

Equity compensation reserve comprises the cumulative value of employee services received for the issue of the options under the Company's share plan (note 15).

Statutory reserve

Statutory reserve comprises at least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations, allocated to statutory reserve until the cumulative total of the reserve reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The statutory reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

Reserve for own shares

The reserve of the Company's own shares comprises the cost of the Company's share held by the Group. As at 31 December 2018, the Group held 3,435,000 (2017: 1,169,000; 1 Jan 2017: Nil) of the Company's shares.

Foreign currency translation reserve

Foreign currency translation reserve comprises exchange differences arising from the translation of financial statements of foreign operations, share of currency translation reserve of foreign equity-accounted investees and exchange differences on monetary items which form part of the Group's net investment on foreign operations, provided certain conditions are met.

19 RESERVES *(cont'd)*

Dividends

The Board of Directors of the Company has proposed a tax-exempt ordinary dividend of 0.4 Singapore cents per share in respect of the financial year ended 31 December 2018. This would translate to a payout of approximately $6.6 million based on the number of issued shares (excluding treasury shares) as at 31 December 2018. The tax-exempt dividends are subject to shareholders' approval at the forthcoming annual general meeting of the Company and have not been provided for as at 31 December 2018.

For the financial year ended 31 December 2017, a tax-exempt ordinary dividend of 1.0 Singapore cent per share was approved at the annual general meeting held on 24 April 2018. The said dividends of $16.6 million were paid in May 2018.

20 NON-CONTROLLING INTERESTS

The following subsidiaries have non-controlling interests ("**NCI**") that are material to the Group:

		Ownership interests held by NCI		
Name of subsidiaries	Country of incorporation	**2018 %**	2017 %	1 Jan 2017 %
Chengdu Ruifeng Real Estate Development Co., Ltd. ("**Chengdu Ruifeng**")	PRC	**20.0**	20.0	20.0
Xi'an Perennial Cheng Tou West Real Estate Co., Ltd. ("**Xi'an West**")	PRC	**49.0**	49.0	49.0
Xi'an Perennial Cheng Tou East Real Estate Co., Ltd. ("**Xi'an East**")	PRC	**34.3**(1)	49.0	49.0
Perennial Somerset(2)	Singapore	**–**	–	49.8
Perennial (CHIJMES) Pte. Ltd. and its subsidiaries ("**Perennial CHIJMES**")	Singapore	**48.4**	48.4	48.4
Perennial Tongzhou Development Pte. Ltd. and its subsidiaries ("**Perennial Tongzhou Development**")	Singapore	**47.4**	47.4	47.4
Perennial Hengqin Investment Group Pte. Ltd. ("**Perennial Hengqin**")	Singapore	**33.3**	33.3	33.3
Perennial UW Pte. Ltd. ("**Perennial UW**")	Singapore	**27.8**	27.8	–

(1) During the year, the Group acquired 14.7% equity interest in Xi'an East from a non-controlling shareholder.

(2) In 2017, the Group divested 20.2% of its equity interest in Perennial Somerset. The remaining equity interest of 30% held by the Group was reclassified as an interest in associate.

20 NON-CONTROLLING INTERESTS *(cont'd)*

The following summarises the financial information for the above subsidiaries prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	Chengdu Ruifeng $'000	Xi'an West $'000	Xi'an East $'000	Perennial CHIJMES $'000	Perennial Tongzhou Development $'000	Perennial Hengqin $'000	Perennial UW $'000	Other immaterial NCI $'000	Total $'000
31 December 2018									
Revenue	5,821	–	–	13,780	–	–	–		
Profit/(Loss) after tax	15,679	22,253	(311)	408	179,977	1,863	21,578		
OCI	(11,670)	(9,690)	(5,449)	–	(32,979)	52	(3,475)		
Total comprehensive income	4,009	12,563	(5,760)	408	146,998	1,915	18,103		
Attributable to NCI:									
– Profit/(Loss) after tax	5,187	10,904	(125)	197	108,745	604	5,994	(56)	131,450
– OCI	(2,653)	(4,748)	(1,020)	–	(19,787)	17	(965)	(1,435)	(30,591)
Total comprehensive income	2,534	6,156	(1,145)	197	88,958	621	5,029	(1,491)	100,859
Non-current assets	762,544	238,827	103	334,382	1,462,025	167,096	218,879		
Current assets	39,699	159,157	186,532	7,914	577,149	62	693		
Non-current liabilities	(174,301)	(21,130)	–	(259,045)	(440,223)	(23,145)	–		
Current liabilities	(105,497)	(15,005)	(1,136)	(4,844)	(346,076)	(46,297)	(8)		
Net assets	522,445	361,849	185,499	78,407	1,252,875	97,716	219,564		
Net assets attributable to NCI	104,489	177,306	63,626	37,939	750,907	32,572	60,990	15,904	1,243,733
Cash flows from operating activities	(27,941)	(30,515)	(981)	7,872	(3,551)	(6)	(6)		
Cash flows from investing activities	(26,737)	9	6	(829)	(3,461)	22	(6,300)		
Cash flows from financing activities	55,108	24,619	3,207	(7,474)	7,273	(1,729)	5,400		
Net increase/(decrease) in cash and cash equivalents	430	(5,887)	2,232	(431)	261	(1,713)	(906)		

20 NON-CONTROLLING INTERESTS *(cont'd)*

	Chengdu Ruifeng $'000	Xi'an West $'000	Xi'an East $'000	Perennial CHIJMES $'000	Perennial Tongzhou Development $'000	Perennial Hengqin $'000	Perennial UW $'000	Other immaterial NCI $'000	Total $'000
31 December 2017									
Revenue	–	–	–	13,547	–	–	–		
Profit/(Loss) after tax	20,304	42,288	(410)	(82)	(395)	1,373	28,590		
OCI	(6,621)	(4,836)	(3,792)	–	(27,931)	(9,531)	1,405		
Total comprehensive income	13,683	37,452	(4,202)	(82)	(28,326)	(8,158)	29,995		
Attributable to NCI:									
– Profit/(Loss) after tax	9,653	20,721	(201)	(40)	(267)	458	7,942	280	38,546
– OCI	(1,652)	(2,370)	(1,858)	–	(13,231)	(3,177)	390	(2,136)	(24,034)
Total comprehensive income	8,001	18,351	(2,059)	(40)	(13,498)	(2,719)	8,332	(1,856)	14,512
Non-current assets	694,793	203,700	157	334,141	4	167,095	194,469		
Current assets	57,104	153,728	188,276	8,283	1,373,767	1,780	6,998		
Non-current liabilities	(189,355)	(14,184)	–	(258,315)	(201,723)	(73,017)	–		
Current liabilities	(98,685)	(18,577)	(845)	(6,110)	(62,727)	(6)	(6)		
Net assets	463,857	324,667	187,588	77,999	1,109,321	95,852	201,461		
Net assets attributable to NCI	92,771	159,087	91,918	37,741	661,966	31,951	55,961	17,194	1,148,589
Cash flows from operating activities	11,169	(35,608)	(668)	8,315	(82,179)	(5)	–		
Cash flows from investing activities	(50,291)	(23)	(8)	(1,642)	(14)	5	(164,462)		
Cash flows from financing activities	43,771	39,009	–	(8,680)	88	–	165,403		
Net increase/(decrease) in cash and cash equivalents	4,649	3,378	(676)	(2,007)	(82,105)	–	941		

	Chengdu Ruifeng $'000	Xi'an West $'000	Xi'an East $'000	Perennial CHIJMES $'000	Perennial Tongzhou Development $'000	Perennial Hengqin $'000	Perennial UW $'000	Other immaterial NCI $'000	Total $'000
1 January 2017									
Non-current assets	603,736	173	215	14	334,256	4	176,682		
Current assets	5,574	246,133	192,379	1,024,879	10,729	1,427,424	1,795		
Non-current liabilities	(126,235)	–	–	(1,007,897)	(63,908)	(205,768)	(74,463)		
Current liabilities	(59,222)	(875)	(847)	(12,274)	(202,996)	(91,018)	(4)		
Net assets	423,853	245,431	191,747	4,722	78,081	1,130,642	104,010		
Net assets attributable to NCI	84,771	120,261	93,956	2,352	37,781	675,466	34,670	16,058	1,065,315

21 REVENUE

	Group					
	2018			2017		
	Point in time $'000	Over time $'000	Total $'000	Point in time $'000	Over time $'000	Total $'000
Property rental and related income	**–**	**64,005**	**64,005**	–	53,220	53,220
Revenue from real estate management services	**3,327**	**10,929**	**14,256**	11,550	9,735	21,285
	3,327	**74,934**	**78,261**	11,550	62,955	74,505

22 OTHER INCOME

	Group	
	2018 $'000	2017 $'000
Change in fair value of investment properties	**309,077**	84,695
Gain on disposal of partial interest in a subsidiary	**–**	35,519
Re-measurement to fair value of:		
– pre-existing equity interest in a subsidiary	**13,884**	–
– remaining equity interest in a former subsidiary	**–**	20,151
Others	**4,487**	4,506
	327,448	144,871

23 NET FINANCE COSTS

	Group	
	2018 $'000	2017 $'000
Interest income on loans to associates and joint ventures	**4,884**	13,193
Interest income on junior bonds of associates	**5,178**	5,889
Interest income on bank deposits	**2,449**	962
Finance income	**12,511**	20,044
Interest expense on financial liabilities measured at amortised cost	**123,947**	98,976
Less:		
Borrowing costs capitalised in:		
– investment properties	**(23,142)**	(16,666)
– development properties	**(3,894)**	(12,844)
Finance costs	**96,911**	69,466
Net finance costs recognised in profit or loss	**84,400**	49,422

24 TAX EXPENSE

	Note	Group 2018 $'000	Group 2017 $'000
Tax recognised in profit or loss			
Current tax expense			
Current year		**4,992**	9,918
Changes in estimates related to prior years		**125**	252
		5,117	10,170
Deferred tax expense			
Origination and reversal of temporary differences	17	**77,185**	21,174
Total tax expense		**82,302**	31,344
Reconciliation of effective tax rate			
Profit before tax		**291,807**	170,189
Less: Share of results of associates and joint ventures, net of tax		**(56,279)**	(55,826)
		235,528	114,363
Tax using Singapore tax rate of 17% (2017: 17%)		**40,040**	19,442
Effect of tax rates in foreign jurisdictions		**25,327**	8,004
Non-deductible expenses		**15,060**	8,453
Tax exempt income		**(2,777)**	(4,001)
Current year losses for which no deferred tax asset was recognised		**5,029**	178
Changes in estimates related to prior years		**125**	252
Others		**(502)**	(984)
		82,302	31,344

25 PROFIT FOR THE YEAR

The following items have been included in arriving at profit for the year:

	Group 2018 $'000	Group 2017 $'000
Audit fees paid/payable to:		
– auditors of the Company	**716**	631
– other auditors	**66**	61
Non-audit fees paid/payable to:		
– auditors of the Company	**–**	2
Operating lease expense	**847**	796
Direct operating expenses arising from rental of investment properties	**33,718**	21,417
Depreciation and amortisation expense	**7,288**	3,283
Employee benefits expense (see below)	**33,209**	22,416
Employee benefits expense		
Salaries, bonuses and other costs	**27,446**	18,356
Contributions to defined contribution plans	**2,834**	1,080
Equity-settled share-based payment transactions	**2,929**	2,980
	33,209	22,416

26 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risks limits and controls, and to monitor risks and adherence to limits. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit and Risk Committee ("**ARC**") oversees the effectiveness of the compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The ARC is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc review of risk management controls and procedures, the results of which are reported to the ARC.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's receivables from tenants of its operating assets and balances with related parties.

The carrying amounts of financial assets in the statements of financial position represent the Group and the Company's maximum exposures to credit risk, before taking into account any collateral held. The Group and the Company do not hold any collateral in respect of their financial assets, except for balances with tenants where security deposits are obtained.

Risk management policy

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. It is the Group's policy that all tenants are subject to credit verification procedure. Credit evaluations are performed by management before lease agreements are entered into with tenants. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

The maximum exposure to credit risk for trade and other receivables (excluding prepayments) at the reporting date by geographical region and type of counterparty was:

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	**2018 $'000**	2017 $'000	1 Jan 2017 $'000
By geographical areas						
Singapore	**46,722**	394,039	388,221	**148,891**	102,040	78,464
PRC	**136,960**	163,947	133,386	**–**	–	–
Others	**18,724**	12,590	7,503	**–**	–	–
	202,406	570,576	529,110	**148,891**	102,040	78,464
By type of counterparty						
Related parties	**137,293**	486,695	494,052	**146,327**	99,063	76,392
Non-related parties	**65,113**	83,881	35,058	**2,564**	2,977	2,072
	202,406	570,576	529,110	**148,891**	102,040	78,464

26 FINANCIAL INSTRUMENTS *(cont'd)*

Credit risk *(cont'd)*

As at 31 December 2018, the Group's most significant counterparty, an associate of the Group, accounts for $18.8 million (2017 and 1 Jan 2017: a joint venture with $368.6 million) of trade and other receivables carrying amount. Other than balances with related parties, there is no concentration of customer risk at the Company level.

Comparative information under FRS 39

The ageing of trade receivables that were not impaired was as follows:

	Group		Company	
	2017 $'000	1 Jan 2017 $'000	2017 $'000	1 Jan 2017 $'000
Neither past due nor impaired	6,495	6,937	3,166	3,910
Past due 1-30 days	1,054	615	2	–
Past due 31-60 days	205	297	–	–
Past due over 60 days	3,127	3,572	8,966	10,968
	10,881	11,421	12,134	14,878

Expected credit loss assessment as at 1 January and 31 December 2018

Trade receivables

The Group uses an allowance matrix to measure the ECLs of trade receivables.

Loss rates are based actual credit loss experience over the past four years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The exposure to credit risk and ECL for trade receivables as at 31 December 2018 is insignificant.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Group		Company	
	Gross carrying amount $'000	Impairment loss allowance $'000	Gross carrying amount $'000	Impairment loss allowance $'000
Current (not past due)	14,959	–	3,287	–
1 – 30 days past due	2,232	–	–	–
31 – 60 days past due	572	–	–	–
61 – 90 days past due	1,130	(58)	18,758	–
	18,893	(58)	22,045	–

OVERVIEW PERFORMANCE SUSTAINABILITY FINANCIALS APPENDIX

26 FINANCIAL INSTRUMENTS *(cont'd)*

Credit risk *(cont'd)*

Other receivables, loans to subsidiaries, associates and joint ventures

The Group assesses on a forward-looking basis the expected credit losses associated with financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group considers that the credit risk for these counter parties has not increased.

Movements in allowance for impairment in respect of trade and other receivables

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	Group	Company
	Impairment loss allowance $'000	Impairment loss allowance $'000
At 1 January 2017 per FRS 39	732	–
Impairment loss recognised	19	–
Amounts written off	(88)	–
At 31 December 2017 per FRS 39	663	–
At 1 January 2018 per FRS 39 and SFRS(I) 9	663	–
Impairment loss utilised	(605)	–
At 31 December 2018 per SFRS(I) 9	58	–

Cash and cash equivalents

The Group and Company held cash and cash equivalents of $76.9 million and $4.6 million respectively at 31 December 2018 (2017: $111.7 million and $6.1 million; 1 Jan 2017: $226.2 million and $5.0 million), which represent its maximum credit exposure on these assets. The cash and cash equivalents are held with banks with sound credit ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was insignificant.

Liquidity risk

Risk management policy

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group has contractual commitments to incur capital expenditure with regard to its investment properties under development, development properties and investments in joint ventures (see note 33).

As at 31 December 2018, the Group has almost fully utilised its bank facilities. The Group had put in place a $2 billion multicurrency debt issuance programme established on 22 January 2015 (see note 12). As at 31 December 2018, the uncommitted facilities available to the Group under the programme amounted to $1,475.0 million. The Group's ability to settle its liabilities as and when they are due for settlement within the next twelve months is highly dependent on its ability to obtain new credit facilities, renew its existing bank loans or divest its assets as part of its capital recycling strategy.

Subsequent to the reporting date, the Group has obtained new bank facilities totalling $230.0 million.

26 FINANCIAL INSTRUMENTS *(cont'd)*

Liquidity risk *(cont'd)*

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Group				
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	2 to 5 years $'000	More than 5 years $'000
31 December 2018					
Non-derivative financial liabilities					
Loans and borrowings	2,938,062	(3,163,564)	(812,899)	(2,325,303)	(25,362)
Trade and other payables[1]	556,772	(556,966)	(548,231)	(6,996)	(1,739)
Junior bonds	30,000	(31,283)	(1,219)	(30,064)	–
	3,524,834	(3,751,813)	(1,362,349)	(2,362,363)	(27,101)
31 December 2017					
Non-derivative financial liabilities					
Loans and borrowings	2,344,761	(2,572,374)	(1,007,623)	(1,447,757)	(116,994)
Trade and other payables[1]	320,065	(378,083)	(346,405)	(31,678)	–
Junior bonds	30,000	(33,087)	(1,504)	(31,583)	–
	2,694,826	(2,983,544)	(1,355,532)	(1,511,018)	(116,994)

[1] Excludes deferred income and advanced rental received

	Company			
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	2 to 5 years $'000
31 December 2018				
Non-derivative financial liabilities				
Loans and borrowings	615,128	(664,821)	(29,306)	(635,515)
Trade and other payables	12,754	(12,754)	(12,754)	–
	627,882	(677,575)	(42,060)	(635,515)
31 December 2017				
Non-derivative financial liabilities				
Loans and borrowings	616,568	(660,445)	(363,516)	(296,929)
Trade and other payables	9,341	(9,341)	(9,341)	–
	625,909	(669,786)	(372,857)	(296,929)

The maturity analyses show the undiscounted cash flows of the financial liabilities of the Group and the Company on the basis of their earliest possible contractual maturity.

It is not expected that the cash flows included in the maturity analysis above could occur significantly earlier, or at significantly different amounts.

In addition to the above table, the Company has exposure to liquidity risk from financial guarantees issued to certain financial institutions, in respect of banking and securities drawn by its subsidiaries, an associate and a joint venture of $1,323.4 million (2017: subsidiaries, an associate and a joint venture of $1,225.5 million; 1 Jan 2017: subsidiaries of $925.0 million). At reporting date, the Company does not consider that it is probable that a claim will be made against the Company under the financial guarantee contracts. Accordingly, the Company does not expect any net cash outflows resulting from the financial guarantee contracts.

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

When necessary, the Group uses financial instruments such as foreign currency borrowings for the purposes of managing certain financial risks and does not engage in speculation.

26 FINANCIAL INSTRUMENTS *(cont'd)*

Currency risk

Risk management policy

The Group is exposed to currency risk mainly arising from sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk include United States Dollar ("**USD**"), Chinese Renminbi ("**RMB**") and Malaysia Ringgit ("**MYR**").

The Group management monitors the Group's currency risk exposure and does not hedge foreign currency exposure.

The Group's exposure to currency risk is as follows:

	Group		
	USD $'000	RMB $'000	MYR $'000
31 December 2018			
Cash and cash equivalents	434	30	–
Trade and other receivables	11,853	3,552	14,375
Trade and other payables	(1,090)	(42,533)	–
	11,197	(38,951)	14,375
31 December 2017			
Cash and cash equivalents	746	7,076	–
Trade and other receivables	3,562	3,647	8,905
Trade and other payables	(414)	(73,306)	–
	3,894	(62,583)	8,905
1 January 2017			
Cash and cash equivalents	50,141	1,046	–
Trade and other receivables	39,861	6,837	3,563
Trade and other payables	(856)	(48,112)	–
	89,146	(40,229)	3,563

Sensitivity analysis

A reasonable possible strengthening (weakening) of the above currencies against the respective functional currencies of Group entities at the reporting date would have increased (decreased) profit or loss (before any tax effects) by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Group Profit or Loss	
	2018 $'000	2017 $'000
USD (5% strengthening)	**560**	195
RMB (5% strengthening)	**(1,948)**	(3,129)
MYR (5% strengthening)	**719**	445
USD (5% weakening)	**(560)**	(195)
RMB (5% weakening)	**1,948**	3,129
MYR (5% weakening)	**(719)**	(445)

Interest rate risk

Risk management policy

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates.

The Group manages its interest rate exposure by entering into a mixture of fixed rate instruments and variable rate instruments.

26 FINANCIAL INSTRUMENTS *(cont'd)*

Interest rate risk *(cont'd)*

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Note	Group Nominal Amount 2018 $'000	Group Nominal Amount 2017 $'000	Group Nominal Amount 1 Jan 2017 $'000	Company Nominal Amount 2018 $'000	Company Nominal Amount 2017 $'000	Company Nominal Amount 1 Jan 2017 $'000
Fixed rate instruments							
Cash and cash equivalents	11	**8,662**	36,440	70,335	**–**	–	–
Loans and borrowings	12	**(805,000)**	(905,000)	(805,000)	**(580,000)**	(580,000)	(580,000)
		(796,338)	(868,560)	(734,665)	**(580,000)**	(580,000)	(580,000)
Variable rate instruments							
Loans to subsidiaries	32	**–**	–	–	**485,641**	549,323	532,771
Interest in associates – Junior bonds	6	**118,620**	118,620	49,920	**–**	–	–
Cash and cash equivalents	11	**68,194**	75,238	155,908	**4,582**	6,080	4,963
Loans and borrowings	12	**(2,143,459)**	(1,450,376)	(1,925,730)	**(37,291)**	(38,765)	(60,400)
Junior bonds	13	**(30,000)**	(30,000)	(144,042)	**–**	–	–
		(1,986,645)	(1,286,518)	(1,863,944)	**452,932**	516,638	477,334

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at FVTPL. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 10 basis points in the interest rates at the reporting date would have decreased profit or loss (before any tax effects) by $2.0 million (2017: $1.3 million) for the Group and increased profit or loss (before any tax effects) by $0.5 million (2017: $0.5 million) for the Company. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. A decrease of 10 basis points in the interest rates at the reporting date would have had the equal but opposite effect, on the basis that all other variables remain constant.

Other market price risk

Risk management policy

Market price risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

Equity price risk arises from equity investments at FVOCI (2017: available-for-sale). Management monitors its investment portfolio based on its fair value and responds to fluctuation in market prices as and when necessary to optimise the Group's return.

Sensitivity analysis

The Group and the Company are exposed to price changes from its quoted equity securities. If the prices of the investments were to increase/decrease by 10% at the reporting date, fair value reserve would increase/decrease by approximately $7.3 million (2017: $8.8 million).

Capital management

The primary objective of the Group's capital management is to ensure that it maintains an optimal capital structure so as to maximise shareholders' value. Capital consists of all equity.

The Group manages its capital structure and makes adjustments to it, in 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, issue new shares, and obtain new borrowings to leverage on lower cost of borrowings versus the Group's weighted-average cost of capital or divest assets to reduce borrowings.

Management monitors capital based on a set of financial ratios with the primary focus on gearing ratio.

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings less cash and cash equivalents.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 FINANCIAL INSTRUMENTS *(cont'd)*

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value			
Group	Note	Amortised cost $'000	FVOCI – equity instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2018									
Financial assets measured at fair value									
Other financial assets	8	–	72,510	–	72,510	72,510	–	–	72,510
Financial assets not measured at fair value									
Loans to associates and joint ventures	6	88,585	–	–	88,585				
Interest in associates									
– Junior bonds	6	118,620	–	–	118,620				
– Redeemable preference shares	6	28,682	–	–	28,682				
Trade and other receivables[1]	9	202,406	–	–	202,406				
Cash and cash equivalents	11	76,856	–	–	76,856				
		515,149	–	–	515,149				
Financial liabilities not measured at fair value									
Loans and borrowings									
– Secured and unsecured bank loans	12	–	–	(2,134,941)	(2,134,941)				
– Medium term notes	12	–	–	(523,511)	(523,511)	–	(516,655)	–	(516,655)
– Retail bonds	12	–	–	(279,610)	(279,610)	(275,052)	–	–	(275,052)
Trade and other payables[2]	16	–	–	(542,319)	(542,319)				
Security deposits	16	–	–	(14,453)	(14,453)	–	–	(12,870)	(12,870)
Junior bonds	13	–	–	(30,000)	(30,000)	–	–	(30,000)	(30,000)
		–	–	(3,524,834)	(3,524,834)				

26 FINANCIAL INSTRUMENTS *(cont'd)*

Accounting classifications and fair values *(cont'd)*

		Carrying amount				Fair value			
Group	Note	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2017									
Financial assets measured at fair value									
Other financial assets	8	–	87,583	–	87,583	87,583	–	–	87,583
Financial assets not measured at fair value									
Interest in associates									
– Junior bonds	6	118,620	–	–	118,620				
– Redeemable preference shares	6	28,682	–	–	28,682				
Trade and other receivables(1)	9	570,576	–	–	570,576				
Cash and cash equivalents	11	111,678	–	–	111,678				
		829,556	–	–	829,556				
Financial liabilities not measured at fair value									
Loans and borrowings									
– Secured and unsecured bank loans	12	–	–	(1,441,833)	(1,441,833)				
– Medium term notes	12	–	–	(324,301)	(324,301)	–	(328,171)	–	(328,171)
– Retail bonds	12	–	–	(578,627)	(578,627)	(588,592)	–	–	(588,592)
Trade and other payables(2)	16	–	–	(309,879)	(309,879)				
Security deposits	16	–	–	(10,186)	(10,186)	–	–	(9,273)	(9,273)
Junior bonds	13	–	–	(30,000)	(30,000)	–	–	(30,000)	(30,000)
		–	–	(2,694,826)	(2,694,826)				

26 FINANCIAL INSTRUMENTS *(cont'd)*

Accounting classifications and fair values *(cont'd)*

Group	Note	Carrying amount				Fair value			
		Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
1 January 2017									
Financial assets measured at fair value									
Other financial assets	8	–	67,214	–	67,214	67,214	–	–	67,214
Financial assets not measured at fair value									
Interest in associates									
– Junior bonds	6	49,920	–	–	49,920				
Trade and other receivables[1]	9	529,110	–	–	529,110				
Cash and cash equivalents	11	226,243	–	–	226,243				
		805,273	–	–	805,273				
Financial liabilities not measured at fair value									
Loans and borrowings									
– Secured and unsecured bank loans	12	–	–	(1,915,763)	(1,915,763)				
– Medium term notes	12	–	–	(222,585)	(222,585)	–	(225,431)	–	(225,431)
– Retail bonds	12	–	–	(577,170)	(577,170)	(573,800)	–	–	(573,800)
Trade and other payables[2]	16	–	–	(272,248)	(272,248)				
Security deposits	16	–	–	(14,669)	(14,669)	–	–	(14,105)	(14,105)
Junior bonds	13	–	–	(143,977)	(143,977)	–	–	(144,042)	(144,042)
Redeemable preference shares	14	–	–	(47,613)	(47,613)	–	–	(47,613)	(47,613)
		–	–	(3,194,025)	(3,194,025)				

Company	Note	Carrying amount				Fair value			
		Amortised cost $'000	FVOCI – equity instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2018									
Financial assets measured at fair value									
Other financial assets	8	–	72,510	–	72,510	72,510	–	–	72,510
Financial assets not measured at fair value									
Loans to subsidiaries	32	1,802,847	–	–	1,802,847				
Trade and other receivables[1]	9	148,891	–	–	148,891				
Cash and cash equivalents	11	4,582	–	–	4,582				
		1,956,320	–	–	1,956,320				
Financial liabilities not measured at fair value									
Loans and borrowings									
– Secured bank loans	12	–	–	(36,741)	(36,741)				
– Medium term notes	12	–	–	(298,777)	(298,777)	–	(294,815)	–	(294,815)
– Retail bonds	12	–	–	(279,610)	(279,610)	(275,052)	–	–	(275,052)
Trade and other payables	16	–	–	(12,754)	(12,754)				
		–	–	(627,882)	(627,882)				

26 FINANCIAL INSTRUMENTS *(cont'd)*

Accounting classifications and fair values *(cont'd)*

Company	Note	Carrying amount				Fair value			
		Loans and receivables $'000	FVOCI – equity instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2017									
Financial assets measured at fair value									
Other financial assets	8	–	87,583	–	87,583	87,583	–	–	87,583
Financial assets not measured at fair value									
Trade and other receivables[1]	9	102,040	–	–	102,040				
Cash and cash equivalents	11	6,080	–	–	6,080				
		108,120	–	–	108,120				
Financial liabilities not measured at fair value									
Loans and borrowings									
– Secured bank loans	12	–	–	(37,941)	(37,941)				
– Retail bonds	12	–	–	(578,627)	(578,627)	(588,592)	–	–	(588,592)
Trade and other payables	16	–	–	(9,341)	(9,341)				
		–	–	(625,909)	(625,909)				

Company	Note	Carrying amount				Fair value			
		Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
1 January 2017									
Financial assets measured at fair value									
Other financial assets	8	–	67,214	–	67,214	67,214	–	–	67,214
Financial assets not measured at fair value									
Trade and other receivables[1]	9	78,464	–	–	78,464				
Cash and cash equivalents	11	4,963	–	–	4,963				
		83,427	–	–	83,427				
Financial liabilities not measured at fair value									
Loans and borrowings									
– Secured bank loans	12	–	–	(57,533)	(57,533)				
– Retail bonds	12	–	–	(577,170)	(577,170)	(573,800)	–	–	(573,800)
Trade and other payables	16	–	–	(21,996)	(21,996)				
		–	–	(656,699)	(656,699)				

(1) Excludes prepayments

(2) Excludes security deposit, deferred income and advanced rental received

26 FINANCIAL INSTRUMENTS *(cont'd)*

Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and 3 fair values, as well as the significant unobservable inputs used.

Financial instruments not measured at fair value

Type	Valuation technique
Medium term notes	The fair value is determined based on quoted price of the notes in markets that are not active.
Security deposits, junior bonds and redeemable preference shares	Discounted cash flows: The valuation model considers the present value of future principal and interest cash flows, discounted using a risk adjusted discount rate. The discount rate used ranges from 2.73% – 3.76% (2017: 2.23% – 3.81%; 1 Jan 2017: 2.15% – 7.50%).

(ii) Transfers between the levels

There were no transfers between the levels during the year.

27 EARNINGS PER SHARE

	Group	
	2018	2017
Earnings per share (cents)		
Basic	**4.70**	6.02
Diluted	**4.70**	6.02

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and weighted-average number of ordinary shares in issue during the year, calculated as follows:

	Group	
	2018 $'000	2017 $'000
Profit for the year attributable to owners of the Company	**78,055**	100,299

Weighted-average number of ordinary shares

	Group	
	2018 Number of shares '000	2017 Number of shares '000
Issued ordinary shares at beginning of the year	**1,663,975**	1,665,144
Effect of own shares held	**(1,663)**	(61)
Weighted-average number of ordinary shares in issue during the year	**1,662,312**	1,665,083

Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares existing during the year. At 31 December 2018, 56,540,000 (2017: 38,330,000) share options were excluded from the diluted weighted-average number of ordinary shares calculation as their effect would have been anti-dilutive.

28 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property, and together, they are capable of being managed to provide returns to the Group. When the acquisition of a subsidiary does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities.

(A) Business combination

During the year, the following acquisition of the Group has been accounted for as business combination:

On 8 May 2018, the Group acquired 50% equity interest in Capitol Singapore which owns an integrated development, including retail mall, theatre, residential and hotel. As a result, the Group's equity interest in Capitol Singapore increased from 50% to 100%, thereby obtaining control of Capitol Singapore which was previously accounted for as a joint venture.

From the date of acquisition to 31 December 2018, Capitol Singapore contributed revenue of $8.8 million and loss of $22.5 million to the Group's results. If the acquisition had occurred on 1 January 2018, management estimates that the contribution from Capitol Singapore in terms of revenue and loss would have been $12.8 million and $3.9 million respectively. In determining these amounts, management has assumed that the fair value adjustments that arose at the date of acquisition would have been the same if the acquisition had occurred on 1 January 2018.

Consideration transferred

The consideration for the acquisition was $129.6 million and was settled in cash. No contingent consideration was recognised at the date of acquisition.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition, and the effect of cash flows.

	Note	$'000
Property, plant and equipment	4	8,195
Investment properties	5	776,510
Development properties		243,475
Inventories		715
Cash and cash equivalents		35,227
Trade and other receivables		20,347
Deferred tax liabilities	17	(1,753)
Trade and other payables		(822,732)
Total identifiable net assets as at 8 May 2018		259,984
Less: Fair value of pre-existing interest in the acquiree		(130,378)
Total consideration transferred		129,606
Less: Cash and cash equivalents acquired		(35,227)
Net cash outflow		94,379

The re-measurement to fair value of the Group's pre-existing 50% interest in Capitol Singapore resulted in a gain of $13.9 million. This amount has been recognised in other income (see note 22).

(B) Acquisition of non-controlling interests

On 4 June 2018, the Group acquired additional 14.7% equity interest in Xi'an East for a cash consideration of $18.8 million. As a result, the Group's equity interest in Xi'an East increased from 51.0% to 65.7%.

	$'000
Carrying amount of NCI acquired	28,246
Consideration paid	(18,781)
Increase in equity attributable to owners of the Company	9,465

The increase in equity attributable to owners of the Company was recorded in capital reserve.

28 ACQUISITIONS AND DISPOSALS *(cont'd)*

(C) Disposal of a subsidiary

On 31 March 2017, the Group completed the divestment of 20.2% equity interest in Perennial Somerset, which owns TripleOne Somerset. The Group, through its wholly-owned subsidiary, held a 50.2% equity interest in Perennial Somerset. Subsequent to the divestment, the Group retained a 30% equity interest and reclassified the investment as an associate.

Details of the consideration received, net assets disposed of and the effects on the cash flows of the Group, at the disposal date, were as follows:

	$'000
Property, plant and equipment	13
Development properties	999,598
Trade and other receivables	2,524
Cash and cash equivalents	27,036
Loans and borrowings	(686,483)
Trade and other payables	(12,175)
Current tax liabilities	(510)
Net assets as at 31 March 2017	330,003
Net assets disposed	66,660
Realisation of group cost	(2,025)
Gain on disposal of partial interest in a subsidiary	35,519
Total consideration	100,154
Less: Cash and cash equivalents disposed	(27,036)
Net cash inflow	73,118

29 OPERATING SEGMENTS

Management determines the operating segments based on the reports reviewed and used by the Group's CEO for strategic decisions making and resources allocation. For management purposes, the Group is organised into Singapore, China, management businesses and corporate and others.

The China segment comprises mainly large scale integrated mixed use projects which are under development, 2 operational retail malls and 2 operational integrated development as well as contribution from healthcare services. The Singapore segment comprises mainly income producing projects located in downtown civic district, central business district and Orchard Road precinct. Management businesses include asset management, development and/or project management, as well as property management. Other developing markets together with corporate function are included under corporate and others.

Management monitors the operating results of each of its business units for the purpose of making decisions on resource allocation and performance assessment. Performance is measured based on segment earnings before interest and tax ("**EBIT**"). EBIT is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Tax expenses are managed on a group basis and are not allocated to operating segments. Inter-segment pricing is determined on arm's length basis.

29 OPERATING SEGMENTS *(cont'd)*

Information about reportable segments

31 December 2018	Singapore $'000	China $'000	Management businesses $'000	Corporate and others $'000	Eliminations $'000	Total $'000
Revenue:						
Sales to external customers	22,600	41,408	14,063	190	–	78,261
Inter-segment	–	–	8,921	12,728	(21,649)	–
Total revenue	22,600	41,408	22,984	12,918	(21,649)	78,261
Results:						
Segment results	9,463	318,432	5,565	(8,278)	(5,254)	319,928
Share of results of associates and joint ventures, net of tax	46,502	10,622	–	(845)	–	56,279
Net finance cost	(37,728)	(42,771)	612	(5,584)	1,071	(84,400)
Profit before tax						291,807
Tax expense						(82,302)
Profit for the year						209,505
Assets and liabilities:						
Segment assets	1,431,909	3,599,782	232,332	4,459,571	(4,546,882)	5,176,712
Associates and joint ventures	598,400	1,872,813	–	20,298	–	2,491,511
Unallocated assets						2,111
Total assets						7,670,334
Segment liabilities	1,841,550	2,998,858	297,516	726,564	(3,293,653)	2,570,835
Unallocated liabilities						1,123,121
Total liabilities						3,693,956
Capital expenditure	3,527	176,697	1,535	746	–	182,505

29 OPERATING SEGMENTS *(cont'd)*

31 December 2017	Singapore $'000	China $'000	Management businesses $'000	Corporate and others $'000	Eliminations $'000	Total $'000
Revenue:						
Sales to external customers	20,206	33,014	21,125	160	–	74,505
Inter-segment	–	–	8,102	10,882	(18,984)	–
Total revenue	20,206	33,014	29,227	11,042	(18,984)	74,505
Results:						
Segment results	67,130	98,225	15,527	(1,537)	(15,560)	163,785
Share of results of associates and joint ventures, net of tax	38,301	17,890	–	(365)	–	55,826
Net finance cost	(20,091)	(25,533)	13	(6,049)	2,238	(49,422)
Profit before tax						170,189
Tax expense						(31,344)
Profit for the year						138,845
Assets and liabilities:						
Segment assets	741,143	3,639,128	249,850	4,335,443	(4,764,849)	4,200,715
Associates and joint ventures	670,088	1,784,511	–	16,844	–	2,471,443
Unallocated assets						32,576
Total assets						6,704,734
Segment liabilities	1,244,117	2,654,579	277,116	696,258	(3,054,727)	1,817,343
Unallocated liabilities						971,513
Total liabilities						2,788,856
Capital expenditure	7,941	187,608	150	197	–	195,896

30 FINANCIAL GUARANTEE CONTRACTS

Intra-group financial guarantees

Intra-group financial guarantees comprise guarantees given by the Company to banks in respect of banking facilities and securities drawn by subsidiaries, an associate and a joint venture (2017: subsidiaries, an associate and a joint venture). The maximum exposure of the Company is $1,323.4 million (2017: $1,255.5 million). At the reporting date, the Company has not recognised an ECL provision. The Company does not consider it probable that a claim will be made against the Company under the guarantees. The periods in which the financial guarantees will expire are as follows:

	Company	
	2018 $'000	2017 $'000
Within one year	**744,327**	650,273
Between one and five years	**579,112**	605,256
	1,323,439	1,255,529

31 RELATED PARTIES

Key management personnel remuneration

Key management personnel compensation comprised:

	Group	
	2018 $'000	2017 $'000
Salaries, bonuses and other costs	**4,755**	4,514
Contributions to defined contribution plans	**94**	79
Share-based payments	**925**	697
Directors' fees	**420**	420
	6,194	5,710

Other related party transactions

During the financial year, other than as disclosed elsewhere in the financial statements, the following were significant related party transactions based on agreed terms:

	Group	
	2018 $'000	2017 $'000
Associates and joint ventures		
Acquisition fee	**1,274**	–
Consultancy fee income	**–**	5,500
Divestment fee income	**171**	4,317
Leasing fee income	**1,886**	1,732
Property and asset management fee income	**10,051**	8,439
Project management fee income	**684**	1,122

32 SUBSIDIARIES

	Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000
Equity investments, at cost	**834,504**	784,054	783,269
Loans to subsidiaries:			
– Interest-bearing	**485,641**	549,323	532,771
– Interest-free	**1,317,206**	1,359,376	1,426,685
	2,637,351	2,692,753	2,742,725

Loans to subsidiaries as at 1 January 2017 and 31 December 2017 were classified as loans and receivables. On adoption of SFRS(I) 9, the loans are classified as financial assets at amortised cost. Allowance for impairment on these loans on adoption of SFRS(I) 9 is insignificant.

The loans are unsecured, bear interest rates ranging from 2.13% – 6.51% (2017: 2.13% – 5.11%; 1 Jan 2017: 5.07% – 5.24%) per annum and are not expected to be repaid within the next twelve months from 31 December 2018.

As at 31 December 2018, the shares in certain subsidiaries were pledged as security for loans and borrowings (see note 12).

Name of subsidiaries	Country of incorporation	Ownership interests **2018 %**	2017 %	1 Jan 2017 %
Directly held by the Company				
Perennial Treasury Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
Perennial China Retail Trust[1][4]	Singapore	**100.0**	100.0	100.0
Perennial China Investment Holdings Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
Perennial Singapore Investment Holdings Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
Perennial Management Investment Holdings Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
Perennial EM Holdings Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
Perennial Healthcare Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
Directly or indirectly held by Perennial China Retail Trust				
Perennial China Retail Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
– Shenyang Retail 1 (BVI) Limited[2]	British Virgin Islands ("**BVI**")	**100.0**	100.0	100.0
– Shenyang Retail 2 (BVI) Limited[2]	BVI	**100.0**	100.0	100.0
– Perennial (Chengdu) Industries Co., Ltd.[1]	PRC	**100.0**	100.0	100.0
– Perennial Foshan Retail Co., Ltd.[1]	PRC	**100.0**	100.0	100.0
– Chengdu Ruifeng Real Estate Development Co., Ltd.[1]	PRC	**80.0**	80.0	80.0

32 SUBSIDIARIES *(cont'd)*

Name of subsidiaries	Country of incorporation	Ownership interests 2018 %	2017 %	1 Jan 2017 %
Directly or indirectly held by Perennial China Investment Holdings Pte. Ltd.				
Perennial Xi'an Development Holding 1 Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
– Xi'an Perennial Cheng Tou West Real Estate Co., Ltd.[1]	PRC	**51.0**	51.0	51.0
Perennial Xi'an Development Holding 2 Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
– Xi'an Perennial Cheng Tou East Real Estate Co., Ltd.[1]	PRC	**65.7**	51.0	51.0
Perennial Hengqin Investment Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
– Perennial Hengqin Investment Group Pte. Ltd.[1]	Singapore	**66.7**	66.7	66.7
Perennial Tongzhou Development Pte. Ltd.[1][5]	Singapore	**52.6**	52.6	52.6
– Perennial Mei Rong Jia 1 Real Estate (Beijing) Company Limited[1]	PRC	**76.0**	76.0	76.0
– Perennial Mei Rong Jia 2 Real Estate (Beijing) Company Limited[1]	PRC	**76.0**	76.0	76.0
– Perennial Mei Rong Jia 3 Real Estate (Beijing) Company Limited[1]	PRC	**76.0**	76.0	76.0
Perennial Chenghua C Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
Perennial Chenghua D Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
PRE 2 Investments Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
– Guangdong Pengxiang Management Co., Ltd.[2]	PRC	**70.0**	70.0	70.0
Peng Xi (Beijing) Eldercare Co. Ltd.[2]	PRC	**100.0**	100.0	–
PHCH[1]	Singapore	**–**[8]	100.0	–
Directly or indirectly held by Perennial Singapore Investment Holdings Pte. Ltd.				
Perennial (CHIJMES) Pte. Ltd.[1]	Singapore	**51.6**	51.6	51.6
– PRE 8 Investments Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
Perennial Somerset Investors Pte. Ltd.[3]	Singapore	**–**[7]	–[7]	50.2[1]
– Perennial (Somerset) Pte. Ltd.[3]	Singapore	**–**[7]	–[7]	100.0[1]
Perennial (Capitol) Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
New Capitol Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
Capitol Singapore[1]	Singapore	**100.0**	–[9]	–[9]
Perennial TYN Investment Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
Perennial UW Pte. Ltd.[1]	Singapore	**72.2**	72.2	–
PRE 9 Pte. Ltd.[1]	Singapore	**100.0**	100.0	–
PRE 10 Pte. Ltd.[6]	Singapore	**100.0**	–	–
Directly or indirectly held by Perennial Management Investment Holdings Pte. Ltd.				
Perennial Real Estate Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
– Perennial China Retail Trust Management Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
Perennial (Singapore) Asset Management Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
Perennial (Singapore) Retail Management Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
Perennial (China) Retail Management Pte. Ltd.[1]	Singapore	**100.0**	100.0	100.0
– Perennial (Shanghai) Retail Management Co., Ltd.[1]	PRC	**100.0**	100.0	100.0
– Perennial Qiaojian (Guangzhou) Management Co., Ltd.[2]	PRC	**70.0**	–	–
Perennial Healthcare Real Estate Management Pte. Ltd.[1]	Singapore	**100.0**	–	–

32 SUBSIDIARIES *(cont'd)*

Name of subsidiaries	Country of incorporation	Ownership interests 2018 %	2017 %	1 Jan 2017 %
Directly or indirectly held by Perennial EM Holdings Pte. Ltd.				
Skillplus Investments Ltd.(2)	BVI	**55.0**	55.0	55.0
– Perennial Ghana Development Ltd.(3)	Ghana	**100.0**	100.0	100.0
Perennial Penang Pte. Ltd.(1)	Singapore	**100.0**	100.0	100.0
Perennial SL Pte. Ltd.(1)	Singapore	**100.0**	100.0	–
Perennial BSL Pte. Ltd. (formerly known as Perennial V3 Pte. Ltd.)(1)(10)	Singapore	**100.0**	100.0	–
Directly or indirectly held by Perennial Healthcare Pte. Ltd.				
Chengdu Penghong Management Co., Ltd.(2)	PRC	**100.0**	100.0	100.0
Chengdu Pengyi Management Co., Ltd.(3)	PRC	**100.0**	100.0	100.0
Perennial (Shanghai) Health Management Co., Ltd.(2)	PRC	**100.0**	–	–

(1) KPMG LLP is the auditor of all significant Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries. For this purpose, a subsidiary is considered significant as defined under the SGX-ST Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net assets, or if its pre-tax profits account for 20% of more of the Group's consolidated pre-tax profits.

(2) Not subject to audit by law of country of incorporation.

(3) Audited by other auditors.

(4) Includes 2.3% interest indirectly held through Perennial China Retail Trust Management Pte. Ltd..

(5) Includes 13.3% interest indirectly held through Perennial China Retail Trust.

(6) Not subject to audit for financial period ended 31 December 2018.

(7) In 2017, the Group divested 20.2% of its equity interest in Perennial Somerset. The remaining equity interest of 30% held by the Group was reclassified as an interest in associate.

(8) As at 31 December 2018, the Group holds 45.0% equity interest in PHCH and classified PHCH as a joint venture (see note 6).

(9) Capitol Singapore was classified as joint venture as at 1 January 2017 and 31 December 2017 (see note 6).

(10) The subsidiary was transferred from Perennial Singapore Investment Holdings Pte. Ltd. to Perennial EM Holdings Pte. Ltd..

33 COMMITMENTS

At the reporting date, the Group has the following commitments in respect of:

	Group 2018 $'000	2017 $'000
(a) capital and development expenditures contracted but not provided for	**825,091**	854,384
(b) capital contributions in joint ventures	**257,634**	60,503
	1,082,725	914,887

The Group leases out its investment properties (see note 5). The future minimum lease payments under non-cancellable leases are receivable as follows:

	Group 2018 $'000	2017 $'000
Within one year	**51,304**	38,089
Between one and five years	**131,866**	118,200
More than five years	**170,599**	151,384
	353,769	307,673

At the reporting date, the Group has a call option to acquire a 20% equity interest in Aroland Holdings Limited. The call option is exercisable upon confirmation of the execution of redevelopment plans by its owners and will expire on 31 July 2019.

34 EVENTS OCCURRING AFTER THE REPORTING DATE

On 4 January 2019, the Group entered into an investment in Sri Lanka, with 40.0% equity interest of Sri Lankan Rupee 200 million (approximately $1.49 million).

On 14 January 2019, Perennial Healthcare Real Estate Management Pte. Ltd. ("**PHREM**") entered into an agreement with PHCH to undertake asset management activities of PHCH. On the same date, the Group reduced its equity interest in PHREM from 100.0% to 90.0%.

On 25 January 2019, the Group, executed a share transfer agreement for the proposed disposal of its entire 20.0% equity interest in Aidigong to one of its existing shareholders for a consideration of RMB200.7 million (approximately $39.8 million). The proposed disposal is subject to the fulfillment of certain conditions.

On 25 February 2019, the Company granted options to certain directors and employees of the Group to subscribe for a total of 27,719,500 shares at $0.68 per share (based on Market Price) under the Perennial ESOS 2014.

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council issued the Singapore Financial Reporting Standards (International) ("**SFRS(I)**"). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") at 31 December 2017 that are applicable for annual period beginning on 1 January 2018.

As stated in note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property arising from the amendments to IAS 40 – Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value issued by the IASB* in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*

The application of the above standards and interpretations do not have a material effect on the financial statements, except for SFRS(I) 9.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 have affected the Group and the Company's financial position is set out under the summary of quantitative impact and the accompanying notes.

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I) 1 and SFRS(I) 9 on the Group's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018. There were no material adjustments to the Group's statement of profit or loss, statement of comprehensive income and statement of cash flows for the year ended 31 December 2017, and to the Company's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018 arising on transition to SFRS(I).

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS *(cont'd)*

Reconciliation of the Group's equity

Consolidated statement of financial position

		1 January 2017			31 December 2017 and 1 January 2018		
	Note	FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) framework $'000	FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) framework $'000
Non-current assets		3,533,678	–	3,533,678	4,315,923	–	4,315,923
Current assets		3,512,679	–	3,512,679	2,388,811	–	2,388,811
Total assets		7,046,357	–	7,046,357	6,704,734	–	6,704,734
Non-current liabilities		2,179,353	–	2,179,353	1,512,913	–	1,512,913
Current liabilities		1,085,088	–	1,085,088	1,275,943	–	1,275,943
Total liabilities		3,264,441	–	3,264,441	2,788,856	–	2,788,856
Net assets		3,781,916	–	3,781,916	3,915,878	–	3,915,878
Equity							
Share capital		2,208,267	–	2,208,267	2,208,267	–	2,208,267
Other reserves		439,756	–	439,756	463,554	–	463,554
Foreign currency translation reserve	(A)	(39,255)	39,255	–	(105,564)	39,255	(66,309)
Retained earnings	(A)	107,833	(39,255)	68,578	201,032	(39,255)	161,777
Equity attributable to owners of the Company		2,716,601	–	2,716,601	2,767,289	–	2,767,289
Non-controlling interests		1,065,315	–	1,065,315	1,148,589	–	1,148,589
Total equity		3,781,916	–	3,781,916	3,915,878	–	3,915,878

Notes to the reconciliations

(A) SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the new mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

Foreign currency translation reserve ("FCTR")

The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassified the cumulative FCTR of $39.3 million as at 1 January 2017 determined in accordance with FRS to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

By electing this optional exemption, the cumulative FCTR increased by $39.3 million and retained earnings decreased by the same amount as at 31 December 2017.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. The impact upon the adoption of SFRS(I) 15 was insignificant to the Group and as such, the information presented for 2017 has not been restated.

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS *(cont'd)*

SFRS(I) 9

SFRS(I) 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new ECL model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 Financial Instruments: Recognition and Measurement. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 Financial Instruments: Disclosures for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 Financial Instruments: Disclosures relating to items within the scope of FRS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
  - The designation of an equity investment that is not held-for-trading as at FVOCI.

The impact upon adoption of SFRS(I) 9 is described below.

(i) ***Classification of financial assets***

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, see note 3.3(ii).

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS *(cont'd)*

SFRS(I) 9 *(cont'd)*

(i) ***Classification of financial assets*** *(cont'd)*

Group	Note	Original classification under FRS 39	New classification under SFRS(I) 9	Carrying amount under FRS 39 and SFRS(I) 9 $'000
Financial assets				
Other financial assets				
- Equity investments	(a)	Available-for-sale	FVOCI – equity instrument	87,583
Trade and other receivables	(b)	Loans and receivables	Amortised cost	570,576
Cash and cash equivalents	(b)	Loans and receivables	Amortised cost	111,678
Loans to associates	(b)	Loans and receivables	Amortised cost	235,044
Loans to joint venture	(b)	Loans and receivables	Amortised cost	17,190
Total financial assets				1,022,071

(a) These equity investments represent investments that the Group intends to hold for the long-term for strategic purposes. The Group has designated these investments at 1 January 2018 as measured at FVOCI. Unlike FRS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(b) Trade and other receivables, cash and cash equivalents, loans to associates and joint ventures that were classified as loans and receivables under FRS 39 are now classified at amortised cost. No additional allowance for impairment was recognised in opening retained earnings of the Group at 1 January 2018 on transition to SFRS(I) 9.

(ii) ***Impairment of financial assets***

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost, contract assets and intra-group financial guarantee contracts, but not to equity investments.

The impairment methodology under FRS 39 and SFRS(I) 9 for each class of financial assets is different. The amount of the allowance upon the adoption of the new impairment model was insignificant.

36 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. However, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and SFRS(I) 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

36 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED *(cont'd)*

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group is in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements.

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("**ROU**") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group plans to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, any cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

i. The Group as lessee

The Group expects to measure lease liabilities by applying a single discount rate to their portfolio of office leases. Furthermore, the Group is likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group is expected to use hindsight in determining the lease term.

The Group expects their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

ii. The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

Supplemental Information

INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year which fall under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited are as follows:

	Group	
	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)[(1)] S$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)[(1)] S$'000
Entry into joint venture		
Associate of Mr Kuok Khoon Hong	**302,420**	–
Associate of Wilmar International Limited	**302,420**	–
Interest paid/payable in relation to subscription of fixed rate notes		
Associates of Mr Kuok Khoon Hong	**9,420**	–
Associate of Mr Ron Sim	**1,190**	–
Mr Pua Seck Guan	**595**	–

(1) Perennial did not have a shareholders' mandate pursuant to Rule 920 of the Listing Manual of Singapore Exchange Securities Trading Limited.

Directors Seeking Re-election

	Kuok Khoon Hong	Ooi Eng Peng	Pua Seck Guan
Date of Appointment	27 October 2014	28 July 2015	27 October 2014
Date of last re-appointment (if applicable)	25 April 2016	25 April 2016	25 April 2016
Age	69	63	55
Country of principal residence	Singapore	Singapore/Australia	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Nominating Committee, having considered the principles for determination of board size and composition, recommends the re-election and re-appointment of Mr Kuok after assessing his contribution and performance as a director. The Board has endorsed the Nominating Committee's recommendation.	The Nominating Committee, having considered the principles for determination of board size and composition, recommends the re-election and re-appointment of Mr Ooi after assessing his contribution and performance as a director. The Board has endorsed the Nominating Committee's recommendation.	The Nominating Committee, having considered the principles for determination of board size and composition, recommends the re-election and re-appointment of Mr Pua after assessing his contribution and performance as a Director. The Board has endorsed the Nominating Committee's recommendation.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Executive with full oversight of the Company
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chairman, Non-Independent Non-Executive Director and Member of the Remuneration Committee and Executive Committee	Independent Non-Executive Director, Chairman of Audit and Risk Committee and Member of Corporate Disclosure Committee	Executive Director, Chief Executive Officer, Member of Corporate Disclosure Committee and Executive Committee
Professional qualifications	• Bachelor of Business Administration, University of Singapore	• Bachelor of Commerce, University of New South Wales, Australia • Member, Certified Practicing Accountant, Australia	• Master of Science in Civil Engineering, Massachusetts Institute of Technology, United States of America • Bachelor of Science in Building (First Class Honours), National University of Singapore
Working experience and occupation(s) during the past 10 years	Mr Kuok is the Co-Founder, Chairman and Chief Executive Officer of Wilmar International Limited, Asia's leading agribusiness group. He has been involved in the grains, edible oils and oilseeds businesses since 1973 and has extensive experience in the industry.	**2006 to 2010** Chief Executive Officer of Investment Management and Retail Asia for Lend Lease. **2010 to 2011** Chief Executive Officer of Lend Lease Asia	**2016 to current** Chief Operating Officer and Executive Director of Wilmar International Limited **2014 to current** Chief Executive Officer and Executive Director of Perennial Real Estate Holdings Limited **2012 to 2014** Vice Chairman and President of Perennial Real Estate Holdings Pte Ltd **2011 to 2014** Chief Executive Officer and Executive Director of Perennial China Retail Trust Management Pte Ltd, trustee-manager of Perennial China Retail Trust **2009 to 2012** Chief Executive Officer of Perennial Real Estate Pte Ltd **2008 to 2009** Chief Executive Officer of DLF International Holdings Pte Ltd

Directors Seeking Re-election

	Kuok Khoon Hong	Ooi Eng Peng	Pua Seck Guan
Shareholding interest in the listed issuer and its subsidiaries	Yes, deemed interest in 606,120,716 shares in Perennial Real Estate Holdings Limited.	Yes, direct interest in 78,634 shares in Perennial Real Estate Holdings Limited.	Yes, direct interest in 7,423,668 shares and deemed interest in 164,095,626 shares in Perennial Real Estate Holdings Limited.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Kuok is a substantial shareholder of Perennial.	No	Mr Pua is a substantial shareholder of Perennial.
Conflict of interest (including any competing business)	NIL	NIL	NIL
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments* Including Directorships	**Past (for the last 5 years)** • Managing Director of Kuok Oils & Grains Pte Ltd • Director of Perennial China Retail Trust Management Pte Ltd, trustee-manager of Perennial China Retail Trust **Present** • Chairman and Chief Executive Officer of Wilmar International Limited and its group of companies	**Past (for the last 5 years)** • Director of Perennial China Retail Trust Management Pte Ltd, trustee-manager of Perennial China Retail Trust • Director of Frasers (Australia) Pte Ltd, Singapore • Director of Frasers Property Australia Pty Ltd • Director of Rivalea Limited (previously known as Hamsdale Australia Pty Limited) **Present** • Non-Executive Director of Perennial Real Estate Holdings Limited • Chairman of ESR Funds Management (S) Limited (previously known as Cambridge Industrial Trust Management Limited), manager of ESR-REIT (previously known as Cambridge Industrial Trust) • Non-Executive Director of Keppel REIT (Australia) Management Limited	**Past (for the last 5 years)** • Vice Chairman and President of Perennial Real Estate Holdings Pte Ltd • Chief Executive Officer and Executive Director of Perennial China Retail Trust Management Pte Ltd, trustee-manager of Perennial China Retail Trust • Chief Executive Officer of DLF International Pte Ltd • Member of Board of Trustee of International Council of Shopping Centers **Present** • Chief Executive Officer and Executive Director of Perennial Real Estate Holdings Limited • Chief Operating Officer and Executive Director of Wilmar International Limited • Member of Consultative Committee of National University of Singapore Department of Real Estate • Member of Singapore-China Business Council of Singapore Business Federation • Member of Singapore-Sichuan Trade and Investment Committee
Information Required	Please refer to the announcement dated 27 October 2014 in relation to Mr Kuok Khoon Hong's appointment as the Chairman, Non-Independent Non-Executive Director and a Member of the Remuneration Committee of Perennial Real Estate Holdings Limited. There has been (i) no change to Mr Kuok's previous declarations under items (a) to (k) of Appendix 7.4.1 of the Listing Rules; and (ii) all of Mr Kuok's previous declarations have been indicated as a "No".	Please refer to the announcement dated 27 July 2015 in relation to Mr Ooi Eng Peng's appointment as the Independent Non-Executive Director and a Member of the Audit and Risk Committee of Perennial Real Estate Holdings Limited. There has been (i) no change to Mr Ooi's previous declarations under items (a) to (k) of Appendix 7.4.1 of the Listing Rules; and (ii) all of Mr Ooi's previous declarations have been indicated as a "No".	Please refer to the announcement dated 27 October 2014 in relation to Mr Pua Seck Guan's appointment as the Executive Director and Chief Executive Officer of Perennial Real Estate Holdings Limited. There has been (i) no change to Mr Pua's previous declarations under items (a) to (k) of Appendix 7.4.1 of the Listing Rules; and (ii) all of Mr Pua's previous declarations have been indicated as a "No".

* "Principal Commitments" has the same meaning as defined in the Code of Corporate Governance 2018.

Statistics of Shareholdings

As at 4 March 2019

Number of Shares (excluding treasury shares)	:	1,661,709,368
Number of Shareholders	:	6,088
Number/Percentage of treasury shares	:	3,435,000 (0.207%)
Class of Shares	:	Ordinary shares ("**Shares**")
Voting Rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	505	8.30	19,466	0.00
100 – 1,000	699	11.48	350,012	0.02
1,001 – 10,000	2,931	48.14	13,319,226	0.80
10,001 – 1,000,000	1,927	31.65	90,552,299	5.45
1,000,001 and above	26	0.43	1,557,468,365	93.73
Total	6,088	100.00	1,661,709,368	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%*
1	WCA Pte Ltd	333,028,874	20.04
2	Citibank Nominees Singapore Pte Ltd	223,217,195	13.43
3	DB Nominees (Singapore) Pte Ltd	198,609,270	11.95
4	DBS Nominees (Private) Limited	181,241,613	10.91
5	Raffles Nominees (Pte) Limited	121,777,832	7.33
6	HSBC (Singapore) Nominees Pte Ltd	120,979,073	7.28
7	United Overseas Bank Nominees (Private) Limited	103,097,137	6.20
8	DBSN Services Pte Ltd	101,758,100	6.12
9	PSG Holdings Pte Ltd**	63,323,170	3.81
10	OCBC Securities Private Limited	53,482,536	3.22
11	Longhlin Asia Limited	11,747,349	0.71
12	DBS Vickers Securities (Singapore) Pte Ltd	8,004,243	0.48
13	Pua Seck Guan***	7,423,668	0.45
14	Hong Lee Holdings (Pte) Ltd	5,873,412	0.35
15	Toh Tiong Wah	4,259,972	0.26
16	Asdew Acquisitions Pte Ltd	3,464,797	0.21
17	S Nallakaruppan	2,650,219	0.16
18	Heng Siew Eng	2,251,166	0.14
19	UOB Kay Hian Private Limited	2,121,658	0.13
20	Teo Sway Heong	2,059,035	0.12
	Total	1,550,370,319	93.30

* Based on 1,661,709,368 Shares (excluding Shares held as treasury shares) as at 4 March 2019.

** The above shareholding of PSG Holdings Pte Ltd does not include Shares registered in the name of bank nominees for account of PSG Holdings Pte Ltd.

*** The above shareholding of Mr Pua Seck Guan does not include Shares registered in the name of bank nominees for his account.

SHAREHOLDING HELD BY THE PUBLIC

Based on the information available to the Company as at 4 March 2019, approximately 16.04% of the issued Shares of the Company is held by the public, and accordingly, Rule 723 of the Listing Rules of Singapore Exchange Securities Trading Limited has been compiled with.

Statistics of Shareholdings

As at 4 March 2019

INTEREST OF SUBSTANTIAL SHAREHOLDERS

(Recorded in the Register of Substantial Shareholders)

	Direct Interest	Deemed Interest	Total Interest	
Substantial Shareholders	No. of Shares	No. of Shares	No. of Shares	%
Mr Kuok Khoon Hong[(1)]	–	606,120,716	606,120,716	36.48
HPRY Holdings Limited[(2)]	–	464,902,534	464,902,534	27.98
WCA Pte. Ltd.	333,028,874	–	333,028,874	20.04
Wilmar International Limited[(3)]	–	333,028,874	333,028,874	20.04
Mr Ron Sim[(4)]	254,652,664	2,059,035	256,711,699	15.45
PSG Holdings Pte. Ltd.	63,323,170	57,071,100	120,394,270	7.25
Mr Pua Seck Guan[(5)]	7,423,668	164,095,626	171,519,294	10.32

Notes:

(1) Mr Kuok Khoon Hong is deemed to be interested in the Shares held by HPRY Holdings Limited ("**HPRY**"), Hong Lee Holdings (Pte) Ltd, Longhlin Asia Limited, Kuok Hock Swee & Sons Sdn. Bhd., Pearson Investments Limited and Jaygar Holdings Limited, through the trust accounts controlled by him, through Madam Yong Lee Lee (spouse of Mr Kuok Khoon Hong) and through Langton Enterprise Ltd, a company wholly-owned by Madam Yong Lee Lee.

(2) HPRY's deemed interest in the Shares arises from the Shares registered in the name of bank nominees for the account of HPRY.

(3) The deemed interest of Wilmar International Limited ("**Wilmar**") in the Shares arises from its shareholding in WCA Pte. Ltd., a wholly-owned subsidiary of Wilmar.

(4) Mr Ron Sim's direct interest includes the Shares held through bank nominees. Mr Ron Sim is deemed interested in the Shares held by Madam Teo Sway Heong (spouse of Mr Ron Sim).

(5) Mr Pua Seck Guan's deemed interest in the Shares arises from his shareholdings in PSG Holdings Pte. Ltd. and Shares held in the name of bank nominees.

Notice of Annual General Meeting

PERENNIAL REAL ESTATE HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number: 200210338M

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of Perennial Real Estate Holdings Limited (the "**Company**") will be held at Capitol Theatre, 17 Stamford Road, Singapore 178907 on Thursday, 25 April 2019 at 2.30 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018 and the Auditors' Report thereon. — Resolution 1

2. To approve the declaration and payment of a proposed final tax-exempt (one-tier) dividend of 0.4 Singapore cents (FY2017: 1.0 Singapore cent) per ordinary share in respect of the financial year ended 31 December 2018. — Resolution 2

3. To re-elect the following Directors of the Company who are retiring pursuant to Articles 91 and 92 of the Constitution of the Company and who, being eligible, offer themselves for re-election as Directors:

   (a) Mr Kuok Khoon Hong — Resolution 3a

   (b) Mr Ooi Eng Peng — Resolution 3b

   (c) Mr Pua Seck Guan — Resolution 3c

4. To re-appoint KPMG LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. — Resolution 4

5. To approve the payment of Directors' Fees of S$420,000 (FY2017: S$420,000) for the financial year ended 31 December 2018. — Resolution 5

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as Ordinary Resolutions, with or without modifications:

6. **General authority to allot and issue shares in the capital of the Company** — Resolution 6

   That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the Company's Constitution and the Listing Rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), authority be and is hereby given to the Directors of the Company (the "**Directors**") to:

   (a) (i) allot and further issue shares in the capital of the Company (**"Shares"**) whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debenture or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 20% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed (as calculated in accordance with sub-paragraph (2) below):

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Rules of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting ("**AGM**") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

7. **Authority to allot and issue shares under the Perennial Employee Share Option Scheme** Resolution 7

That authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of options under the Perennial Employee Share Option Scheme (the "**Scheme**"), provided always that the aggregate number of shares to be issued pursuant to the Scheme when added to:

(i) the total number of new Shares allotted and issued and/or to be allotted and issued (which for the avoidance of doubt shall exclude treasury shares) pursuant to options granted under the Scheme; and

(ii) the total number of Shares subject to any other share option or share incentive schemes of the Company,

shall not exceed 15% of the total number of issued ordinary Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company on the date preceding the date of grant of any option under the Scheme.

8. **Renewal of Share Buyback Mandate** Resolution 8

That:

(1) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued Shares not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(a) on-market purchase(s) (**"Market Purchase(s)"**) transacted on the SGX-ST through one or more duly licensed dealers appointed by the Company for the purpose; and/or

(b) off-market purchase(s) (**"Off-Market Purchase(s)"**) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) (as defined in Section 76C of the Companies Act) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buyback Mandate**");

(2) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(a) the date on which the next AGM of the Company is held or required by the law to be held;

(b) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied; or

(c) the date on which purchases and acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated;

(3) in this Resolution:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive Market Days on which the Shares are traded on the SGX-ST immediately preceding the date of the Market Purchase(s) by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase(s), and deemed to be adjusted, in accordance with the Listing Rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period;

"**Date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase(s);

"**Maximum Limit**" means that number of issued Shares representing 5% of the total number of issued Shares as at the date of the passing of this Resolution (excluding treasury shares and subsidiary holdings); and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed, in the case of both Market Purchase(s) and Off-Market Purchase(s) of a Share, 105% of the Average Closing Price of the Shares.

(4) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN THAT the Share Transfer Books and Register of Members of the Company will be closed on Friday, 3 May 2019 at 5.00 p.m. for the purpose of determining the Shareholders' entitlements of the proposed final dividend ("**Dividend**") for the financial year ended 31 December 2018.

Duly completed transfers of ordinary shares received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on Friday, 3 May 2019 will be registered to determine shareholders' entitlement to the Dividend. Shareholders (being Depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with the ordinary shares of the Company as at 5.00 p.m. on Friday, 3 May 2019 will be entitled to the Dividend.

The Dividend, if approved at the AGM to be held on Thursday, 25 April 2019, will be paid on Wednesday, 22 May 2019.

By Order of the Board
SIM AI HUA
Company Secretary

3 April 2019
Singapore

EXPLANATORY NOTES:

1. **Ordinary Resolutions 3a, 3b and 3c**

   Mr Kuok Khoon Hong, if re-elected, will continue to serve as the Chairman of the Board of Directors and a Member of the Executive Committee and Remuneration Committee. Mr Kuok Khoon Hong is considered as a Non-Independent Non-Executive Director.

   Mr Ooi Eng Peng, if re-elected, will continue to serve as the Director, Chairman of the Audit & Risk Committee and Member of the Corporate Disclosure Committee. Mr Ooi Eng Peng is considered as an Independent Non-Executive Director.

   Mr Pua Seck Guan, if re-elected, will continue to serve as the Director and Chief Executive Officer and a Member of the Executive Committee and Corporate Disclosure Committee. Mr Pua Seck Guan is considered as an Executive Director.

2. **Ordinary Resolution 6**

   Ordinary Resolution 6, if passed, will empower the Directors, from the date of the AGM until the date of the next AGM of the Company unless such authority is earlier revoked or varied by the shareholders of the Company at a general meeting, to allot and further issue Shares whether by way of rights, bonus or otherwise, and/or make or grant Instruments that might or would require Shares to be issued, and to issue Shares in pursuance of such Instruments, up to a limit of 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, at the time this Resolution is passed, and with a sub-limit of 20% for issues other than on a *pro rata* basis.

3. **Ordinary Resolution 7**

   Ordinary Resolution 7, if passed, will authorise and empower the Directors to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of such options under the Scheme up to an amount not exceeding 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time. This 15% limit includes (1) the Shares which have been allotted and issued pursuant to the exercise of options under the Scheme since the implementation of the Scheme and (2) the total number of Shares subject to any other share option or share incentive schemes of the Company.

4. **Ordinary Resolution 8**

   The Ordinary Resolution 8 proposed above, if passed, will empower the Directors, from the date of the AGM until the next AGM or the date by which the next AGM of the Company is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to purchase or acquire up to 5% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), at prices up to but not exceeding the Maximum Price (as defined above), as at the date of the passing of this Ordinary Resolution 8. Details of the proposed renewal of the Share Buyback Mandate are set out in the appendix to this Notice of AGM dated 3 April 2019 (the "**Appendix**").

   The Company may use its internal resources or external borrowings or a combination of both to finance the purchase or acquisition of its Shares. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as this will depend on the number of the Shares purchased or acquired and the price at which such Shares were purchased or acquired are held in treasury or cancelled.

   Based on the total number of issued and paid-up Shares as at 4 March 2019 (the "**Latest Practicable Date**") and assuming no further Shares are issued, on or prior to the AGM, the purchase by the Company of up to 5% of its Shares will result in the purchase or acquisition of 83,085,468 Shares. Assuming that the Company purchases or acquires 83,085,468 Shares at the Maximum Price, in the case of both Market Purchase(s) and Off-Market Purchase(s), of S$0.7119 for one Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase of 83,085,468 Shares is approximately S$59,148,545.

The financial effects of the purchase or acquisition of Shares by the Company pursuant to the proposed renewal of the Share Buyback Mandate on the Audited Financial Statements of the Company and its subsidiaries for the financial year ended 31 December 2018, based on certain assumptions, are set out in the Appendix and are for illustration purposes only. Please refer to the Appendix for more details.

A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act.

A proxy need not be a member of the Company.

The instrument appointing a proxy or proxies (a form is enclosed) must be deposited at the Share Registrar of the Company, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 72 hours before the time appointed for holding the meeting.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("**AGM**") and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy list, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Proxy Form

PERENNIAL REAL ESTATE HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number: 200210338M

IMPORTANT:

1. Relevant intermediary as defined in Section 181 of the Companies Act, Chapter 50 of Singapore may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF monies to buy shares in Perennial Real Estate Holdings Limited, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 April 2019.
4. **PLEASE READ THE NOTES TO THE PROXY FORM.**

I/We ____

(Name(s) and NRIC Number(s)/Passport Number(s)/Company Registration Number)

of ____ (Address)

being a Member/Members of Perennial Real Estate Holdings Limited (the "**Company**"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/ them, the Chairman of the Annual General Meeting (the "**AGM**"), as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the AGM of the Company to be held at the Capitol Theatre, 17 Stamford Road, Singapore 178907 on Thursday, 25 April 2019, at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specified direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they may on any other matter arising at the AGM.

No.	Resolutions Relating to:	No. of Votes For*	No. of Votes Against*
	ORDINARY BUSINESS		
1	Adoption of the Directors' Statement, Audited Financial Statements and the Auditors' Report thereon		
2	Approval of a final dividend		
3a	Re-election of Director: Mr Kuok Khoon Hong		
3b	Re-election of Director: Mr Ooi Eng Peng		
3c	Re-election of Director: Mr Pua Seck Guan		
4	Re-appointment of KPMG LLP as the Company's Auditors		
5	Approval of Directors' Fees		
	SPECIAL BUSINESS		
6	Authority for Directors to issue Shares and to make or grant convertible instruments		
7	Authority for Directors to issue Shares pursuant to the exercise of options under the Perennial Employee Share Option Scheme		
8	Proposed renewal of the Share Buyback Mandate		

* *Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (✔) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.*

Dated this ________ day of ____________________ 2019

Total number of Shares held (Note 1)

____

Signature(s)/Common Seal of Member(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. If the member has Shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of Shares (as defined in Section 81SF of the Securities and Futures Act, (Cap 289)). If the member has Shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of Shares. If the member has Shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all Shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which the nomination shall be deemed to be alternative.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at the Share Registrar of the Company at Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 72 hours before the time appointed for holding the meeting.
5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the general meeting.
9. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment). In addition, in the case of a member whose Shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 April 2019.

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2nd fold here

Affix
Postage
Stamp

Perennial Real Estate Holdings Limited

c/o The Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623

3rd fold here. Glue all sides firmly. Stapling and spot sealing are disallowed.

Corporate Information

BOARD OF DIRECTORS

Mr Kuok Khoon Hong
Chairman, Non-Independent Non-Executive Director

Mr Ron Sim
Vice-Chairman, Non-Independent Non-Executive Director

Mr Eugene Paul Lai Chin Look
Lead Independent Non-Executive Director

Mr Ooi Eng Peng
Independent Non-Executive Director

Mr Lee Suan Hiang
Independent Non-Executive Director

Mr Chua Phuay Hee
Independent Non-Executive Director

Mr Pua Seck Guan
Chief Executive Officer and Executive Director

BOARD COMMITTEES

Audit and Risk Committee
Mr Ooi Eng Peng (Chairman)
Mr Eugene Paul Lai Chin Look
Mr Lee Suan Hiang
Mr Chua Phuay Hee

Nomination Committee
Mr Lee Suan Hiang (Chairman)
Mr Ron Sim
Mr Eugene Paul Lai Chin Look

Remuneration Committee
Mr Eugene Paul Lai Chin Look (Chairman)
Mr Kuok Khoon Hong
Mr Lee Suan Hiang

Corporate Disclosure Committee
Mr Ooi Eng Peng
Mr Pua Seck Guan

Executive Committee
Mr Kuok Khoon Hong
Mr Ron Sim
Mr Pua Seck Guan

JOINT COMPANY SECRETARIES

Ms Maggie Ma
Ms Sim Ai Hua

INDEPENDENT AUDITOR

KPMG LLP
Public Accountants and Chartered Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

Audit Partner-in-Charge: Ms Karen Lee Shu Pei
(Appointed since 27 October 2014)

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel : (65) 6536 5355
Fax : (65) 6536 1360
Website : www.boardroomlimited.com

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bangkok Bank Public Company Limited
Bank of Chengdu Co Ltd
China Construction Bank Corporation
DBS Bank Ltd
Hong Leong Finance Limited
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

REGISTERED OFFICE

8 Shenton Way
#36-01 AXA Tower
Singapore 068811
Tel : (65) 6602 6800
Fax : (65) 6602 6801
Website : www.perennialrealestate.com.sg

INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS

Ms Tong Ka-Pin
Email : tong.ka-pin@perennialrealestate.com.sg

PLACE OF INCORPORATION

Singapore
Company Registration Number: 200210338M

DATE OF LISTING ON MAINBOARD OF SGX-ST

26 December 2014

Perennial Real Estate Holdings Limited
(Company Registration No.: 200210338M)

8 Shenton Way
#36-01 AXA Tower
Singapore 068811
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Fax : (65) 6602 6801
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