PERENNIAL 鹏瑞利

精益求精
铸就卓越

Refining Strategy
Crafting Distinction

PERENNIAL REAL ESTATE HOLDINGS LIMITED

Annual Report 2019

CONTENTS

The iconic blue and white ceramics from the Ming dynasty (1368-1644) are prized for their timeless craftsmanship and delicate beauty.

Made during an era when porcelain making techniques were refined, perfected and recognised around the world, they are not just important cultural artefacts but also enduring representations of skill and excellence.

Xi'an North HSR Integrated Development

Refining Strategy
Crafting Distinction

2019 is a year defined by Perennial's efforts to recalibrate and strengthen its synergistic portfolio of real estate and healthcare businesses, with the aim of crafting stable and lasting shareholder value. With expertise enriched by experience and strategies shaped by insight, Perennial remains focused on building a strong growth platform through leveraging on its unique and clearly defined business model.

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, Myanmar, Sri Lanka and Ghana with a combined portfolio spanning approximately 68 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, Perennial Tianjin South HSR International Healthcare and Business City and Perennial Kunming South HSR International Healthcare and Business City, 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/or 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.

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、缅甸、斯里兰卡和加纳,物业总建筑面积约6,800万平方尺。

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、鹏瑞利国际健康商旅城 – 天津南站项目和鹏瑞利国际健康商旅城 – 昆明南站项目,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/或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。

FINANCIAL HIGHLIGHTS

REVENUE
(S$'m)

2015*	117.7
2016	110.2
2017	74.5
2018	78.3
2019	124.2

FY2019 revenue increased by 58.7% mainly due to the inclusion of Capitol Singapore and Perennial International Health and Medical Hub (PIHMH)'s revenue for the full 12 months in FY2019 as compared to seven months in FY2018 as well as an increase in revenue from both assets as a result of a ramp-up in operations and higher fee income from management businesses.

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

2015*	144.5
2016	111.2
2017	219.6
2018	376.2
2019	136.0

FY2019 EBIT decreased by 63.8% mainly due to lower fair value gains. Fair value gains at EBIT level were S$68.9m in FY2019 as compared to S$332.3m in FY2018. The decrease was mitigated by divestment gains, higher share of results from associates/joint ventures and fee income.

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

2015*	58.1
2016	35.1
2017	100.3
2018	78.1
2019	3.8

PATMI decreased by 95.1% in FY2019 due to lower fair value gains and higher finance expenses, mitigated by higher share of results from associates/joint ventures, higher management fee income and divestment gains. Finance expenses increased due to higher borrowings to fund new investments and interest expenses of PIHMH being expensed off upon completion of the project.

EARNINGS PER SHARE ("EPS")
(cents)

2015*	3.74
2016	2.11
2017	6.02
2018	4.70
2019	0.23

Lower EPS compared to FY2018's 4.70 cents was a result of lower PATMI.

TOTAL ASSETS
(S$'b)

2015*	6.5
2016	7.0
2017	6.7
2018	7.7
2019	7.6

FY2019 total assets decreased by 1.5% due mainly to disposal of certain associated companies and financial asset during the year, partially offset by new investments as well as increased investments into a joint venture, higher cash balances and receivables from a joint venture.

DIVIDEND PER SHARE
(cents)

2015*	0.4
2016	0.4
2017	1.0
2018	0.4
2019	0.2

Proposed dividend of 0.2 cents per share for FY2019.

GEARING RATIO
(times)

2015*	0.45
2016	0.66
2017	0.57
2018	0.72
2019	0.74

Net gearing increased from 31 December 2018's net gearing of 0.72x due to new loans to fund investments, coupled with a reduction in equity due to foreign currency translation losses arising from the depreciation of RMB against the SGD.

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

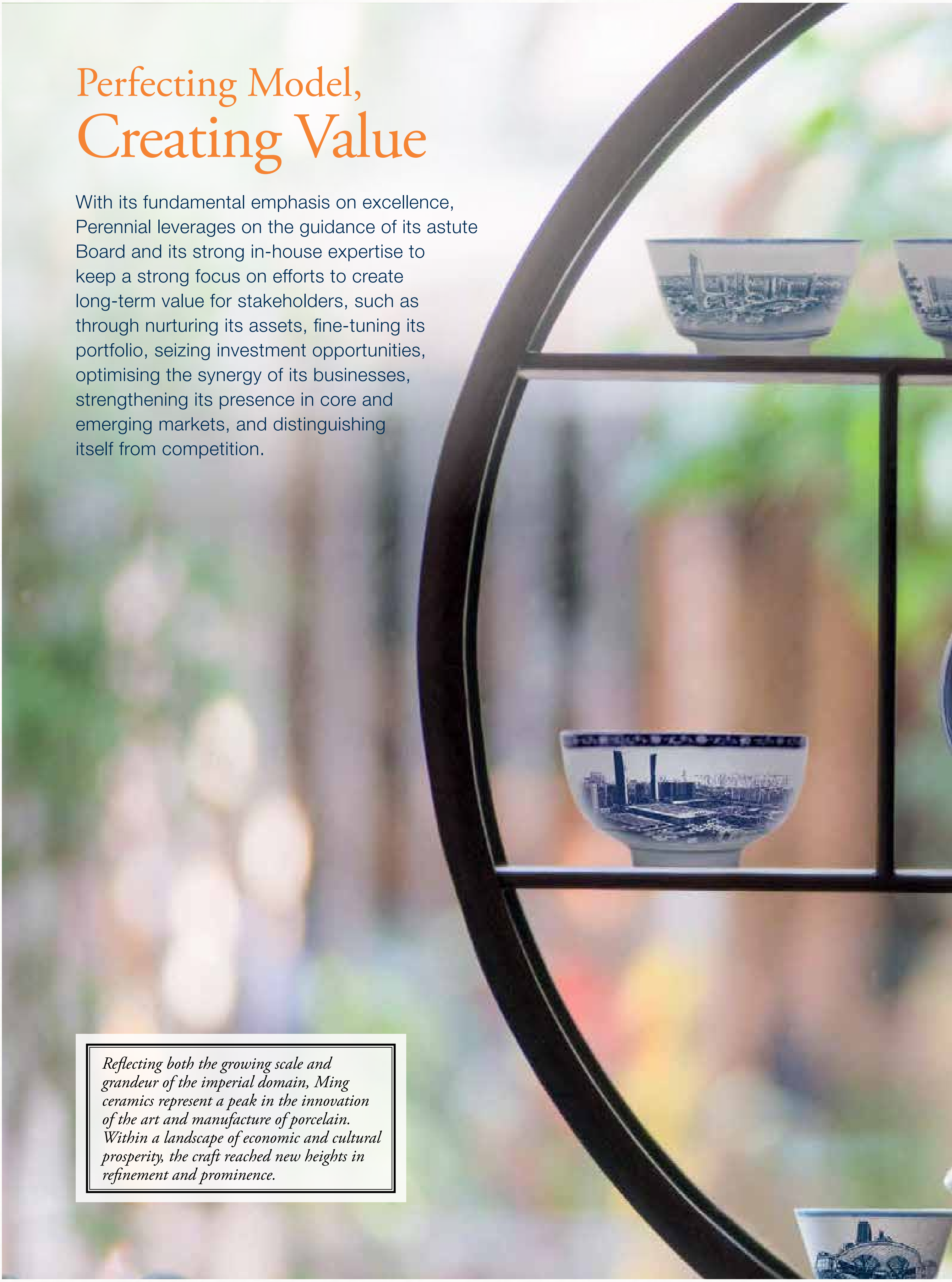
2015*	1.688
2016	1.632
2017	1.663
2018	1.644
2019	1.584

NAV decreased by 3.6% from 31 December 2018's NAV per share of S$1.644 mainly attributable to translation loss arising from the depreciation of RMB against SGD by 2.9% for the year.

* 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.

Perfecting Model,
Creating Value

With its fundamental emphasis on excellence, Perennial leverages on the guidance of its astute Board and its strong in-house expertise to keep a strong focus on efforts to create long-term value for stakeholders, such as through nurturing its assets, fine-tuning its portfolio, seizing investment opportunities, optimising the synergy of its businesses, strengthening its presence in core and emerging markets, and distinguishing itself from competition.



Reflecting both the growing scale and grandeur of the imperial domain, Ming ceramics represent a peak in the innovation of the art and manufacture of porcelain. Within a landscape of economic and cultural prosperity, the craft reached new heights in refinement and prominence.

CHAIRMAN'S STATEMENT

The global business environment in 2019 was fraught with uncertainty due to the lingering threat of a full-blown US-China trade war. Then came 2020, which is proving to be a year of unprecedented change. The emergence of the COVID-19 pandemic created global turbulence and it now seems likely to cause an adverse economic impact that is larger than that of the 2008 financial crisis.

Nevertheless, the fundamentals of our strategic business model have not changed, that is to shape our real estate portfolio around integrated developments located near major transportation hubs, particularly high speed railway stations in China, so as to bring the convenience of a one-stop destination to today's discerning consumers. On the healthcare business front, our aim is to provide integrated medical and eldercare services that are essential to the ageing population in China. Over time, the synergies that can be harnessed from our integrated hubs that host multiple asset classes, including healthcare, and from our integrated eldercare facilities which span medical, nursing, rehabilitation and dementia care, abound.

A YEAR OF CALIBRATION

FY2019 was a year of calibration for the Company.

While we remained focused on the core markets of Singapore and China, repositioning exercises and fine-tuning of asset plans took centre stage at several of our properties in various markets. A number of capital recycling initiatives were also undertaken to rebalance our portfolio.

Together, these strategic events allowed us to refine our business model, strengthen our balance sheet, and sharpen our focus on our core businesses to deliver sustainable returns in the longer term.

ENTRENCHING STRONG GOVERNANCE

Strong corporate governance is essential to safeguarding and enhancing the long-term value of our Company.

In the year, we formalised the Board Diversity Policy, demonstrating the Board's commitment for a diverse Board composition that will bring the necessary breadth and depth of skills, and experience to deftly steer our dynamic business.

Recently, we reconstituted and updated our Code of Conduct and Code of Ethics. These codes set out the principles of responsible conduct and ethical behavior, and will ensure that integrity, one of Perennial's Core Values, remains a key guiding principle for our people's professional conduct.

> **We are pleased to inform shareholders that we have met all the sustainability targets set for FY2019, and in addition, we have expanded our sustainability reporting scope beyond our real estate business to cover our healthcare business.**

A COMMITMENT TO SUSTAINABILITY

Social responsibility is at the core of our mission. In line with our commitment to sustainable and responsible growth, sustainability continued to be a key focus for Perennial in FY2019.

We are pleased to inform shareholders that we have met all the sustainability targets set for FY2019, and in addition, we have expanded our sustainability reporting scope beyond our real estate business to cover our healthcare business.

We even went one step further in our sustainability reporting by adopting two new United Nations Sustainable Development Goals: Climate Change (Goal 13) and Peace, Justice and Strong Institutions (Goal 16). Both goals are integral to the environmental, social and governance (ESG) considerations that are part and parcel of our investment and decision making processes. In particular, Goal 13 is also aligned with the Singapore government's efforts to mitigate the effects of climate change.

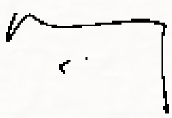
> **We will continue to support all of our tenants and employees to ensure that they can operate in a safe environment and together, emerge stronger as we build on our vision to become a leading integrated real estate and healthcare company.**

FOCUSED ON OUR VISION

This year, COVID-19 is posing unparalleled challenges to companies and businesses around the world. We expect this challenging climate to similarly impact Perennial adversely in the near term. What is important, however, is that the current crisis will pass. In the meantime, we will continue to support all of our tenants and employees to ensure that they can operate in a safe environment and together, emerge stronger as we build on our vision to become a leading integrated real estate and healthcare company.

A WORD OF THANKS

Lastly, FY2019 marks the fifth year since our listing on the SGX-ST. I would like to take this opportunity to express my deepest gratitude to my fellow Directors for their astute advice and guidance, and Perennians for their dedicated contributions to the Company. I would also like to thank all of our stakeholders for their continued support over the past years.



Mr Kuok Khoon Hong
Chairman
13 May 2020

主席致辞

在中美贸易战全面爆发的阴影下，2019年全球商业环境充满不确定性。随之而来的2020年又面临前所未有的变化。新型冠状病毒肺炎的蔓延引发全球动荡，预计这次疫情对经济的负面影响将超过2008年金融危机。

尽管如此，鹏瑞利置地集团的战略业务模式的基本要点保持不变，即围绕毗邻主要交通枢纽的综合项目（尤其是中国的高铁综合项目）来规划房地产资产组合，从而打造方便快捷的一站式场所，满足日益挑剔的消费者的需求。在医疗健康业务方面，我们的目标是提供医养结合服务，帮助中国应对人口老龄化的挑战。我们的综合枢纽项目涵盖医疗设施等多种资产，综合养老护理设施包括医疗、护理、康复和痴呆症患者照护等服务，这些在未来将产生大量协同效应。

调整之年

2019财年是公司的调整之年。

我们继续专注于新加坡和中国两大核心市场，同时对各个市场的多个项目进行重新定位和优化。我们也通过一些资本循环举措，实现资产组合的再平衡。

凭借这些战略举措，我们的商业模式获得优化，资产负债表得以强化，同时对核心业务的专注得到加强，在更长时期内持续创造回报。

强化公司治理

完善的公司治理对维持和提升公司的长期价值至关重要。

年内，我们正式制定了《董事会多元化政策》，彰显对董事会成员结构多元化的重视。董事会成员需要具备广泛而深入的技能和经验，才能有效管理集团旗下的各项业务。

近期，我们更新了《行为准则》和《道德准则》。这些准则规定了负责任行为和职业道德的标准，确保诚信（鹏瑞利置地集团的核心价值观之一）继续成为指导员工职业行为的关键原则。

我们特此欣喜地向各位股东汇报，2019财年设定的所有可持续发展目标已全部实现，此外，我们扩大了可持续发展报告的范围，除房地产业务外，也将医疗健康业务纳入其中。

重视可持续发展

社会责任是我们的核心使命。我们非常重视可持续和负责任的企业发展方式，2019财年，可持续发展依然是鹏瑞利置地集团的重中之重。

我们特此欣喜地向各位股东汇报，2019财年设定的所有可持续发展目标已全部实现，此外，我们扩大了可持续发展报告的范围，除房地产业务外，也将医疗健康业务纳入其中。

此外，我们还进一步拓展了可持续发展报告工作，采用了两项联合国可持续发展目标，即气候变化（目标13）以及和平、正义与强大机构（目标16）。这两项目标对环境、社会和治理至关重要，而环境、社会和治理是我们在投资和决策流程中的重要考虑因素。其中，目标13也与新加坡政府关于减缓气候变化影响所做的努力保持一致。

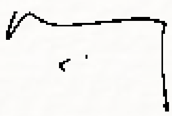
我们将继续为所有租户和员工提供支持，确保他们能在安全的环境中经营和工作。与此同时，我们将努力实现成为领先的综合性房地产和医疗健康企业的愿景，坚毅前行，迈向更辉煌的未来。

专注于企业愿景

今年，新型冠状病毒肺炎疫情给全球的公司和业务带来了巨大挑战。我们预计当前的艰难环境也会对鹏瑞利造成短期的负面影响。然而，重要的是这场危机终将过去。在那之前，我们将继续为所有租户和员工提供支持，确保他们能在安全的环境中经营和工作。与此同时，我们将努力实现成为领先的综合性房地产和医疗健康企业的愿景，坚毅前行，迈向更辉煌的未来。

致谢

最后，2019财年是我们在新加坡交易所上市的第五年。我想借此机会对各位董事表示最诚挚的谢意，感谢他们的睿智建议和指导，同时感谢鹏瑞利置地集团的所有员工对公司的辛勤奉献。在此，我也衷心感谢所有利益相关者多年来的不懈支持。



郭孔丰先生
主席
2020年5月13日

CEO'S STATEMENT

FY2019 was a fruitful year of recalibration on all fronts of our business as we continued to craft a distinctive edge as an integrated real estate and healthcare company amidst a volatile global environment.

Dear Shareholders,

REFINING STRATEGY, CRAFTING DISTINCTION

FY2019 was a fruitful year of recalibration on all fronts of our business as we continued to craft a distinctive edge as an integrated real estate and healthcare company amidst a volatile global environment.

In the year, we completed the repositioning exercise of Capitol Singapore, which we gained full ownership of in FY2018. Moving forward, we are excited to harness the synergy between the four components at the prime mixed-use integrated development – residential, theatre, hospitality and retail, to unlock its full value.

Following the opening of Perennial's first signature High Speed Railway ("**HSR**") healthcare and commercial hub in China – Perennial International Health and Medical Hub ("**PIHMH**") within the Chengdu East HSR Integrated Development – last year, we refined the operating model and replicated the second generation of our integrated real estate and healthcare concept at our other HSR projects in Xi'an, Tianjin and Kunming.

On the capital management front, we remained prudent and proactively managed our capital structure to optimise efficiency. As part of our capital recycling initiatives in FY2019, we rebalanced our portfolio and divested our entire stakes in Chinatown Point in Singapore, United Engineers Limited and Aidigong, a maternal and child health business in China. We also sold a significant number of strata office and medical units at 111 Somerset in Singapore.

In the year, we established a new hotel management business to support the hospitality requirements of our HSR portfolio in China. Our integrated real estate and healthcare business strategy facilitates the creation of various management businesses. These management businesses will in turn generate stable recurrent fee income streams over time.

INTEGRATED MEDICAL AND ELDERCARE WITH TECHNOLOGY ADVANCEMENT

As a healthcare services owner, operator and provider in China, we continued to focus on our two main business segments, namely *Hospitals* and *Medical Centres*, and *Eldercare and Senior Housing*.

Our healthcare business delivered another year of strong growth, largely driven by Renshoutang, Perennial's eldercare business arm. Today, Renshoutang is recognised as one of the established players in the market to have successfully integrated eldercare, medical care, nursing care and rehabilitation care under one roof. In line with the Chinese government's 'Healthy China 2030' initiative which prioritises integrated medical and eldercare services to support its fast ageing population[1], Perennial intends to replicate its operational integrated model at all of its new facilities going forward.

In recent years, the use of technology in eldercare and healthcare has been identified as an area with untapped potential to enhance quality of care, cost efficiency and productivity. Renshoutang successfully developed an in-house 'Smart Eldercare and Health Management' system to monitor the well-being of its residents and piloted it at its nursing homes at the end of 2019.

Today, Renshoutang is recognised as one of the established players in the market to have successfully integrated eldercare, medical care, nursing care and rehabilitation care under one roof.

In 2020, the unprecedented escalation of COVID-19 outbreak into a pandemic further underscored the importance of a reliable and accessible healthcare system in times of health crises. The pandemic is expected to accelerate China's healthcare reformations, spurring further enhancements in healthcare regulations, technology and quality across cities.

As the healthcare and eldercare landscape in China transforms, we will continue to pursue customised collaboration and varied operating models with potential tenants at our HSR regional healthcare and medical hubs in Chengdu, Xi'an, Tianjin and Kunming. By tailoring our comprehensive suite of medical and healthcare offerings to meet the growing demand, we stand to ride on the positive developments in the healthcare and eldercare markets.

GROUP PERFORMANCE AND CAPITAL MANAGEMENT

In FY2019, the Group registered a revenue of S$124.2 million, which was 58.7% higher than S$78.3 million in FY2018. The increase was mainly due to the inclusion of the full 12 months revenue of both Capitol Singapore and PIHMH as compared to seven months in FY2018, and an increase in revenue from both assets as their operations continue to be ramped up. Higher fee income from management business also contributed to the increase.

Earnings before interest and tax for FY2019 was S$136 million, lower than previous year due to lower fair value gains. Overall, the Group registered a total profit after tax and minority interest of S$3.8 million for the year ended 31 December 2019.

A first and final dividend of 0.2 cent per share has been proposed and will be payable on 21 July 2020 after shareholders' approval.

As at 31 December 2019, the Group's Net Debt to Equity Ratio stood at 0.74 times, marginally higher than the 0.72

1 State Council of the People's Republic of China document, dated 25 October 2016.

times registered in FY2018. The increase was largely due to a slight increase in new loans to fund investments, coupled with a reduction in equity due to foreign currency translation losses arising from the depreciation of RMB against the SGD. Post December 2019, the RMB has appreciated against the SGD.

The COVID-19 pandemic halted some of the biggest economies around the world. Singapore's export-oriented economy was not spared from the crisis, entering negative growth in 1Q 2020[2]. In China, movement control measures taken to curb the spread of COVID-19 resulted in the closure of many businesses and companies' operations during the first three months of 2020. This has caused footfall in our retail malls to drop drastically. Similarly in Singapore, the government introduced several stringent regulations and measures, such as the closure of non-essential businesses, and this has severely affected many businesses, in particular our retail tenants. While there are indications that China's economic recovery may be faster, it may be inevitable that a global recession is lying ahead of us and we expect our Group's financial performance to be adversely impacted this year.

Amid the uncertain and volatile outlook, we are thankful for the continued support of our established network of financial institutions and bankers, and will diligently maintain our prudent approach in capital management and continuously refine our portfolio by assessing arising opportunities to bolster our balance sheet and ride out this challenging period.

OPERATIONS PERFORMANCE BY PORTFOLIO

Real Estate Business Review

Singapore

In FY2019, market sentiment remained positive in Singapore despite political turbulences in neighbouring countries and the country exhibiting its slowest full year growth in Gross Domestic Product ("**GDP**") since 2009[3]. Singapore remained as an attractive city for real estate investments and in particular, saw significant increase in transactions driven by cross-border capital[4].

We completed the repositioning exercise for the retail component of Capitol Singapore in 4Q 2019, welcoming a stable of new international and local brands and achieving a committed occupancy of over 92%. At CHIJMES, the popular food and beverage ("**F&B**") and lifestyle destination continued to register full committed occupancy to deliver a stable stream of income. In addition, footfall at the property increased 5.6% year-on-year, further establishing CHIJMES as a preferred venue for locals and tourists alike.

In FY2019, a total of 48 office units were sold at between S$2,555 and S$2,900 per square foot ("**sq ft**") and two medical units were sold at more than S$4,000 per sq ft at 111 Somerset. The total year-to-date gross strata sales as at 31 December 2019 amounted to approximately S$127.1 million.

At AXA Tower, the committed occupancy remained strong at approximately 94% as at 31 December 2019. The Grade 'A' office development is well-poised to benefit from Urban Redevelopment Authority's Master Plan 2019, having secured an approved uplift in its gross plot ratio which would increase its existing gross floor area ("**GFA**") from approximately 1.05 million sq ft to approximately 1.24 million sq ft. Under the new Central Business District Incentive Scheme, approval has also been obtained to further increase AXA Tower's GFA to 1.55 million sq ft should it integrate hotel and residential usage. Overall, AXA Tower's GFA could increase by approximately 46.5%, from 1.05 million sq ft to 1.55 million sq ft.

Separately, the collective sale of the former Goodluck Garden was completed in June 2019. The prime site will now be transformed into Perennial's first pure-play residential investment – Forett at Bukit Timah. The development is in the process of obtaining its planning approvals and is expected to be launched for sale this year.

China

Despite rising trade tensions between China and the United States of America, China posted a GDP growth of 6.1% in 2019, slightly lower than the previous year[5]. The Chinese government's easing policy has further lowered the cost of borrowing, lifting consumer confidence and signifying opportunities for real estate occupiers and investors[6].

With the experience gleaned from operating PIHMH, we are now focused on implementing our second generation HSR regional healthcare and commercial hubs in Xi'an, Tianjin and Kunming.

At PIHMH, the Group's first operational HSR regional and healthcare hub in Chengdu, anchor tenant Gleneagles Hospital Chengdu commenced operations in October 2019. Spanning over 51,500 square metres ("**sqm**"), the 350-bed Gleneagles Hospital Chengdu is the first Sino-foreign joint venture multi-specialty medical institution to be approved by the Sichuan Provincial Development and Reform Commission. The hospital is operated by Parkway Pantai, the largest operating subsidiary of IHH Healthcare.

In view of the demand for space by healthcare and healthcare-related operators, the retail areas on Basements 1 and 2 at PIHMH were converted for medical usage. As a result of the work in progress, the total committed occupancy as at 31 December 2019 stood at approximately 86%. PIHMH also registered higher footfall starting from December 2019 after the opening of a new basement link way which directly connects to the adjacent Chengdu East HSR Station.

With the experience gleaned from operating PIHMH, we are now focused on implementing our second generation HSR regional healthcare and commercial hubs in Xi'an, Tianjin and Kunming. The refined asset plan at these developments will feature enhanced integration between the various medical and healthcare, eldercare, hospitality and retail components, while being seamlessly connected to the adjacent HSR stations.

2 The Straits Times article, dated 26 March 2020.
3 The Straits Times article, dated 2 January 2020.
4 The Straits Times article, dated 12 November 2019.
5 CNBC Article, dated 16 January 2020.
6 Organisation for Economic Cooperation and Development Economic Outlook, Volume 2019 Issue 2.

CEO'S STATEMENT

Construction works are progressing well at all three upcoming HSR developments. At Xi'an North HSR Integrated Development, three towers have already topped up on Plot 4 which has been designated for commercial usage. In line with our strategy of strengthening our focus on large-scale integrated development connected to transportation hubs, we recently acquired an additional 14.7% stake in Xi'an Perennial Chengtou West Real Estate Co., Ltd, which is developing Plot 4, increasing Perennial's stake in Plot 4 from 51% to 65.7%.

Towards the end of 2019, both Perennial Tianjin South HSR International Healthcare and Business City and Perennial Kunming South HSR International Healthcare and Business City also officially broke ground.

Separately, development works at Beijing Tongzhou Integrated Development and Zhuhai Hengqin Integrated Development are making good progress, with the latter expected to obtain its occupation permit in 2020.

As at 31 December 2019, our China assets under development accounted for approximately 42% of our total property portfolio value and constituted approximately 57% of the total GFA in our portfolio. We are prioritising the smooth construction of the sites under development to deliver their maximum value to our businesses upon launching in the next few years.

Other Markets

Perennial continued to pursue opportunities outside of its core markets of China and Singapore to further diversify its investments and add new engines of growth to its existing portfolio. FY2019 marked Perennial's maiden forays into two new Asian markets, Myanmar and Sri Lanka, increasing its presence in emerging growth markets to five countries.

The Light City, Perennial's integrated development in Penang Malaysia, will commence construction works and sale of its residential component, Mezzo The Light City, in 2H 2020. We are also planning to launch the sales of our maiden landed residential development in Sentul City, Indonesia this year.

Healthcare Business Review

The Group's medical and healthcare-related services business in China continued to register strong growth, with its portfolio of total operating beds increasing 25.4% to reach 8,003 beds from 6,382 beds a year earlier. The increase was mainly driven by Renshoutang, which added over 1,700 in-patient beds across seven new facilities in Shanghai, Changzhou and Jurong to the portfolio. The newly opened facilities included the first integrated eldercare and retirement, nursing and rehabilitation facility with a dedicated dementia care wing in Shanghai, comprising Shanghai Renshoutang Eldercare Home (eldercare), Shanghai Renshoutang Wenjin Nursing Home (nursing care) and Shanghai Changning District Yixian Xijiao Eldercare Home (dementia care).

The Group's medical and healthcare-related services business in China continued to register strong growth, with its portfolio of total operating beds increasing 25.4% to reach 8,003 beds from 6,382 beds a year earlier.

Under the *Hospitals and Medical Centres* business segment, the Perennial International Specialist Medical Centre located in PIHMH strengthened its offerings with new medical group tenants such as Xiao Qing Cao Ophthalmology Group.

Under the *Eldercare and Senior Housing* business segment, Renshoutang has now established a presence in seven cities across China with an operating portfolio of over 7,700 beds and a committed pipeline of over 7,600 beds. We expect to add another 3,000 beds to Renshoutang's operating capacity in FY2020.

With the successful pilot of the in-house 'Smart Eldercare and Health Management' system at three nursing homes in Shanghai and Wuhan, the system will be progressively rolled out to other facilities in 2020. Residents at Renshoutang can also look forward to elevated standard of care including gym facilities to address common geriatric medical conditions, as well as the addition of customised nutrition plans and rehabilitation options to widen the suite of offerings under the 'Smart Eldercare and Health Management' system.

As a premier healthcare and eldercare player in China, the long-term goal of our integrated healthcare and eldercare model is to provide elderly with ease of access to medical, nursing and retirement services, which will in turn improve their quality of life. We will continue to leverage on the successful three-pronged leasing, public-private-partnership and acquisition model to deepen our footprint in the eldercare and retirement sector in China.

SUSTAINABILITY

In FY2019, we strengthened our commitment towards our sustainability goals by expanding our sustainability reporting scope to include our healthcare business in China. For a start, Yixian Eldercare and Retirement Home in Shanghai was included in addition to the identified list of real estate assets in Singapore and China.

We continue to play an active role in the local community through our corporate social responsibility ("**CSR**") efforts. On 6 December 2019, we held a Charity Dinner at the Capitol Theatre and together with our hotel The Capitol Kempinski Hotel Singapore, raised over S$255,000 for beneficiaries of the Community Chest. In addition, Perennial donated another S$100,000 to The Straits Times School Pocket Money Fund, which supports about 10,000 students from low-income families annually.

Perennial's employees also showed their unwavering commitment on the CSR front, organising several community CSR activities throughout the year. One such memorable event was 'SingWithJoy', a choral singing day at CHIJMES Hall with the elderly members of Lion Befrienders, led by Voices of Singapore.

As part of our long-term sustainability strategies, we have also adopted our first two United Nations Sustainability Development Goals.

In Chengdu, Perennial Qingyang Mall took their flagship campaign 'Give the Children a Warm Winter' to the next level by expanding it to encompass an art exhibition by children with autism, accompanied by a charity art auction, performances, upcycling showcase and eco fashion show. Other properties in China, such as Perennial Jihua Mall and PIHMH, have also introduced CSR programmes to support children with special needs.

In an effort to reduce energy consumption in our properties, we have completed the replacement of all LED light fittings at retail areas across all malls in Singapore and China, save for CHIJMES and House of Tan Yeok Nee which are currently in progress. Energy-saving escalators with sensors were also installed at our Singapore properties to reduce energy wastage during non-peak hours.

As part of our long-term sustainability strategies, we have also adopted our first two United Nations Sustainability Development Goals ("**SDGs**"). In the future, we hope to commit to more SDGs in recognition of the importance of sustainability as an integral part of our business.

We take a long term view on our integrated real estate and healthcare business and will continue to pursue more real estate and healthcare real estate opportunities in China and Singapore.

LOOKING AHEAD

We entered 2020 with an unprecedented global health crisis, with recent projection by the International Monetary Fund that the global economy is heading for its sharpest downturn this year since the Great Depression of the 1930s[7]. The pandemic has affected the businesses of our tenants in our core markets of China and Singapore and we expect the financial performance of our operating assets in these countries to be adversely impacted.

The business environment is expected to remain weak for the whole of 2020. Nevertheless, we will continue to drive the operating performance of our operational assets, while staying nimble to adapt to on-going challenges and working closely with our tenants. For instance, we encouraged our tenants in China to move product sales online via WeChat and helped organise suitable platforms for online food deliveries for our Singapore F&B tenants during the stay-home Circuit Breaker period. In Singapore, we have passed on the full property tax rebates from the government to our tenants to alleviate their financial burden. We have also topped up further rental rebates to help our tenants tide through this trying period.

More recently in April 2020, we further reconstituted our portfolio with the divestment of our entire 30% stake in 111 Somerset in Singapore for S$155.1 million, with an expected pre-tax gain of S$25 million. In May 2020, we led our consortium of investors to jointly divest a 50% stake in AXA Tower in Singapore to a subsidiary ("**Alibaba Singapore**") of Alibaba Group Holding Limited, while jointly retaining a 50% stake in the prime asset. Perennial's effective stake in AXA Tower will be reduced from 31.2% to 10% upon completion of the transaction. Concurrently, Perennial, together with its consortium of investors, intends to redevelop AXA Tower into an iconic landmark in Singapore's Central Business District with Alibaba Singapore. The divestment of AXA Tower will deliver a divestment gain, allowing Perennial to unlock shareholder value and utilise a part of its proceeds to reinvest and participate in the large-scale redevelopment exercise to create further value.

We take a long term view on our integrated real estate and healthcare business and will continue to pursue more real estate and healthcare real estate opportunities in China and Singapore. We will also continue to focus on our two main healthcare business segments in China, which have proven to be indispensable in times of crises to weather the fluctuating market.

With the Group's strategically diversified portfolio and established network of reputable partners, we believe that we have the resilience and determination to weather the storm, emerge stronger, and be ready to take off when the global economy recovers.

We aim to differentiate ourselves as a premier healthcare cum eldercare player in China with unparalleled knowledge, expertise and experience in investing and operating *Hospitals and Medical Centres*, as well as *Eldercare and Senior Housing*.

With the Group's strategically diversified portfolio and established network of reputable partners, we believe that we have the resilience and determination to weather the storm, emerge stronger, and be ready to take off when the global economy recovers.

ACKNOWLEDGEMENTS

On behalf of our Board of Directors, I would like to thank all who have supported us through the years. In particular, I wish to express my sincere gratitude to our shareholders, tenants, customers, partners, analysts and the media community, and our dedicated staff for their unwavering support.

Mr Pua Seck Guan
Chief Executive Officer
13 May 2020

7 The Straits Times article, dated 14 April 2020.

首席执行官致辞

2019财年是硕果累累的一年。在动荡不安的全球环境中，作为一家综合性房地产和医疗健康公司，我们对各项业务进行了调整，继续打造公司的独特优势。

尊敬的各位股东，

精益求精 铸就卓越

2019财年是硕果累累的一年。在动荡不安的全球环境中，作为一家综合性房地产和医疗健康公司，我们对各项业务进行了调整，继续打造公司的独特优势。

年内，我们把在2018财年取得全部股权的首都新加坡（Capitol Singapore）完成了重新定位。该综合项目的地段优越，包含住宅、剧院、酒店和零售四大板块。未来，我们将积极发挥四大板块的协同效应，充分释放该项目的价值。

位于成都东站综合项目内的鹏瑞利国际医疗健康中心是鹏瑞利置地集团的首个标志性高铁医疗健康和商业枢纽，正式开业后，我们于去年优化了运营模式，并将集房地产和医疗健康为一体的第二代综合体概念复制到我们在西安、天津和昆明的其他高铁综合项目。

在资本管理方面，我们保持审慎态度，积极管理资本结构，优化效率。作为2019财年的资本循环举措之一，我们对资产组合进行再平衡，出售了新加城唐城坊广场、联合工程有限公司和爱帝宫现代母婴健康管理有限公司的全部股权。我们还出售了位于新加坡的111索美塞的一大批分层地契办公单位和医疗服务单位。

年内，我们新成立了酒店管理业务，以支持中国高铁综合项目的酒店管理需求。我们集房地产和医疗健康于一体的综合发展战略催生了各种管理业务。这些管理业务将为公司提供稳定、持续的管理费收入。

运用先进科技，结合医疗与养老服务

作为中国医疗健康服务项目的持有者、运营商和提供者，我们继续专注于医院和医疗中心以及养老护理和老年公寓两大业务板块。

2019年，医疗健康业务再次实现强劲增长，主要原因是人寿堂（鹏瑞利置地集团的养老业务）业绩出色。目前，人寿堂被公认为市场上少数几家集养老、医疗、护理和康复于一体的成熟机构之一。中国政府发布的“健康中国2030”规划纲要强调，通过结合医疗和养老服务来应对人口快速老龄化的挑战[1]。根据纲要的要求，鹏瑞利置地集团计划将行之有效的综合体模式复制到未来的所有新项目之中。

近年来，科技在养老和医疗领域的应用成为热门方向，有望提升护理质量、成本效率和生产效率。人寿堂成功开发了一套“智能养老护理和健康管理”系统，可监测住户的健康情况，并于2019年底在人寿堂的护理院中试用。

目前，人寿堂被公认为市场上少数几家集养老、医疗、护理和康复于一体的成熟机构之一。

2020年，新型冠状病毒肺炎发展成前所未有的全球大流行病，进一步体现了可靠、便利的医疗健康系统在健康危机期间的重要性。此次疫情预计将加速中国的医疗卫生体制改革，推动各城市进一步提升医疗监管、医疗技术和医疗质量。

在中国医疗和养老行业格局转变之际，我们将继续与成都、西安、天津及昆明高铁区域医疗健康和商业枢纽的潜在租户开展量身定制的合作，探索不同的运营模式。随着医疗和养老市场不断发展，我们将把握契机，因地制宜，提供全面的医疗健康服务，满足市场持续增长的需求。

集团业绩和资本管理

2019财年，集团实现营收1亿2420万新元，比2018财年的7830万新元增长58.7%。营收增加的主要原因在于，首都新加坡项目和鹏瑞利国际医疗健康中心的全年12个月营收计入2019财年集团总营收，而2018财年只计入7个月；此外，随着这两个项目的运营规模持续扩大，其营收也实现增长。管理业务的管理费收入提高，也带动了营收增加。

2019财年的息税前利润为1亿3600万新元，低于去年，原因在于公允价值收益减少。扣除税项和少数股东权益后，集团在截至2019年12月31日的财年实现利润380万新元。

1 中华人民共和国国务院文件，2016年10月25日。

我们提议2019财年派发每股0.2分新元的首期及末期股息，经股东批准后，将于2020年7月21日派息。

截至2019年12月31日，集团的净股本负债率为0.74倍，略高于2018财年的0.72倍。净股本负债率提高的主要原因是用于项目投资的新增贷款小幅上升，同时人民币兑新元贬值，外币汇兑损失导致股本下降。2019年12月以来，人民币兑新元的汇率升值。

新型冠状病毒肺炎在全球爆发，让规模最大的一些经济体陷入停滞。新加坡的出口导向型经济在危机中也不能幸免于难，2020年第一季度录得负增长[2]。在中国，为抑制疫情蔓延而采取的人员流动限制措施导致许多商户和公司在2020年1月至3月期间停业停产。因此，我们的零售商场的客流量大幅下降。在新加坡，政府也推出了多项严格的规定和措施，如关闭非必要服务的场所，对许多商户造成严重影响，尤其是我们的零售租户。虽然有迹象显示，中国经济复苏的步伐正在加快，但全球经济衰退可能无法避免，我们预计集团今年的财务业绩将受到负面影响。

在前景未明、动荡不安的环境下，我们感谢与集团合作的各家金融机构和银行一如继往的支持，我们将秉持审慎的资本管理方式，不断优化业务组合，寻找适宜的机会强化资产负债表，并稳健地渡过这段充满挑战的时期。

各业务部门运营业绩

房地产业务回顾

新加坡

2019财年，尽管相邻国家政局动荡，同时新加坡全年国内生产总值创2009年以来最慢增速，但新加坡房地产市场的情绪保持积极[3]。新加坡依然是房地产投资的热门城市，在跨境资金的推动下，成交量显著提高[4]。

2019年第四季度，首都新加坡项目的零售板块完成重新定位，一批新的国际和本土品牌入驻，承诺入驻率超过92%。作为深受欢迎的餐饮及娱乐场所，赞美广场的入驻率保持在100%，继续提供稳定的租金收入。此外，赞美广场的客流量同比增加5.6%，进一步巩固了其作为本地居民和游客青睐的休闲场所的地位。

2019财年，111索美塞项目共售出48套办公单位，每平方英尺价格为2555至2900新元，同时售出两套医疗单位，每平方英尺价格超过4000新元。截至2019年12月31日，全年分层地契单位销售总额约为1亿2710万新元。

截至2019年12月31日，安盛保险大厦的承诺入驻率保持强劲，约为94%。得益于新加坡市区重建局的《2019年总体规划》，该甲级办公写字楼项目提高容积率的申请已经获批，总楼面面积将从目前的约105万平方英尺增加到约124万平方英尺。根据新的《中央商业区奖励计划》，如果增加酒店和住宅用途，安盛保险大厦的总楼面面积可以进一步增加到155万平方英尺。总体上，安盛保险大厦的总楼面面积最高可以从105万平方英尺增至155万平方英尺，增幅约为46.5%。

此外，好运花园项目的集体出售于2019年6月完成。这一优质地块将被重新开发，成为鹏瑞利置地集团的首个纯住宅投资项目——福瑞轩。该项目正在申请规划审批，预计今年内开盘销售。

中国

虽然中美贸易争端升级，但中国2019年国内生产总值增速达6.1%，只略低于前一年[5]。中国政府采取宽松政策，进一步降低借贷成本，提振消费者信心，鼓励租户、住户和投资者把握房地产业务的契机[6]。

基于鹏瑞利国际医疗健康中心的运营经验，我们目前专注于实施在西安、天津和昆明的第二代高铁区域医疗健康和商业枢纽项目。

位于成都的鹏瑞利国际医疗健康中心是集团首个投入使用的高铁区域医疗健康枢纽，主力租户成都鹰阁医院已于2019年10月正式开业。成都鹰阁医院总面积超过5万1500平方米，有350个床位，是首个获四川省发展和改革委员会批准的中外合资多学科医疗机构。该医院由百汇班台公司负责运营，该公司是IHH医疗保健旗下最大的运营子公司。

考虑到医疗健康及相关机构的空间需求，鹏瑞利国际医疗健康中心地下一二层的零售区域也被改建为医疗用途。由于改建工程尚在进行中，截至2019年12月31日的总承诺入驻率约为86%。2019年12月直接连通成都东站的新建地下通道开通后，鹏瑞利国际医疗健康中心的客流量也有所提高。

基于鹏瑞利国际医疗健康中心的运营经验，我们目前专注于实施在西安、天津和昆明的第二代高铁区域医疗健康和商业枢纽项目。根据详细规划，这些项目将融合医疗健康、养老、酒店和零售于一体，同时与周边高铁站无缝连接。

这三个高铁枢纽项目施工进展良好。在西安北站综合项目，指定为商业用地的第4

2 《海峡时报》文章，2020年3月26日。
3 《海峡时报》文章，2020年1月2日。
4 《海峡时报》文章，2019年11月12日。
5 CNBC文章，2020年1月16日。
6 《经济合作与发展组织经济展望》，2019年第2期。

首席执行官致辞

地块的三幢大楼已经封顶。重点发展与交通枢纽相连的大型综合项目是我们的业务战略。根据这项战略，近期我们进一步收购了西安鹏瑞利城投站西置业有限公司的14.7%股权，该公司负责开发第4地块。收购完成后，鹏瑞利置地集团在第4地块中所占的股权从51%提高至65.7%。

2019年底，鹏瑞利国际健康商旅城——天津南站综合项目和鹏瑞利国际健康商旅城——昆明南站项目正式破土动工。

此外，北京通州综合项目和珠海横琴综合项目进展良好，后者预计将在2020年获得入住许可。

截至2019年12月31日，位于中国的在建项目约占我们房地产资产总值的42%，约占房地产资产总楼面面积的57%。我们正在全力保障在建项目的顺利施工，这些项目在未来几年陆续竣工后，将积极地提升我们的业务价值。

其他市场

除中国和新加坡两大核心市场外，鹏瑞利置地集团继续寻求其他地区的机会，进一步实现投资的多元化，打造新的增长引擎。2019财年，鹏瑞利初次进军两个新的亚洲市场，即缅甸和斯里兰卡。迄今，我们的业务已经涵盖五个新兴国家。

The Light City是鹏瑞利置地集团在马来西亚槟城的综合项目，将于2020年下半年开始施工，住宅板块Mezzo The Light City的销售也将同步启动。我们在印尼的首个有地住宅项目Sentul City也计划在今年开盘销售。

集团在中国的医疗健康服务业务继续实现强劲增长，现有床位数量从一年前的6382个增加到8003个，增幅达25.4%。

医疗健康业务回顾

集团在中国的医疗健康服务业务继续实现强劲增长，现有床位数量从一年前的6382个增加到8003个，增幅达25.4%。床位数量增加的主要来源是人寿堂，它在上海、常州和句容的7家新院共增加了1700余个住院床位。这7家新院包括上海首个含专门痴呆护理病房的综合性养老、颐养、护理和康复机构，由上海人寿堂颐养院（养老）、上海人寿堂文锦护理院（护理）和上海长宁区逸仙西郊养老院（痴呆症护理）组成。

在医院和医疗中心业务板块内，位于鹏瑞利国际医疗健康中心的鹏瑞利国际名医馆迎来了一批新的医疗集团租户，如小青草眼科医院等等。

在养老护理和老年公寓业务板块内，人寿堂目前的业务覆盖中国7个城市，现有床位超过7700个，计划新增7600余个。我们预计2020财年人寿堂的床位数量将再增加3000个。

"智能养老护理和健康管理"系统在上海和武汉的3个护理院成功试用后，2020年将在逐步推广到其他设施。人寿堂的住户还将享受到更高标准的护理，包括有助于解决常见老年健康问题的健身设施，以及个性化营养方案和康复计划，以拓展"智能养老护理和健康管理"系统下的服务范围。

作为中国首屈一指的医疗健康和养老护理企业，我们采用医养结合的综合模式，长期目标是让老年人能够方便地获取优质的医疗、护理和颐养服务，从而改善生活质量。我们将继续发挥租赁、公私合作和并购三管齐下模式的优势，深化我们在中国养老护理和老年公寓行业的影响力。

可持续发展

2019财年，我们扩大了可持续发展报告的范围，将中国的医疗健康业务纳入其中，体现了我们对可持续发展目标的重视。除了原有的新加坡和中国房地产资产，上海逸仙养老院也被纳入报告范围。

我们将继续开展企业社会责任工作，为当地社群作出积极贡献。2019年12月6日，我们在首都剧院举行慈善晚宴，联合新加坡首都凯宾斯基酒店，为公益金的受益人募集了25万5000新元的善款。此外，鹏瑞利置地集团向海峡时报学校零用钱基金捐赠了10万新元，该基金每年为1万名来自低收入家庭的学生提供援助。

2019年，鹏瑞利置地集团的员工组织了一系列社群服务活动，展现出对企业社会责任的高度重视。其中一项非常有意义的活动是在赞美广场大厅举行的合唱日"SingWithJoy"，由新加坡合唱团（Voices of Singapore）领唱，狮子乐龄之友协会的成员参与合唱。

根据长期可持续发展战略，我们还首次采用了两项联合国可持续发展目标。

在成都，鹏瑞利青羊广场的旗舰公益活动"温暖相伴，一路有你"再上一层楼，新增自闭症儿童艺术展、慈善艺术拍卖、表演、废物回收利用展和生态时装秀等环节。中国的其他项目，如鹏瑞利季华广场和鹏瑞利国际医疗健康中心，也推出了企业社会责任活动，为特殊需要儿童提供支持。

为降低建筑能耗，我们将新加坡和中国所有商场零售区域的照明更换为LED灯，除仍在进行升级的赞美广场和陈旭年宅第外，其他商场的照明升级工作已经完成。集团旗下的新加坡物业项目还安装了附带传感器的节能电梯，以减少非高峰时段的能源浪费。

根据长期可持续发展战略，我们还首次采用了两项联合国可持续发展目标。我们深知可持续发展对集团业务的重要性，未来，我们希望采用更多的可持续发展目标。

对于集团的房地产和医疗健康综合业务，我们放眼长远，将积极把握中国和新加坡市场的相关行业机会。

展望未来

2020年初，全球爆发了前所未有的健康危机，国际货币基金组织的最新预测显示，今年全球经济将陷入1930年代大萧条以来最严重的衰退[7]。疫情波及了我们在中国和新加坡两大核心市场的租户，我们预计相关资产的财务业绩将受到不利影响。

2020年的商业环境预计将整体保持疲软。尽管如此，我们将继续大力推动资产的运营业绩，同时灵活应对当前挑战，与租户保持密切合作。例如，我们鼓励中国的租户通过微信线上销售产品，在新加坡实施阻断措施期间，我们也协助新加坡餐饮业租户寻找合适的线上配送平台。在新加坡，我们将政府的物业税退税全部返还给租户，以减轻他们的财务负担。此外，我们还返还了一部分租金，尽力帮助租户渡过这次难关。

2020年4月，我们进一步调整资产组合，出售了新加坡111索美塞项目的全部30%股权，售价为1亿5510万新元，预计税前收益为2500万新元。2020年5月，以鹏瑞利置地集团牵头的投资者财团将新加坡安盛保险大厦的50%股权出售给阿里巴巴集团的子公司（"**阿里巴巴新加坡**"），出售后财团仍保留50%的股权。交易完成后，鹏瑞利置地集团在安盛大厦中的实际股权将从31.2%降至10%。同时，鹏瑞利置地集团及其投资者财团计划与阿里巴巴新加坡合作，将安盛保险大厦重新发展成新加坡中央商务区的地标建筑。出售安盛保险大厦将产生收益，帮助集团释放股东价值，并可将一部分收益用于再投资，参与该项目的大型重建计划，从而创造更多的价值。

对于集团的房地产和医疗健康综合业务，我们放眼长远，将积极把握中国和新加坡市场的相关行业机会。我们还将继续专注于中国医疗健康业务的两大板块。事实证明，在危机期间，成功应对市场的波动离不开这些业务。我们致力于打造差异化优势，充分发挥我们在投资与运营医院和医疗中心以及养老护理和老年公寓方面的深厚知识、专长和经验，成为中国领先的医疗健康和养老护理企业。

我们相信，凭借集团多元化的战略性资产组合及成熟的合作伙伴网络，我们拥有足够的韧性和坚毅的决心，在风暴的洗礼中必将成长得更为强大，待全球经济复苏之际，集团的业务将更上一层楼。

我们相信，凭借集团多元化的战略性资产组合及成熟的合作伙伴网络，我们拥有足够的韧性和坚毅的决心，在风暴的洗礼中必将成长得更为强大，待全球经济复苏之际，集团的业务将更上一层楼。

致谢

我谨代表董事会，衷心感谢多年来支持我们的各界人士。在此，我要特别诚挚地感谢各位股东、租户、客户、合作伙伴、分析师和媒体以及员工一如继往的鼎力支持。

潘锡源先生
首席执行官
2020年5月13日

7 《海峡时报》文章，2020年4月14日。

OUR PRESENCE

REAL ESTATE AND HEALTHCARE BUSINESSES WITH A PRESENCE IN SEVEN COUNTRIES, INCLUDING SIXTEEN CITIES ACROSS CHINA

REAL ESTATE BUSINESS

Total Gross Floor Area of Approximately

68

MILLION

Square Feet in Seven Countries

with Four Prime HSR Regional Healthcare and Commercial Hubs in China

HEALTHCARE BUSINESS

Over **7,700** Operating Beds in China

Over **7,600** Committed Pipeline of Beds in China

REAL ESTATE

MYANMAR

Mixed-use Development

REAL ESTATE

GHANA

Accra Integrated Development

REAL ESTATE

SRI LANKA

Mixed-use Development

REAL ESTATE

MALAYSIA

The Light City

REAL ESTATE

INDONESIA

Residential Development

LEGEND

Real Estate Components

- Retail
- Office/SOHO
- Hotel/Serviced Apartment
- Residential
- Healthcare
- Event Venue/ Convention Centre

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

Perennial Tianjin South HSR International Healthcare and Business City

KUNMING

Perennial Kunming South HSR International Healthcare and Business City

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 nine cities

HOSPITALS AND MEDICAL CENTRES

Perennial International Specialist Medical Centre
Chengdu

St. Stamford Plastic Surgery and Aesthetic Hospital
Chengdu

St. Stamford Modern Hospital
Guangzhou

ELDERCARE AND SENIOR HOUSING

Renshoutang
Changsha, Changzhou, Jurong, Shanghai, Wuhan, Xiantao, Zhenjiang

REAL ESTATE

SINGAPORE

Four 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
AXA Tower
House of Tan Yeok Nee
Forett at Bukit Timah

OUR MILESTONES

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**”).

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 acquired a 31.2% equity interest in the property.

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.

The Light City

- 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 Chengdu 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.

Renshoutang Nursing Home

Expansion of Singapore Real Estate Business

- Acquired an additional effective interest of about 43.7% in Chinatown Point, increasing Perennial’s effective interest from 1.5% to 45.2%.

2017

Capital Recycling to Maximise Returns

- 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%.
- Partially divested 20.2% interest in TripleOne Somerset, Singapore, reducing Perennial’s effective interest in the property from 50.2% to 30%.

2018

Diversification of Singapore Real Estate Portfolio

- Acquired remaining 50% interest in Capitol Singapore at approximately S$130 million and took over the shareholder loan of approximately S$368 million to wholly-own the integrated development.

Capitol Singapore

- Entered into Pure-play Residential Development in Singapore, through a JV with Qingjian Group of Companies, to jointly develop the former Goodluck Garden freehold site.

Bolstered China Real Estate and Healthcare Business

- 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.

Perennial International Health and Medical Hub

- 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 Perennial Tianjin South HSR International Healthcare and Business City, adjacent to the Tianjin South HSR Station, and Perennial Kunming South HSR International Healthcare and Business City, adjacent to the Kunming South HSR Station, at a land tender price of RMB718 million (approximately S$150.3 million) and RMB341.5 million (approximately S$67.6 million) respectively.

Perennial Tianjin South HSR International Healthcare and Business City

Perennial Kunming South HSR International Healthcare and Business City

- Acquired an additional 14.7% stake in Xi'an Perennial Cheng Tou East Real Estate Co., Ltd, which is developing Plot 5 ("**Perennial Xi'an East**") of the Xi'an North HSR Integrated Development, increasing Perennial's stake in Perennial Xi'an East from 51% to 65.7%.

Maiden Foray into Indonesia

- Entered into a JV with an effective 40% stake, with the remaining 60% stake held by other parties to jointly develop a residential development in Sentul City, Bogor Regency (Greater Jakarta).

Commitment to Sustainability

- Published inaugural Sustainability Report based on Global Reporting Initiative framework.

2019

Maiden Foray into Sri Lanka

- Entered into a JV with an effective 40% stake, with the remaining 60% stake held by other parties to invest in a piece of freehold land in Batticaloa, Sri Lanka.

Maiden Foray into Myanmar

- Entered into a 50-50 JV with Mandalay Taungthaman Development Limited to develop a mixed-use development in Mandalay. The JV will partner the Mandalay Regional Government in a public-private partnership on the development.

Enhanced Corporate Governance Standards

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

Divestment to Unlock Value

- Led consortium of investors to fully divest Perennial and the consortium's stake in Chinatown Point for S$520 million.

2020

Enhanced Sustainability Efforts

- Adoption of two United Nations Sustainable Development Goals, namely Goal 13 (Climate Action) and Goal 16 (Peace, Justice and Strong Institutions).

Strengthened Presence in Sri Lanka

- Led and syndicated a consortium of investors and entered into a JV holding an effective stake of 25% to invest in a mixed-use development in Colombo, Sri Lanka.

Boosted China Real Estate Portfolio

- Acquired an additional 14.7% stake in Xi'an Perennial Chengtou West Real Estate Co., Ltd, which is developing Plot 4 ("**Perennial Xi'an West**") of the Xi'an North HSR Integrated Development, increasing Perennial's stake in Perennial Xi'an West from 51% to 65.7%.

Xi'an North HSR Integrated Development

Active Capital Recycling Strategy

- Fully divested 30% stake in 111 Somerset for S$155.1 million.

- Led consortium of investors to divest a 50% stake in AXA Tower to a subsidiary ("**Alibaba Singapore**") of Alibaba Group Holding Limited at an agreed property price of S$1.68 billion. Formed new entity with the same consortium of investors to own the remaining 50% stake in AXA Tower to enter into a joint venture agreement with Alibaba Singapore for the redevelopment of AXA Tower.

AXA Tower

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.

WHAT WE DO

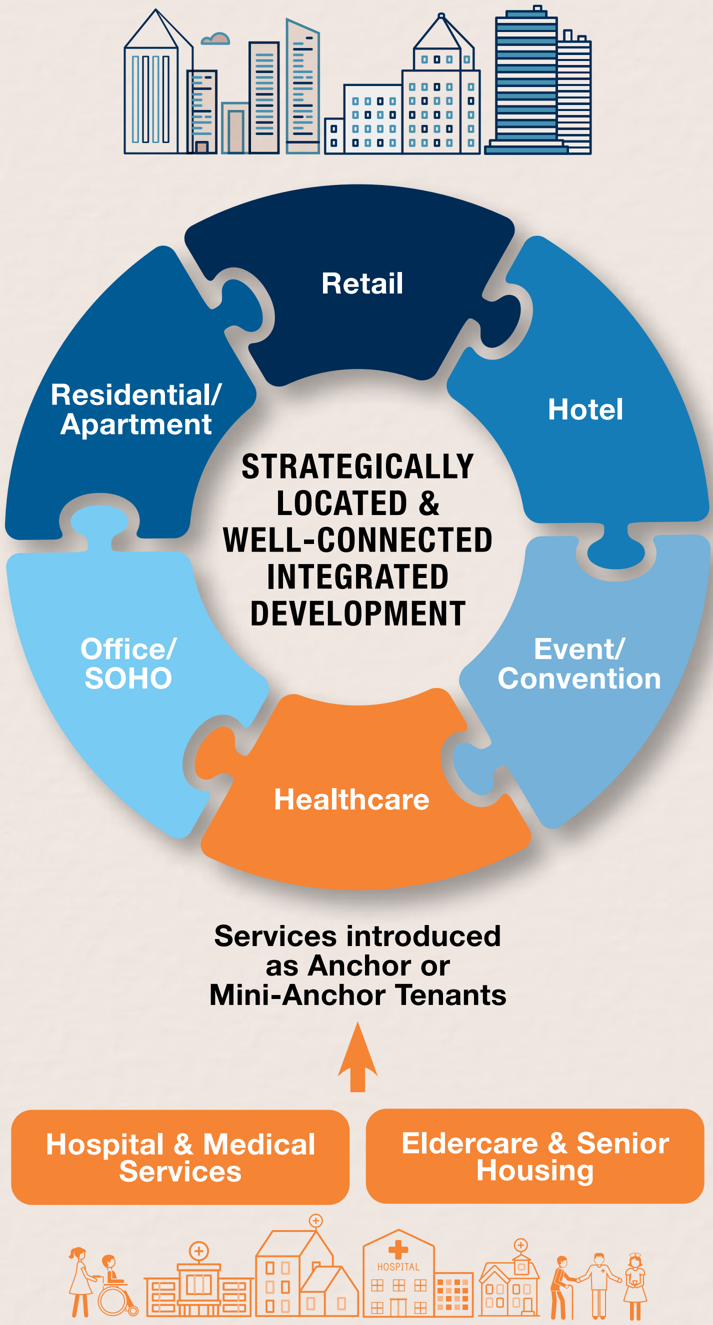
REAL ESTATE

OWNER • DEVELOPER • MANAGER

HEALTHCARE

OWNER • OPERATOR • PROVIDER

OUR BUSINESSES



WHAT SETS US APART

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.

Strategic Locations

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.

Access to Key Resources and Relationships

- Financial capital through our sponsors, who 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 82.4%*:
  - Mr Kuok Khoon Hong (36.5%)
  - Mr Ron Sim (15.5%)
  - Wilmar International Limited (20%)
  - Mr Pua Seck Guan (10.4%)
- Intellectual capital through established and internalised management team
- Social and relationship capital through our sponsors' extensive network

* As at 31 December 2019.

THE VALUE WE CREATED IN 2019

S$39.3 m
Enhancement Initiatives

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

RMB25.2 m
Enhancement Initiatives

Patients/Residents
Enhancements (real estate and equipment) undertaken at our China healthcare and eldercare facilities.

103.8 m
No. of Tenants/Shoppers Served

Tenants/Shoppers
Total number of tenants and shoppers welcomed at our real estate assets

173,294
No. of Patients/Residents Served

Patients/Residents
Total number of patients and residents received at our China healthcare and eldercare facilities

4,674 hours
Total Staff Training Hours

Our People
Total number of hours invested in developing our people.

2,203 hours
Total Staff Volunteer Hours

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

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 59	> Chengdu East HSR Integrated Development, China
See Page 62	> Xi'an North HSR Integrated Development, China
See Page 64	> Perennial Tianjin South HSR International Healthcare and Business City, China
See Page 66	> Perennial Kunming South HSR International Healthcare and Business City, China
See Page 68	> 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 50	> AXA Tower, Singapore

ADOPT STRATA-SALE/ LONG-TERM HOLD STRATEGY TO BETTER MANAGE FUND FLOWS, WHILE BENEFITTING FROM OPERATING LONG-TERM ASSETS

CHINA, SINGAPORE AND OTHER MARKETS

- 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 additional sources of capitals, 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 50, 51	> AXA Tower and Forett at Bukit Timah, Singapore
See Page 68	> Beijing Tongzhou Integrated Development, China
See Page 77	> 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 77 > The Light City, Penang, Malaysia

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 59 > Chengdu East HSR Integrated Development, China – Perennial International Health and Medical Hub
See Page 62 > Xi'an North HSR Integrated Development, China
See Page 64 > Perennial Tianjin South HSR International Healthcare and Business City, China
See Page 66 > Perennial Kunming South HSR International Healthcare and Business City, China
See Page 50 > AXA Tower, 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 60 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 86 > Investment in Renshoutang

BOARD OF DIRECTORS

MR KUOK KHOON HONG, 71

Chairman and Non-Independent Non-Executive Director
Member, Executive Committee
Member, Remuneration Committee

Date of First Appointment: **27 October 2014**

Date of Last Re-Election: **25 April 2019**

Length of Service (as at 31 December 2019): **5 years 2 months**

PRESENT DIRECTORSHIPS IN LISTED COMPANIES

- Chairman and Non-Independent Non-Executive Director of Perennial Real Estate Holdings Limited
- Chairman and Executive Director of Wilmar International Limited

PRESENT PRINCIPAL COMMITMENTS

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

PAST DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS

Nil

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

MR RON SIM, 61

Vice-Chairman and Non-Independent Non-Executive Director
Member, Executive Committee
Member, Nomination Committee

Date of First Appointment: **27 October 2014**

Date of Last Re-Election: **24 April 2018**

Length of Service (as at 31 December 2019): **5 years 2 months**

PRESENT DIRECTORSHIPS IN LISTED COMPANIES

- Vice-Chairman and Non-Independent Non-Executive Director of Perennial Real Estate Holdings Limited

PRESENT PRINCIPAL COMMITMENTS

- Chairman and Chief Executive Officer of V3 Group Limited and its group of companies

PAST DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS

- Director of Jumbo Group Limited

PAST PRINCIPAL COMMITMENTS

- Founder, Chairman and Chief Executive Officer 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

MR EUGENE PAUL LAI CHIN LOOK, 56

Lead Independent Non-Executive Director
Chairman, Remuneration Committee
Member, Audit and Risk Committee
Member, Nomination Committee

Date of First Appointment: **27 October 2014**

Date of Last Re-Election: **28 April 2017**

Length of Service (as at 31 December 2019): **5 years 2 months**

PRESENT DIRECTORSHIPS IN LISTED COMPANIES

- Lead Independent Non-Executive Director of Perennial Real Estate Holdings Limited

PRESENT PRINCIPAL COMMITMENTS

- Managing Director and Co-Managing Partner of Southern Capital Group

PAST DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS

- Director of AIMS AMP Capital Industrial REIT Management Limited (presently known as AIMS APAC REIT Management Limited, manager of AIMS AMP Capital Industrial Real Estate Investment Trust (presently known as AIMS APAC REIT)

PAST PRINCIPAL COMMITMENTS

- 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 and New York

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
- MCS (cum laude), Biblical Graduate School of Theology, Singapore

MR OOI ENG PENG, 64

Independent Non-Executive Director
Chairman, Audit and Risk Committee
Member, Corporate Disclosure Committee

Date of First Appointment: **28 July 2015**

Date of Last Re-Election: **25 April 2019**

Length of Service (as at 31 December 2019): **4 years 5 months**

PRESENT DIRECTORSHIPS IN LISTED COMPANIES

- Independent Non-Executive Director of Perennial Real Estate Holdings Limited
- Chairman and Independent Non-Executive Director 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 COMMITMENTS

Nil

PAST DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS

Nil

PAST PRINCIPAL COMMITMENTS

- Director of Keppel REIT (Australia) Management Limited
- 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

BOARD OF DIRECTORS

MR LEE SUAN HIANG, 70

Independent Non-Executive Director
Chairman, Nomination Committee
Member, Audit and Risk Committee
Member, Remuneration Committee

Date of First Appointment: **27 October 2014**

Date of Last Re-Election: **24 April 2018**

Length of Service (as at 31 December 2019): **5 years 2 months**

PRESENT DIRECTORSHIPS IN LISTED COMPANIES

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

PRESENT PRINCIPAL COMMITMENTS

- Chairman of Global Cultural 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
- Director of Global Business Advisers Pte Ltd
- Director of Catholic Foundation Limited
- Director of Singapore Dance Theatre Limited

PAST DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS

- Director of Advance SCT Limited
- Director of Memstar Technology Ltd

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

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

MR CHUA PHUAY HEE, 66

Independent Non-Executive Director
Member, Audit and Risk Committee

Date of First Appointment: **27 October 2014**

Date of Last Re-Election: **28 April 2017**

Length of Service (as at 31 December 2019): **5 years 2 months**

PRESENT DIRECTORSHIPS IN LISTED COMPANIES

- Independent Non-Executive Director of Perennial Real Estate Holdings Limited
- Independent Non-Executive Director of Frasers Hospitality Asset Management Pte Ltd, manager of Frasers Hospitality Real Estate Investment Trust
- Independent Non-Executive 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 DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS

- Director of Armada Holdings Limited (presently known as Great Wall Pan Asia Holdings Limited) listed on the Stock Exchange of Hong Kong

PAST PRINCIPAL COMMITMENTS

- 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 Securities Industry, 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

MR PUA SECK GUAN, 56
Chief Executive Officer and Executive Director
Member, Corporate Disclosure Committee
Member, Executive Committee

Date of First Appointment: **27 October 2014**

Date of Last Re-Election: **25 April 2019**

Length of Service (as at 31 December 2019): **5 years 2 months**

PRESENT DIRECTORSHIPS IN LISTED COMPANIES

- Executive Director of Perennial Real Estate Holdings Limited
- Executive Director of Wilmar International 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 Singapore-China Business Council of Singapore Business Federation
- Member of Singapore-Sichuan Trade and Investment Committee
- Member of Singapore-Guangdong Collaboration Council

PAST DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS

- Director of United Engineers Limited

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
- Member of Consultative Committee of National University of Singapore Department of Real Estate

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

MANAGEMENT TEAM

01 MS BELINDA GAN
Chief Financial Officer

02 MR IVAN KOH
Chief Executive Officer (China)

03 MS ANNIE LEE
Deputy Chief Executive Officer (Singapore)

04 MS JOANNA LOW
Chief Investment Officer

05 DR KHOO CHOW HUAT
Chief Executive Officer, Healthcare (China)

06 MS DAWN TAN
Chief Operating Officer (Singapore)

07 MS TONG KA-PIN
Chief Corporate Officer

08 MR LIM KONG CHENG
Head, Project Management

09 MS TAN BOON PHENG
Head, Design Management

10 MS CELESTE TAY
Head, Human Resources

11 MS YEOH SZU WOOI
Senior General Manager
(Singapore)

12 MR ROY LIM
Senior Vice President, Investment,
Asset and Development
Management (Regional)

13 MR KENNETH TEO
General Manager (South China)

14 MR WU YUFENG
General Manager (East China)

15 MR JON SONG
General Manager (North China)

16 MR CHEN ZHIHAO
General Manager, Project

17 MS JULIET CHOO
Deputy Head, Project Management

18 MR KENNETH TEH
Head, Legal and Joint Company Secretary

19 MS MICHELLE WONG
Company Secretary

01 MS BELINDA GAN
Chief Financial Officer

Ms Gan is responsible for all finance-related functions of Perennial Real Estate Holdings Limited ("**Perennial**", and together with its subsidiaries, the "**Group**"), 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.

02 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 Deputy Chief Executive Officer (China) of Perennial. Earlier, he was 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 ("**CRL**") (presently known as CapitaLand Mall Asia Limited) ("**CMA**"), 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**").

03 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, as well as commercial operations for Perennial's existing and potential new projects in Myanmar.

Ms Lee has over 22 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.

04 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 19 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.

05 DR KHOO CHOW HUAT
Chief Executive Officer, Healthcare (China)

Dr Khoo assists Mr Pua Seck Guan, CEO of Perennial, and Mr Ivan Koh, CEO of China, to lead the development and operations of Perennial's healthcare business in China.

Dr Khoo has over 23 years of strategic, operational and investment management experience in Singapore, Malaysia and China.

Dr Khoo was previously COO (China) of Perennial. Prior to joining Perennial, Dr Khoo was 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 the University of Cambridge, UK. He is also a Chartered Management Accountant.

06 MS DAWN TAN
Chief Operating Officer (Singapore)

Ms Tan assists the Deputy CEO (Singapore) to oversee the operations of Perennial's projects in Singapore. In addition, she supports the CEO to oversee the commercial operations of projects in Indonesia and Sri Lanka.

Ms Tan has more than 27 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.

MANAGEMENT TEAM

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.

07 MS TONG KA-PIN
Chief Corporate Officer

Ms Tong oversees the corporate functions of the Group including Investor Relations and Corporate Communications ("**IRCC**"), Corporate Marketing ("**CM**"), Legal and Corporate Secretariat.

Ms Tong has over 18 years of IRCC, CM, corporate branding and events management experience. Earlier, she also oversaw the Legal and Corporate Secretariat function of PCRTMPL, trustee-manager of PCRT, PREHPL and PREPL.

Ms Tong was previously the Head of IRCC and CM of Perennial. Earlier, she also held positions including Senior Vice President, IRCC and CM of PREHPL, Head, IRCC and CM of PCRTMPL and Senior Vice President, IRCC and CM of PREPL.

Ms Tong also 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, United States of America ("**USA**").

08 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 24 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.

09 MS TAN BOON PHENG
Head, Design Management

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

Ms Tan has over 27 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 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, 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.

10 MS CELESTE TAY
Head, Human Resources

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

Ms Tay has over 18 years of HR and HR-related experience, of which more than 15 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 Perennial. 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 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 19 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.

12 MR ROY LIM
Senior Vice President, Investment, Asset and Development 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 11 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.

13 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, covering 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 ("**ESG**") 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.

14 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 eight 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.

15 MR JON SONG
General Manager (North China)

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

Mr Song has over 12 years of experience in real estate investment, business development and asset management.

Prior to joining Perennial, Mr Song was Senior Vice President and Head of Global Projects with Tai United Holdings Limited. Before that, he was the Director of Business Development with Keppel Land China Limited. Prior to that, he held positions as Manager, Business Development & Asset Management with The Ascott Limited, as well as Centre Director (East China) with ESG.

Mr Song holds Dual Bachelor of Arts Degrees with Honours in Economics and Public Policy Studies from the University of Chicago, USA.

16 MR CHEN ZHIHAO
General Manager, Project

Mr Chen oversees the development and management of Perennial's real estate business and identifies new business opportunities in Kunming.

Mr Chen has 10 years of strategic business development and international marketing experience ranging from the development of projects in the healthcare, eldercare, power generation and water infrastructure sectors.

Prior to joining Perennial, Mr Chen was with ESG as Deputy Director of Healthcare and Biomedical Group focusing on Medtech cluster. Earlier, he was Regional Director West China and was involved in the implementation of aviation related projects under the Chongqing Connectivity Initiative. Prior to that, he was Senior Manager in the Environmental and Infrastructure Solutions Group.

Mr Chen holds a Bachelor of Business Management from the Singapore Management University of Singapore.

17 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 25 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.

18 MR KENNETH TEH
Head, Legal and Joint Company Secretary

Mr Teh oversees the legal functions of Perennial and guides the corporate secretariat team on the performance of the corporate secretarial functions of the Group.

Mr Teh has over seven years of private practice and in-house legal experience and has been involved in dispute resolution work as well as corporate transactions. He has advised on joint ventures, asset acquisitions, development projects and cross-border transactions.

Prior to joining Perennial, Mr Teh was Legal Counsel at UOL Group Limited. Mr Teh completed his training contract and practised at Harry Elias Partnership LLP before joining United Test and Assembly Center Limited.

Mr Teh holds a Bachelor of Laws (Honours) from the National University of Singapore and is an Advocate and Solicitor of the Supreme Court of Singapore. He is a member of the Singapore Academy of Law.

19 MS MICHELLE WONG
Company Secretary

Ms Wong is responsible for the corporate secretariat functions of the Group. She provides secretariat support to the Board and the various Board Committees.

Ms Wong has over 19 years of experience in the corporate secretarial industry, having managed listed companies, REITs and Business Trusts, private companies, charities and institutions of public character. Prior to joining Perennial, she was a Corporate Secretariat Senior Manager with Frasers Property Limited.

Ms Wong was previously an Associate Director with RHT Corporate Advisory Pte. Ltd. where she was named company secretary of several public listed and private companies. Earlier, she was with KW Corporate Advisory Pte. Ltd. as a corporate secretarial senior manager.

Ms Wong holds a Bachelor of Science, Economics from the National University of Singapore and Master of Business in Information Technology from Curtin University of Technology, Australia. She is also an Associate of the Chartered Secretaries Institute of Singapore.

Calibrating Portfolio, Finessing Performance

Perennial focuses on strengthening its portfolio to drive robust performance. With four iconic prime integrated developments located adjacent to major High Speed Railway transportation hubs in China, Perennial has firmly established its position as a leading developer of large-scale mixed-use developments in the country. Efforts to reposition assets in Singapore, and forays into emerging markets are aligned with the overarching strategy to grow a strong and diverse portfolio.

During the Ming dynasty, the development of new clay recipes and glazes improved the shape, thickness and finish of the ceramic ware. The varying shapes of the porcelain pieces and the ornate artwork emblazoned on them indicate inspiration from other cultures, adding new aesthetic elements to the end product.

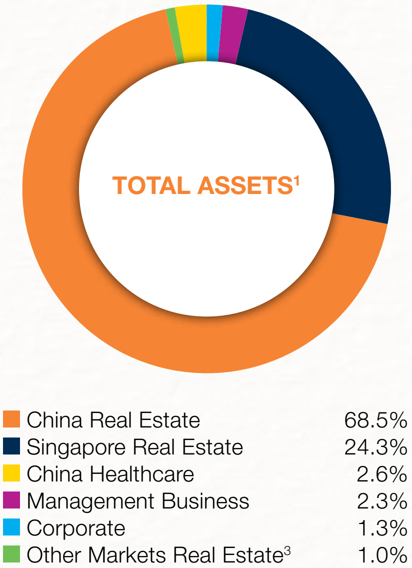
BUSINESS OVERVIEW

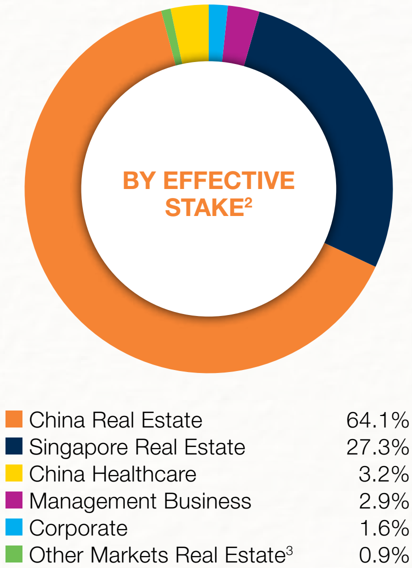
Perennial's real estate business as an owner, developer and manager spans seven countries, namely, Singapore, China, Malaysia, Indonesia, Myanmar, Sri Lanka and Ghana. Its portfolio comprises 14 integrated developments and six retail, commercial and residential developments with a total gross floor area ("**GFA**") of approximately 68 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 seven cities across China with approximately 7,700 operating beds as at 31 December 2019.

PORTFOLIO ANALYSIS

Total Assets Composition by Business

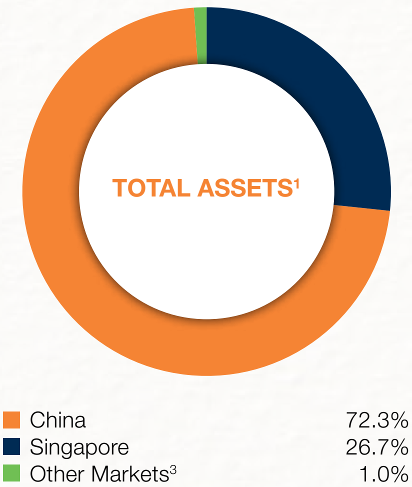
In FY2019, the real estate business accounted for the majority of assets held on the balance sheet, comprising 92.3% (FY2018: 92.1%) of total assets (on an effective stake basis). Perennial's China real estate business, constituting a significant portion of high speed railway ("**HSR**") regional healthcare and commercial hubs, accounted for 64.1% (FY2018: 60.1%) of total assets (on an effective stake basis).

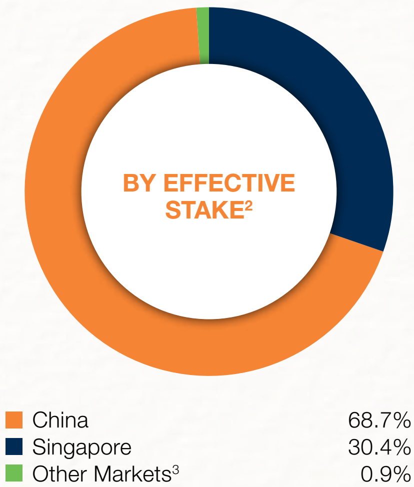




Total Assets Composition by Country

In FY2019, Perennial remained focused on its core markets of China and Singapore, which accounted for 72.3% (FY2018: 69.6%) and 26.7% (FY2018: 28.9%) of total assets respectively, and 68.7% (FY2018: 64.7%) and 30.4% (FY2018: 33.8%) of total assets (on an effective stake basis) respectively. The increase in China market's weightage was due to the acquisition of 2 HSR projects and fair value gains on existing projects arising from higher rental and advancement of construction works at a number of development projects.



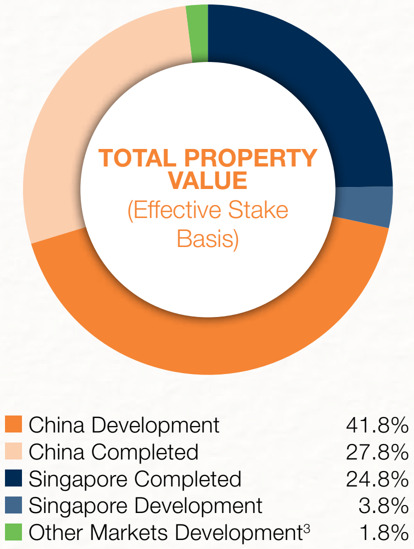


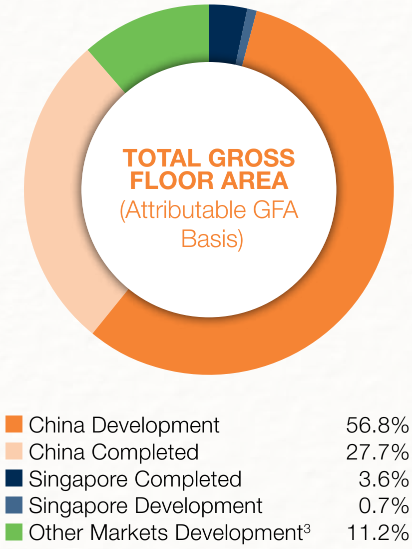
1 Represents assets which are consolidated and equity accounted in accordance to the Singapore Financial Reporting Standards.
2 Represents assets computed via the Company's shareholdings.
3 Other Markets relates to assets in Malaysia, Ghana, Indonesia, Myanmar and Sri Lanka.

Total Property Value versus Total Gross Floor Area

As at 31 December 2019, Perennial's completed projects in Singapore and China collectively accounted for about 52.6% (FY2018: 65.5%) of total property value (on an effective stake basis). This provided a stable stream of income for the Company. Forett at Bukit Timah, Perennial's first pure-play residential project, accounted for the entire 3.8% (on an effective stake basis) of Singapore development.

China development projects accounted for 41.8% (FY2018: 32.4%) of total property value (on an effective stake basis) and 56.8% (FY2018: 56.1%) of total GFA (on an attributable GFA basis), representing significant future growth potential in China. The higher property value was largely due to an increase in the number of projects as well as higher valuations on account of higher rental for the operational assets and advancement in the progress of development works for the projects under construction.





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	65.7%
	Plot 5	65.7%
Shenyang Longemont Integrated Development	Shenyang Longemont Shopping Mall	50%
	Shenyang Red Star Macalline Furniture Mall	50%
	Shenyang Longemont Offices	50%
Perennial Tianjin South High Speed Railway International Healthcare and Business City		45%
Perennial Kunming South High Speed Railway International Healthcare and Business City		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	10%[2]
Retail Malls/Commercial	
CHIJMES	51.6%[1]
House of Tan Yeok Nee	50%
Residential	
Forett at Bukit Timah	40%

Other Markets

Integrated Developments	Ownership
The Light City, Penang, Malaysia	50%
Mixed-use Development in Mandalay, Myanmar	50%
Mixed-use Development in Colombo, Sri Lanka	25%
Accra Integrated Development, Ghana	55%
Residential	
Residential Development in Sentul City, Greater Jakarta, Indonesia	40%

HEALTHCARE BUSINESS

Hospitals/ Medical Centres	Ownership
Perennial International Specialist Medical Centre	90%
St. Stamford International Medical Pte Ltd	81.6%[1, 3]
Eldercare and Senior Housing	**Ownership**
Shanghai Yixian Renshoutang Eldercare Group Co., Ltd	49.9%

MANAGEMENT BUSINESS

- Asset Management
- Development/ Project Management
- Property Management
- Hotel Management

1 Approximate percentage.
2 Post-completion of proposed divestment of AXA Tower to Alibaba Singapore and PRE 13 Pte. Ltd. which is expected to take place around June 2020.
3 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.

FINANCIAL REVIEW

	Revenue			EBIT		
	FY2019 S$'000	FY2018 S$'000	Change %	FY2019 S$'000	FY2018 S$'000	Change %
Singapore	**56,225**	22,600	148.8	**7,921**	55,965	(85.8)
China	**50,902**	41,408	22.9	**137,108**	329,054	(58.3)
Management Businesses	**31,797**	22,984	38.4	**14,668**	5,565	163.6
Corporate and Others	**72**	190	(62.1)	**(6,258)**	(6,623)	(5.5)
Eliminations	**(14,775)**	(8,921)	65.7	**(17,455)**	(7,754)	125.1
	124,221	78,261	58.7	**135,984**	376,207	(63.9)

Perennial's revenue for FY2019 was S$124.2 million or 58.7% higher than the S$78.3 million recorded in FY2018. The higher revenue was mainly due to the inclusion of the full twelve months revenue of both Capitol Singapore and Perennial International Health and Medical Hub ("**PIHMH**") as compared to seven months in FY2018, and an increase in revenue from both assets year on year ("**YoY**") as their operations continue to be ramped up. The increase in Perennial's FY2019 revenue was also contributed by higher fee income from management businesses.

SINGAPORE

In FY2019, the Singapore assets contributed revenue of S$56.2 million or 45.3% of total revenue. Most of the Singapore assets are not consolidated at the revenue line. Revenue from Singapore assets increased mainly due to the contribution of Capitol Singapore's full year's revenue in FY2019 as compared to seven months in FY2018 as well as the sale of a unit in Eden Residences Capitol in FY2019.

Singapore assets' Earnings Before Interest and Tax ("**EBIT**") at S$7.9 million in FY2019 was comparatively lower than FY2018. This was mainly attributed to the lower operating performance of Capitol Singapore and lower share of results post the divestment of Chinatown Point in FY2019, as well as the absence of fair value gain of Chinatown Point and one-off gain from an associated company in FY2018, mitigated by the gain on disposal of Chinatown Point.

In 2Q 2019, the Perennial-led consortium divested its entire stake in Chinatown Point at an agreed property price of S$520 million. Perennial received net proceeds of approximately S$125.3 million based on its proportionate stake of 50.64%. In 4Q 2019, Perennial also disposed its entire effective stake of 32.5% in a joint venture which held a 33.5% stake in United Engineers Limited ("**UEL**") for S$202.7 million. Both transactions were part of Perennial's capital recycling initiatives.

CHINA

China, being one of Perennial's core markets, contributed about 41.0% of revenue. Revenue from operations in China increased by S$9.5 million to S$50.9 million in FY2019 (FY2018: S$41.4 million). The higher revenue was primarily attributable to the full twelve months revenue contribution from PIHMH as compared to seven months in FY2018. The revenue for PIHMH has increased YoY as its operations gain momentum and footfall at the property increases following the opening of the anchor tenant's operations in October 2019.

EBIT from China assets was significantly lower by S$191.9 million in FY2019 largely due to the lower fair value gains, mitigated by the better performance of PIHMH, gain on divestment of Shenzhen Aidigong Modern Maternal and Child Health Management Co., Ltd. ("**Aidigong**") and higher share of results of healthcare businesses. Fair value gains at the EBIT level totalled S$66.4 million in FY2019 as compared to S$309.4 million in FY2018. In FY2018, two plots on Beijing Tongzhou Integrated Development Phase 1 were reclassified to investment properties from development properties, as these plots were identified for lease following the receipt of construction permits.

In China, Perennial's healthcare business is growing steadily. While contributions from healthcare business are currently not significant, this is expected to grow over time with the Perennial's eldercare and nursing homes offering integrated dementia care services as the key drivers.

In 3Q 2019, Perennial disposed its entire 20% stake in Aidigong. The completed transaction provided some divestment gain and proceeds for capital recycling.

MANAGEMENT BUSINESSES

Revenue for the fee-based management business increased by S$8.8 million to S$31.8 million in FY2019 (FY2018: S$23.0 million). The increase was mainly due to management fees from the healthcare joint venture and one-off consultancy fees.

In line with the higher management revenue, EBIT increased by S$9.1 million to S$14.7 million (FY2018: S$5.6 million).

PATMI

For the year under review, Perennial recorded a Profit After Tax and Minority Interest ("**PATMI**") of S$3.8 million. The lower PATMI in FY2019 as compared to FY2018 was due to lower fair value gains and higher finance expenses, mitigated by higher share of results from associated companies/joint ventures, higher management fee income and divestment gains. Finance expenses increased due mainly to higher borrowings to fund new investments and interest expenses of PIHMH being expensed off on completion of the project.

DIVIDEND

The Board of Directors proposes a first and final ordinary dividend of 0.2 Singapore cents per share for the financial year ended 31 December 2019. The dividends are subject to shareholders' approval at the upcoming Annual General Meeting.

FINANCIAL REVIEW

In FY2018, a first and final ordinary dividend of 0.4 Singapore cents per share was approved and paid in May 2019. The total dividends paid amounted to S$6.6 million.

TOTAL ASSETS

Total assets as at 31 December 2019 of S$7.6 billion were S$115.3 million or 1.5% lower than that a year ago. The decrease was due to the disposal of certain associated companies and financial asset during the year, partially offset by new investments as well as increased investments into a joint venture, higher cash balances and receivables from a joint venture.

China and Singapore remain Perennial's core markets with assets in these 2 countries accounting for approximately 72% and 27% of Perennial's total assets respectively.

As at 31 December 2019, Perennial's investment properties held by subsidiaries included Perennial Jihua Mall, Perennial Qingyang Mall, PIHMH, Xi'an North High Speed Railway ("**HSR**") Integrated Development Plot 4 and two plots on Beijing Tongzhou Integrated Development in China as well as CHIJMES and Capitol Singapore (excluding Eden Residences Capitol and The Capitol Kempinski Hotel Singapore).

Perennial's investment in associated companies and joint ventures included mainly investments in Shenyang Longemont Shopping Mall, Shenyang Red Star Macalline Furniture Mall, Shenyang Longemont Offices, Chengdu East HSR Integrated Development Plots C and D, Beijing Tongzhou Integrated Development Phase 2 and Zhuhai Hengqin Integrated Development, all of which are in China, AXA Tower and 111 Somerset in Singapore, The Light City, Penang in Malaysia, a residential development in Sentul City, Indonesia as well as our investment into eldercare management services through Shanghai Yixian Renshoutang Eldercare Group. Projects held by Perennial HC Holdings Pte Ltd, a Perennial-led joint venture which invests in, acquires and develops large scale and predominantly healthcare integrated mixed-use developments which are connected to HSR stations in China, such as Perennial Tianjin South HSR International Healthcare and Business City and Perennial Kunming South HSR International Healthcare and Business City, are also part of Perennial's investment in joint ventures.

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

SHAREHOLDERS' EQUITY

As at 31 December 2019, 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. As at 31 December 2019, the number of shares bought back and held as treasury shares was 3,435,000 (FY2018: 3,435,000). This represents about 0.21% (FY2018: 0.21%) of the total number of issued shares (excluding treasury shares).

Perennial's reserves comprised revenue reserves, capital reserves, foreign currency translation reserve and other reserves such as 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 2.9% for the 12-month period.

LOANS AND BORROWINGS

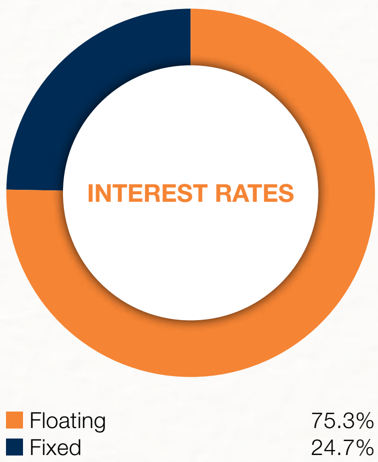
As at 31 December 2019, Perennial's gross borrowings stood at S$3.0 billion. The net borrowings were S$2.8 billion after taking into account the cash and cash equivalents of approximately S$119.8 million.

The increase in short term borrowings from 31 December 2018 was due to maturing of retail bonds and two fixed rate notes totalling $560 million in 2020. In addition, a number of the unsecured bank facilities are due for renewal in 2020.

During the year, several bank facilities were drawn down for financing new investments, repayment of indebtedness and meeting Perennial's working capital requirements. Proceeds from capital recycling were partially used to pare down the borrowings. As a result, the debt as at 31 December 2019 of S$3.0 billion was marginally higher than that a year ago. The net debt-equity ratio stood at 0.74 times as at the end of the year (31 December 2018: 0.72 times), with the increase attributable to an increase in debt of approximately S$31 million, coupled with a reduction in equity due to foreign currency translation losses arising from the depreciation of RMB against the SGD.

Of the total debt, about 48.5% was secured. In terms of interest rate, about 75.3% of the borrowings was on floating rate while the balance 24.7% was on fixed rate.

Loan Portfolio Balanced Between Secured and Unsecured Loans; Approximately 25% Of Total Borrowings Is On Fixed Interest Rates



CAPITAL MANAGEMENT

As at 31 December 2019, Perennial had a total asset size of S$7.6 billion supported by a strong equity base of S$3.9 billion and a debt of S$3.0 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 has also diversified its sources of funding beyond the conventional bank borrowings and has tapped the debt market such as issuances of medium-term notes ("**MTN**") and retail bonds.

In FY2019, Perennial executed its capital recycling strategy by divesting its entire stakes in Aidigong, Chinatown Point and UEL to generate cash proceeds.

DEBT PROFILE

Perennial's borrowings are predominantly denominated in SGD with 93.9% in SGD and 6.1% denominated in RMB. Where practicable, Perennial will borrow in the same functional currencies required of its overseas projects to achieve a natural foreign currency hedge.

The weighted average interest rate on its borrowings for the financial year was about 4.0% (FY2018: 3.8%) per annum while the weighted average debt maturity profile as at end December 2019 was 1.55 years.

About S$1.3 billion of loans will be maturing in 2020. The loans due in 2020 comprised secured loans of S$0.1 billion and unsecured loans, bonds and MTN totalling S$1.2 billion. Perennial has commenced discussions with the respective lenders to refinance the loans which are coming due in the next 6 months. On 29 April 2020, S$280 million of retail bonds were fully redeemed.

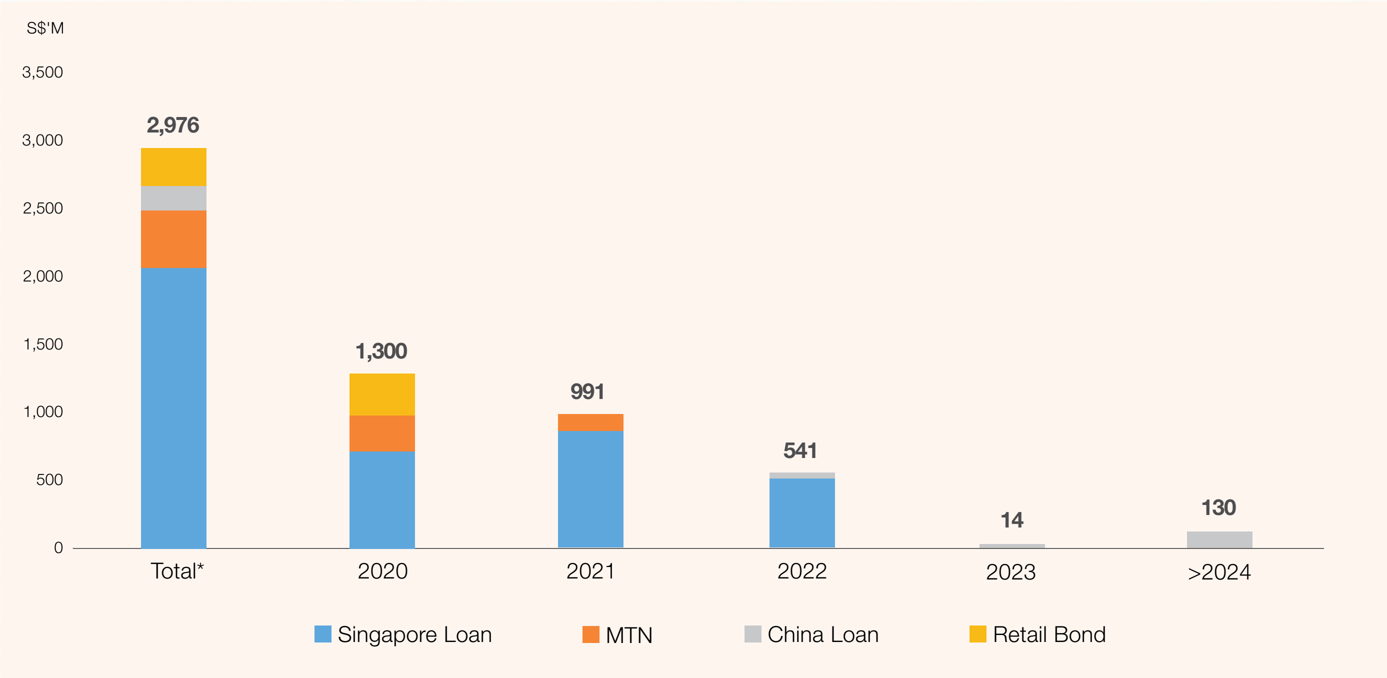
CASH FLOWS

As at 31 December 2019, Perennial has cash and cash equivalents of S$119.8 million. For the financial year, net cash of S$76.9 million was used in operating activities, mainly towards payment of development properties expenditure.

Net cash of S$234.6 million was generated from investing activities, mainly from the divestments of our stakes in Chinatown Point, Aidigong and UEL. Parts of the proceeds were utilised for new investments with the balance used to pare down borrowings.

Net cash used in financing activities of S$110.8 million mainly arose from the payment of bank interests.

Debt Maturity Profile (As at 31 December 2019)



* Being gross amount, without amortised transaction costs.

1 The borrowings due in 2020 comprise secured loans of S$106m,unsecured loans of S$634m, retail bonds of S$280m due in April 2020, and MTNs of S$100m and S$180m due in July 2020 and August 2020 respectively.

5-YEAR FINANCIAL SUMMARY

	2019	2018	2017[1]	2016	2015[2]
Profit or Loss (S$ million)					
Revenue	**124.2**	78.3	74.5	110.2	117.7
Earnings Before Interest and Tax	**136.0**	376.2	219.6	111.2	144.5
Profit After Tax and Minority Interest	**3.8**	78.1	100.3	35.1	58.1
Financial Position (S$ million)					
Investment properties	**3,378.7**	3,349.5	1,659.7	1,372.0	2,290.8
Development properties	**1,094.1**	1,088.1	1,704.5	2,757.9	1,756.4
Associates and joint ventures	**2,254.5**	2,491.5	2,471.4	1,993.5	1,975.1
Cash and cash equivalents	**119.8**	76.9	111.7	226.2	162.0
Other assets	**708.0**	664.3	757.4	696.8	266.0
Total assets	**7,555.1**	7,670.3	6,704.7	7,046.4	6,450.3
Equity attributable to owners of the Company	**2,632.4**	2,732.6	2,767.3	2,716.6	2,794.2
Total borrowings	**2,968.6**	2,938.1	2,344.8	2,715.5	1,911.7
Non-controlling interests and other liabilities	**1,954.1**	1,999.6	1,592.6	1,614.3	1,744.4
Total equities & liabilities	**7,555.1**	7,670.3	6,704.7	7,046.4	6,450.3
Financial Ratios					
Earnings per share (cents)	**0.23**	4.70	6.02	2.11	3.74
Net assets value per share (S$)	**1.584**	1.644	1.663	1.631	1.688
Return on equity (%)	**0.1**	2.9	3.6	1.3	2.1
Return on total assets (%)	**1.8**	5.2	3.2	1.6	2.7
Debt equity ratio (net of cash) (times)	**0.74**	0.72	0.57	0.66	0.45
Interest cover (times)	**1.4**	4.5	4.5	2.0	2.5
Dividend					
Ordinary dividend per share (cents)	**0.2**	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 2015, the Company changed its financial year end from 30 June to 31 December. Unaudited 12-month results were presented for comparison.

VALUE ADDED STATEMENT

	FY2019 S$'m	FY2018 S$'m
Value Added Statement		
Value added from:		
Revenue earned	**124.2**	78.3
Less: Purchase of materials and services	**(55.6)**	(40.3)
Add: Other income	**62.5**	332.6
Gross value added from operations	**131.1**	370.6
In addition		
Share of results of associates and joint ventures	**80.9**	56.3
Total value added	**212.0**	426.9
Distribution:		
To employees in wages, salaries and benefits	**43.0**	33.2
To government in taxation	**27.7**	87.4
To providers of capital in:		
– Net finance cost on borrowings	**119.3**	89.6
– Dividends to owners of the Company	**6.6**	16.6
	196.6	226.8
Balance retained in the business:		
Depreciation and amortisation	**16.5**	7.2
Non-controlling interests	**1.6**	131.4
Revenue reserves	**(2.9)**	61.5
	15.2	200.1
Allowance for doubtful receivables/written-off	**0.2**	–
Total Distribution	**212.0**	426.9
Average staff strength (headcount)	**413**	384
Productivity analysis[1]:		
(a) Value added per employee (S$'000)	**317.5**	965.1
(b) Value added per dollar of employment cost (S$)	**3.0**	11.2
(c) Value added per dollar sales (S$)	**1.1**	4.7

Note
1 The decrease between FY2019 and FY2018 was mainly contributed by lower other income which comprised fair value gains from the revaluation of investment properties as well as an increase in headcount and correspondingly, employment costs.

BUSINESS REVIEW:
> Real Estate – Singapore

OVERVIEW

In Singapore, Perennial owns and manages a diversified real estate portfolio comprising integrated developments, retail, residential and commercial developments.

All of Perennial's commercial and integrated properties are strategically located in the Central Business District ("**CBD**"), the Civic District and the Orchard Road precinct. Perennial's freehold residential property sits in Bukit Timah, one of Singapore's most desirable neighbourhood, a stone's throw away from the lush greenery of Bukit Timah Nature Reserve. As at 31 December 2019, all six properties have a total property value (on a 100% basis) in excess of S$4.3 billion and are directly connected or in close proximity to Mass Rapid Transit ("**MRT**") stations.

Through its repositioning exercise in 2019, Capitol Singapore introduced new-to-market concept stores and large-format lifestyle retail stores, such as Asia's maiden store of Swedish co-working space No18 and the 2,000 square feet ("**sq ft**") Dyson concept store cum service centre. At the Arcade@The Capitol Kempinski, the air-conditioned boulevard connecting The Capitol Kempinski Hotel Singapore to the rest of the development, six new dining establishments commenced operations in 2019, serving a variety of international cuisines.

A new dining establishment at the Arcade@The Capitol Kempinski

Strong Presence In Singapore's CBD, Civic District and The Orchard Road Precinct

Perennial continues to strengthen recurring income streams by driving occupancy rates at CHIJMES and AXA Tower. In January 2019, Perennial completed its Asset Enhancement Initiatives ("**AEI**") for the retail podium at 111 Somerset. The 72,000 sq ft strata area of retail is anchored by the supermarket NTUC Fairprice Finest and hosts a plethora of food and beverage ("**F&B**"), entertainment and services outlets. With the completion of the AEI, greater convenience is provided to the office and medical tenants within the integrated development and creates greater value to the overall portfolio.

In April 2019, Perennial led its consortium of investors to fully divest Perennial's and the consortium's stake in Chinatown Point for S$520 million to PAR Chinatown Point Pte. Ltd., a vehicle of a fund which is managed by Pan Asia Realty Advisors (Singapore) Pte. Ltd. The divestment of 50.64% stake by Perennial is in line with its capital recycling strategy to optimise returns for stakeholders. The appointment of Perennial as the property manager also provides recurrent income stream to the portfolio.

In April 2020, Perennial executed a Sale and Purchase Agreement to divest its entire 30% stake in 111 Somerset to the 70% shareholder, Simply Swift Limited, a subsidiary of Hong Kong-listed Shun Tak Holdings Limited at a consideration of S$155.1 million, subject to final adjustments. Perennial is expected to record a pre-tax gain on disposal of approximately S$25 million. Perennial will remain as the property manager of 111 Somerset.

In May 2020, Perennial also led its consortium of investors to execute a Share Purchase Agreement to divest 50% equity stake in AXA Tower and transfer 50% of the shareholders' loan outstanding, based on an agreed property price of S$1.68 billion, to a subsidiary ("**Alibaba Singapore**") of Alibaba Group Holding Limited. Concurrently, Perennial formed a new entity with the same consortium of investors to acquire the remaining 50% stake in AXA Tower and took over the remaining 50% of the shareholders' loan outstanding. The new Perennial-led consortium and Alibaba Singapore will subsequently enter into a joint venture agreement to undertake a redevelopment of AXA Tower. Perennial's share of the net proceeds following the transaction is expected to be approximately S$196.4 million and its share of the divestment gain is approximately S$45 million. The balance proceeds, after Perennial's reinvestment into the new entity held by the Perennial-led consortium, is expected to be approximately S$137.6 million.

An event at the CHIJMES Lawn

These transactions are testament to Perennial's ability to identify quality assets, creating value through asset enhancement and unlocking value via divestment.

MARKET TRENDS AND OUTLOOK

In 2019, Singapore's Gross Domestic Product ("**GDP**") grew by 0.7% on a year-on-year ("**YoY**") basis, down from 3.1% in 2018. This is the slowest full year growth since 2009. On a quarter-on-quarter ("**QoQ**") basis, the GDP expanded by 0.1% in 4Q 2019, a slower growth as compared to 2.4% in 3Q 2019[1].

Overall, the growth in 2019 was mainly contributed by the construction sector and services industries, which more than offset the negative growth in manufacturing sector. The trade war between US and China as well as the cyclical downturn in electronics sector had also contributed to the subdued growth in Singapore, an export-oriented economy[2].

Prior to the COVID-19 outbreak, the GDP growth forecast for 2020 was more optimistic at 0.5% to 2.5%. This would be mainly driven by the growth in emerging markets and developing economies. However, in consideration of the COVID-19 outbreak, the GDP forecast is expected to weaken considerably. With several countries implementing strong public health measures which included lockdowns and closure of borders, economic activities have been affected, and would likely result in supply chain disruptions and impact Singapore's economy.[3]

MARKET TRENDS

Positive Property Investment Prospects

Singapore was ranked 2nd for real estate investment prospects in terms of price increase in 2019. According to the report by PricewaterhouseCoopers[4], Singapore is expected to further rise up the rank to the 1st position in 2020, surpassing the other 22 cities such as Tokyo, Hong Kong, Sydney and Bangalore.

In the first half of 2019, Singapore also saw a jump in the property transactions, mostly driven by cross-border capital where investment amount increased by 73% YoY, totaling to S$6.7 billion in the period[5]. There was also uptick in interest by investors whom avoided "geopolitical flashpoints", China and Hong Kong, in times of uncertainty. In 2019, Australia and Singapore were the biggest regional recipients of cross border capital flow.

Overall, the residential prices in Singapore had rebounded and the oversupply in the office sector had largely been absorbed in 2019. These showed signs of resilience in Singapore's market.

With the anticipated global economic impact due to the COVID-19 outbreak, investors are expected to be more cautious when making property investments. Cross-border investments could be further constrained as investors are unable to travel and inspect the properties[6]. According to Colliers, investment sales are expected to be weak in

1 Press Release from Ministry of Trade and Industry, dated 2 January 2020.
2 Channel NewsAsia article, dated 2 January 2020.
3 Press Release from Ministry of Trade and Industry, dated 26 March 2020.
4 PWC Emerging Trends in Real Estate® Asia Pacific 2020.
5 The Straits Times article, dated 12 November 2019.
6 The South China Morning Post article, dated 10 March 2020.

1H 2020, with possible rapid recovery in 2H 2020. The full year investment sales forecast is maintained at a projected increase of 6% to $31.3 billion[7].

Strategic Response

Perennial has adopted an active portfolio reconstitution strategy to maximise capital efficiency and to ride on the market growth. As part of capital recycling and portfolio rebalancing, Perennial has fully divested its interest in Chinatown Point Mall in 2019. Perennial's strata-sale strategy of office units and medical suites at 111 Somerset has also benefitted from the increased interest in commercial properties.

Positive Office Market Trend

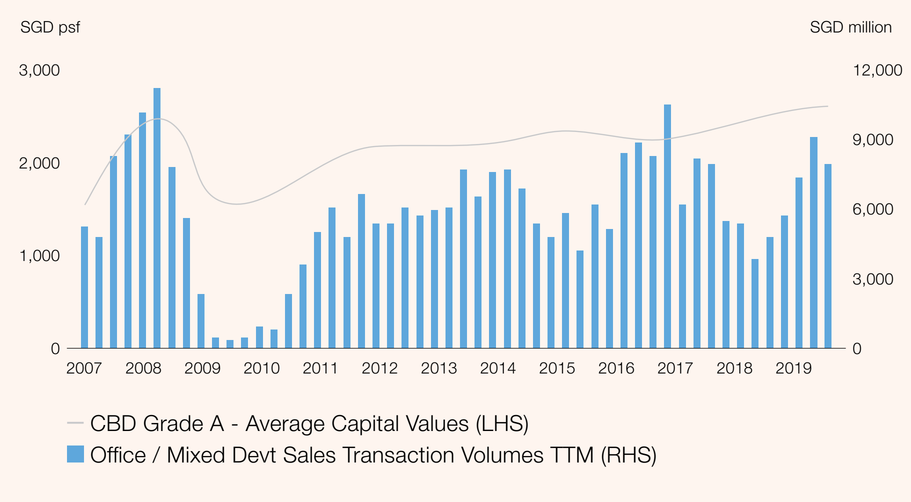
In 2019, the gross effective rent of Grade A and Grade B offices in CBD increased by 7.0% and 7.7% YoY respectively[8]. The rental growth was mainly driven by Beach Road/ Bugis where landlords priced in the upcoming rejuvenation in the area and the anticipated completion of several developments. Rentals in other micro-markets such as Shenton Way/ Tanjong Pagar and Raffles Place/ New Downtown were driven by the newer developments.

Investment market remained robust with rising capital values from 2018. In 4Q 2019, the average capital value of CBD Grade A offices increased by 0.2% QoQ and 3.9% YoY to S$2,518 per square foot. Overall, investment sales in office and mixed office developments remained strong in 2019, with an increase in sales of 62% YoY to S$7.6 billion.

According to Colliers' report, commercial activities in 2020 are expected to match the volume recorded in 2019. This is mainly due to the merger of CapitaLand Mall Trust and CapitaLand Commercial Trust in 2Q 2020. In the longer term, Singapore remains as an attractive investment destination. The commercial sector remains the most attractive for investors[9].

	Average Gross Effective Rents ($psf pm)	QoQ Change (%)	YoY Change (%)	Vacancy (%)
Grade A – CBD	$10.09	0.0%	7.0%	3.4%
Grade B – CBD	$8.47	-0.7%	7.7%	6.3%

CBD Grade A Capital Values & Island-Wide Transaction Volumes



Source: Colliers International
Note: Valuation-based methodology is used to derive capital values. Investment volumes only include transactions over SGD5 million. "TTM" refers to trailing 12 months.

Strategic Response

To leverage on the positive market trend, Perennial has been actively reaching out to companies looking for relocation spaces, including tenants located at commercial buildings with redevelopment plans. To maximise returns to shareholders, Perennial is also actively exploring en bloc sale opportunities for AXA Tower and continuing the strata sale of office units in 111 Somerset.

With the COVID-19 outbreak, office leasing activity is expected to slow as companies postpone their relocation and expansion plans[10]. Perennial will continue to engage companies on their plans and/or changing requirements to take on an even more active approach in the current market.

Downsizing and Consolidation of Retailers

Online and experiential retailing has been a growing trend in the retail industry. Retailers had since moved operations online, relaunched websites and rejuvenated their product lines. Major brands have been consolidating their physical stores, with some announcing the closure of all stores in Singapore in 2019. A significant number have also downsized their operations over the same period[11].

Overall, the total retail sales in December 2019 was about S$4.2 billion, a 3.4% decrease YoY. However, the online retail sales had increased from 5.5% in December 2018 to 6.8% in December 2019, indicating an increasing trend for online retailing[12].

7 Colliers report on Impact of COVID-19 on Singapore Property Markets 2020.
8 Colliers International Singapore Office Market 4Q 2019.
9 Colliers Internation Singapore Investment Sales 1Q 2020.
10 Colliers report on Impact of COVID-19 on Singapore Property Markets 2020.
11 Colliers International 1H 2019 Retail Report.
12 Department of Statistics Singapore: Retail Sales Index and Food & Beverage Services Index, December 2019.

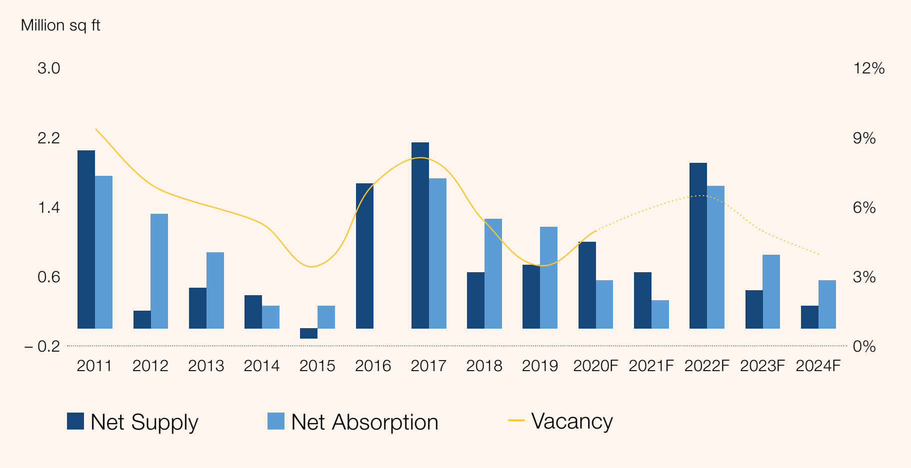
The retail industry had been hit hard by the outbreak of COVID-19 in Singapore. In February 2020, Singapore's retail sales plunged 8.9% from the previous month, the biggest drop since July 2007[13]. With stricter measures imposed by the government to reduce transmissions, such as ordering non-essential businesses to close, traditional retailers were forced to move online to diversify their revenue streams. In March 2020, Enterprise Singapore introduced the E-commerce Booster Package for retailers that are new to e-commerce and online retailing. The package covers up to 90% of costs on e-commerce platforms services, such as content development services, product listing and advertising[14]. With consumers turning towards e-commerce and lower barriers to entry for onboarding retailers, the growth of online retailing is expected to be further boosted.

Strategic Response

Perennial remains versatile and resilient towards the shifting retail landscape, actively curating a mix of service and lifestyle tenants whose retail experiences cannot be replicated online. This includes an array of F&B tenants and experiential stores such as the Dyson concept store. Additionally, placemaking events and short-term pop-up stores are set-up regularly to respond to shifting demands, provide versatile offerings and fresh shopping experiences. As at 31 December 2019, CHIJMES, a predominantly retail development, was enjoying close to 100% committed occupancy.

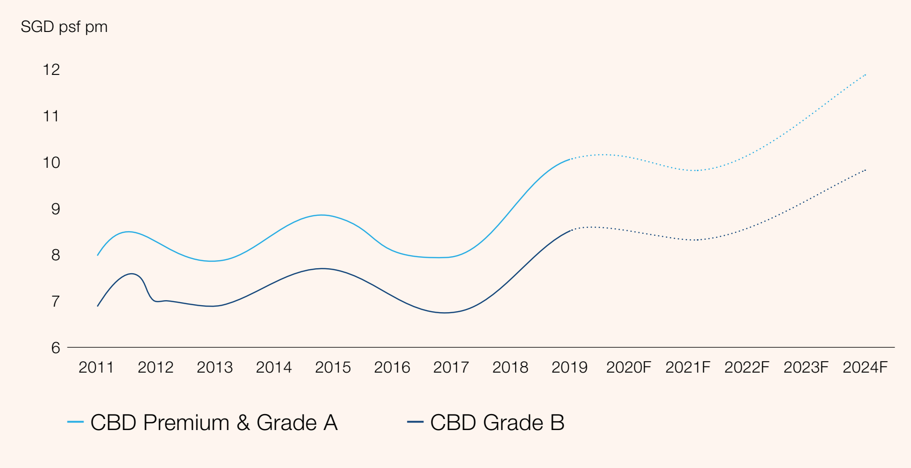
Perennial has also strategically invested in integrated developments such as 111 Somerset, AXA Tower and Capitol Singapore which creates additional footfall and vibrancy to the retail areas.

Office Net Absorption, Supply and Vacancy



Source: Colliers International

CBD Grade A and B Rents



Source: Colliers International

Market Outlook

Office

New office supply is projected to remain limited between 2020 and 2021, with an average increase in total stock of about 3% versus 5% in the last five years[15]. Coupled with the subdued demand, vacancy is expected to increase marginally from 3.5% in 2019 to 5.0% in 2020. With the limited supply, vacancy should be well kept below the 10-year historical average of 6.2%. Rental for CBD Grade A and Grade B offices are expected to increase marginally from S$10.09 and S$8.47 per square foot in 4Q 2019 to S$10.19 and S$8.53 per square foot respectively.

However, with the COVID-19 outbreak, office leasing activity is expected to slow as relocation and expansion plans get postponed[16]. This could have an impact on the overall vacancy for office sector.

Major office pipeline is projected to come on stream only in 2022, resulting in about 7% increase in annual stock. With the pre-marketing of these spaces, rental is expected to reduce in 2021.

13 Department of Statistics Singapore: Retail Sales Index and Food & Beverage Services Index, February 2020.
14 The Straits Times Article, dated 3 April 2020.
15 Colliers International Singapore Market Outlook 2020.
16 Colliers report on Impact of COVID-19 on Singapore Property Markets 2020.

Strata Office

Singapore remains as an attractive city for real estate investment. In the report by PricewaterhouseCoopers, Singapore is ranked 1st for real estate investment prospects in 2020. According to Colliers' report, foreign capital is also expected to continue to flow into gateway cities such as Singapore. The capital values are expected to continue rising in 2020[18].

However, with the COVID-19 outbreak, Colliers projects that investment sales are expected to be weak in 1H 2020, with possible rapid recovery in 2H 2020[19].

Cities Ranked By Their Property Investment Prospects

City	Rank 2020	Rank 2019
Singapore	1	2
Tokyo	2	4
Ho Chi Minh City	3	7
Sydney	4	3
Melbourne	5	1
Shenzhen	6	8
Shanghai	7	6
Osaka	8	5
Guangzhou	9	10
Seoul	10	9
Bangkok	11	11
Mumbai	12	13
Beijing	13	12
Taipei	14	21
New Delhi	15	17
Bangalore	16	16
Manila	17	19
Jakarta	18	15
Auckland	19	20
China-second-tier cities	20	18
Kuala Lumpur	21	22
Hong Kong SAR	22	14

Source: Emerging Trends in Real Estate Asia Pacific 2020 Study
Straits Times Graphics

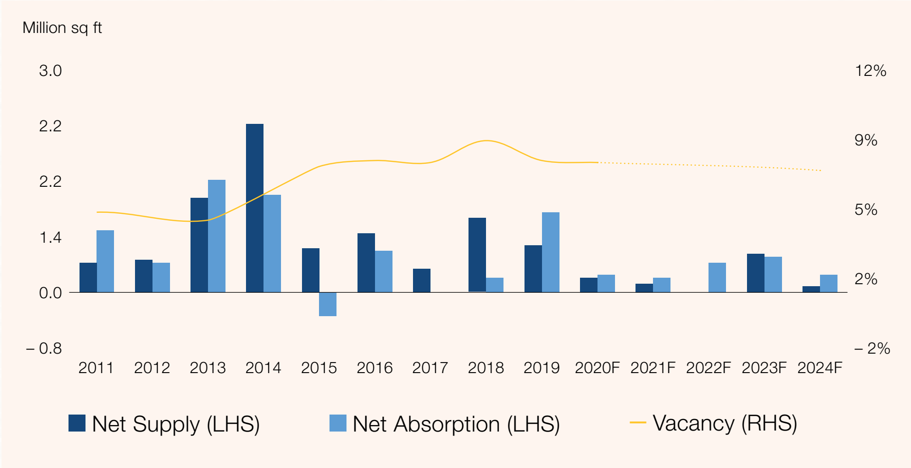
Retail

The new supply of retail spaces in 2020 is projected to be low at 0.3% of the total stock as compared to the 10-year historical average of 1.7%, with the new supply mainly located in suburban areas.

Overall, rent in the Central Region is expected to increase marginally by 0.1% YoY to reach $82.7 per sq ft. Island-wide vacancy is anticipated to improve from 7.5% in 2019 to 7.4% in 2020[20].

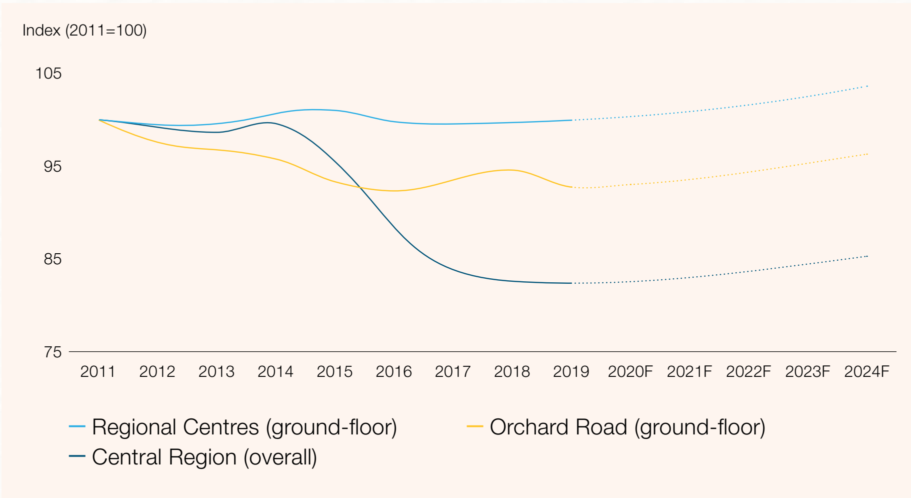
Despite the COVID-19 outbreak, Savills is maintaining their current rental forecast of -1.0% to 1.0% growth for prime retail spaces in Orchard Road. However, it is projected that the mode of rental collection may temporarily shift from the traditional model of charging a high base rent and/or Gross Turnover ("**GTO**") rent, whichever is higher, to a higher GTO component to tide over this challenging period[21]. The property tax rebates which are passed on to the retail tenants are also expected to help alleviate cash flow issues for tenants.

Retail Net Absorption, Supply and Vacancy



Source: Colliers International

Retail Rental Indices



Source: Colliers International, URA

17 The Straits Times article, dated 12 November 2019.
18 Colliers International Singapore Office Market 4Q 2019.
19 Colliers report on Impact of COVID-19 on Singapore Property Markets 2020.
20 Colliers International Singapore Retail Market Outlook 2020.
21 Savills article, dated on 3 March 2020.

Residential

Low employment and favorable interest rates are expected to drive occupier demand in 2020, whilst investors are likely to remain cautions due to the existing cooling measures. New supply is projected to be low at 5,122 units, about 63% lower than the 5-year historical average of 13,822 units. Price and rental are expected to increase by 3% and 5% respectively[22].

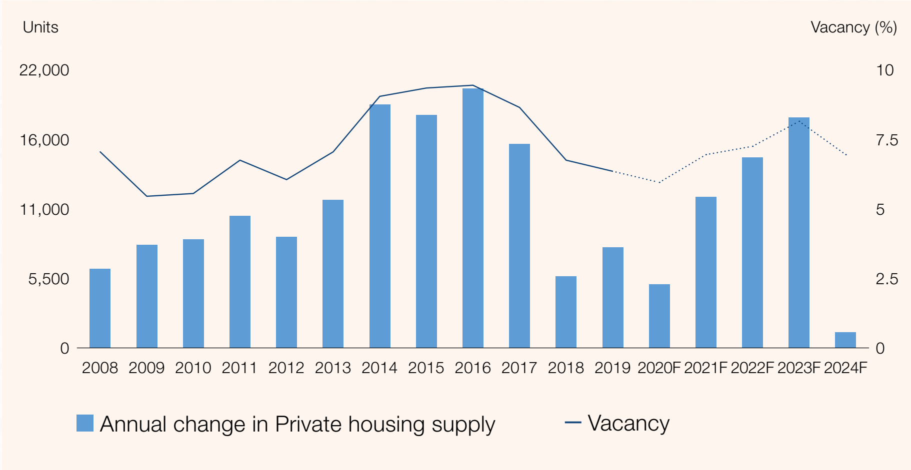
Despite the COVID-19 outbreak, consultants observed that property buyers are still continuing their purchase of new private homes. This could be due to the underlying demand for homes, low unemployment rate, low interest rate and Singapore having good economic fundamentals[23]. The level of unsold units in the market is still considered manageable relative to the previous peak of 39,184 units in 2011. CBRE projects that there is no immense pressure for developers to reduce prices or provide discounts in the short run[24].

STRATEGIC PRIORITIES IN FY2020

In the first half of 2020, Perennial divested its stake in 111 Somerset and reduced its stake in AXA Tower as part of its active capital recycling strategy. Moving forward, Perennial will maintain its active involvement in the two properties. At 111 Somerset, Perennial will continue to be the property manager, of which the management fees will provide a stable and recurrent stream of income. Focus will be on enhancing the retail offerings at the retail podium and the continued strata sale of the medical suites and office space. At AXA Tower, upon the completion of the divestment of the 50% stake, expected to take place around June 2020, the new Perennial-led consortium will enter into a joint venture agreement with Alibaba Singapore for the redevelopment of the prime property.

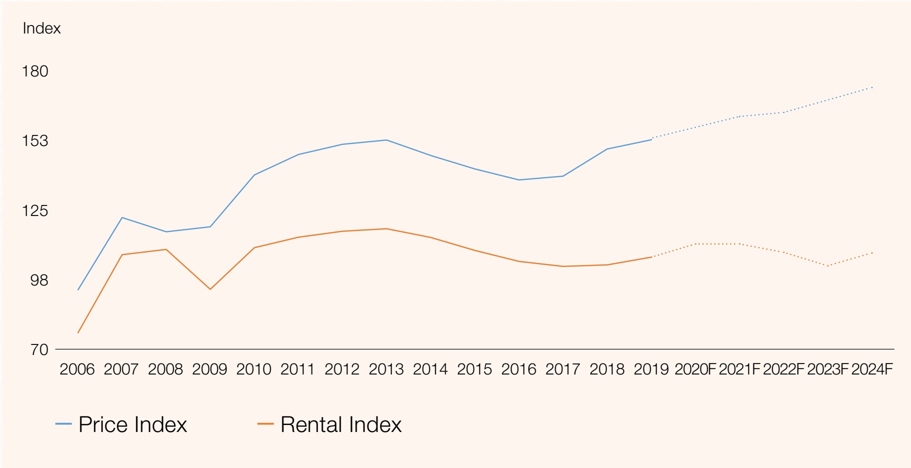
The new Forett at Bukit Timah residential development at the former Goodluck Garden site is targeted for launch in 2020. This will allow Perennial to ride on the underlying housing demand against the backdrop of the cooling measures and uncertain economic climate.

Private Housing Supply and Vacancy



Source: Colliers International, URA

Price and Rental Indices



Source: Colliers International, URA

In line with the capital recycling strategy, Perennial will actively execute capital recycling initiatives to unlock the value of matured assets, so as to maximise returns and strengthen its balance sheet.

In view of the COVID-19 outbreak, Perennial will also work closely with tenants to tide over the challenging period. Measures such as temporary rental rebates, increasing development hygiene, boosting marketing and promotion campaigns and offering free parking have been rolled out.

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

22 Colliers International Singapore Market Outlook 2020.
23 The Business Times article, dated 3 March 2020.
24 CBRE Market Outlook 2020.

CAPITOL SINGAPORE
首都新加坡

CAPITOL
SINGAPORE
ESTD 1903

Capitol Singapore, a landmark integrated mixed-use development, houses a premier retail mall, 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 is directly connected to the City Hall MRT Interchange Station, which serves the North-South Line and East-West Line.

Eden Residences Capitol sits atop the retail mall 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 with over 970 plush seats. Equipped with an advanced rotational floor system, the multi-functional theatre can host a variety of events, from conferences to concerts and glamorous red carpet events. The Capitol Kempinski Hotel Singapore is an art deco jewel, housed in the restored Capitol Building and Stamford House, with 157 guest rooms and suites. It features leading international restaurant 15 Stamford by Alvin Leung, a two-Michelin-star celebrity chef. The holistic Kempinski experience extends to the Arcade@The Capitol Kempinski, where an array of quintessentially Kempinski gastronomic delights and exquisite selection of culinary treasures enchant tourists and locals.

KEY DEVELOPMENTS IN FY2019

Capitol Singapore achieved a strong committed occupancy of 92.3% as at December 2019. The retail component completed its repositioning and new-to-Singapore concepts were progressively introduced, such as Wu Pao Chun Bakery and Dyson Demo Store – Owner Centre, which hosts a service centre in the store. IWG's premium co-working space concept, No18, also launched its first flagship facility in Asia on Level 2 of the retail mall. The 20,600 sq ft work space opened its doors in December 2019 to businesses seeking a community-centric working environment with private offices and club amenities.

At Arcade@The Capitol Kempinski, the air-conditioned boulevard connecting the Capitol Kempinski Hotel Singapore to the rest of the development, a suite of international restaurants were established progressively as an extension to the hotel's hospitality dining experience. The unique selection by Kempinski includes Frieda Restaurant and Berthold Delikatessen, Broadway American Diner, Chalerm Thai, La Scala Ristorante and El Teatro Tapas.

Arcade@The Capitol Kempinski has been transformed into an exciting dining destination serving a variety of international palettes.

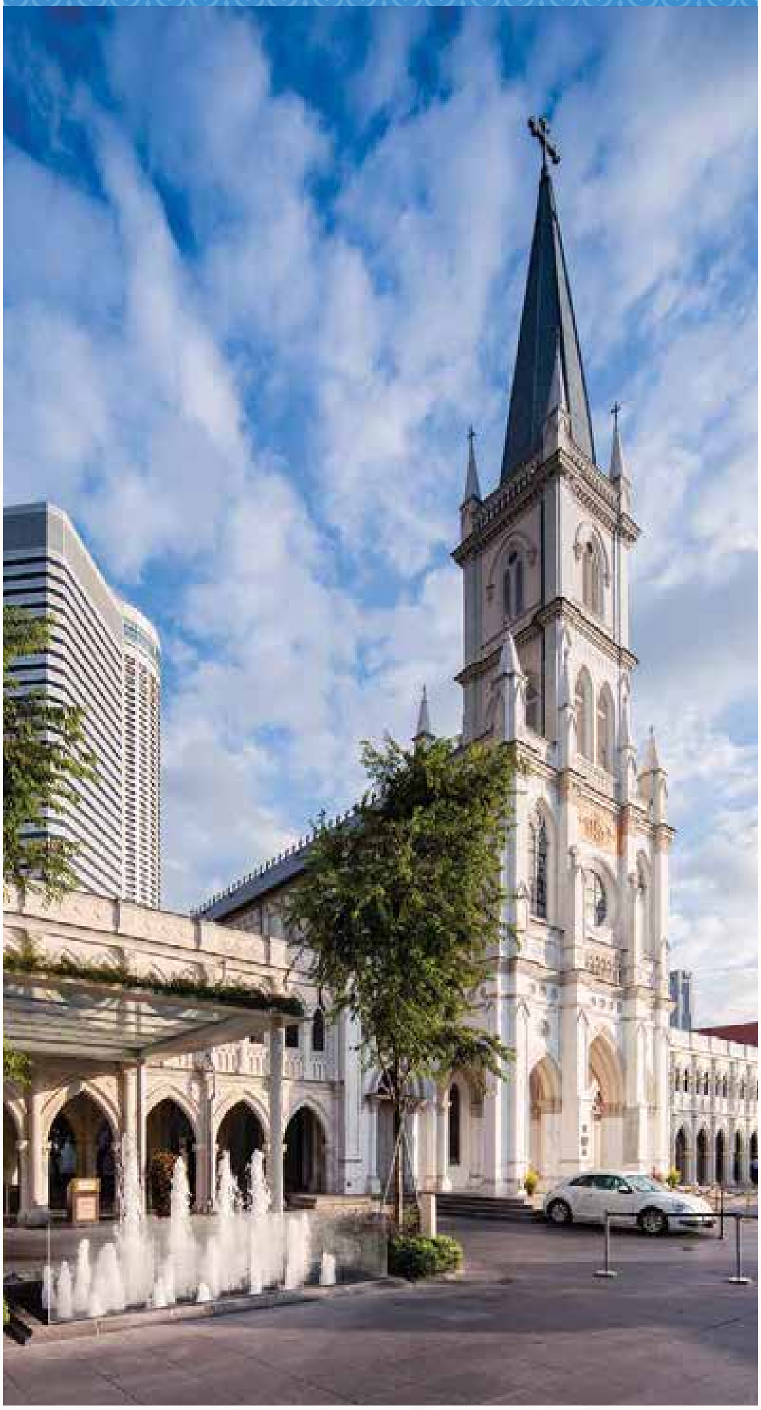
The multifunctional Capitol Theatre continued to be a venue of choice for a variety of MICE, corporate, concerts, film, charity and fundraising events in the year, including the Singapore International Film Festival (SGIFF), Jimmy Barnes Concert and Singapore Book Fair.

FOCUS AREAS FOR FY2020

Capitol Singapore will continue to focus on growing its footing as a charming lifestyle destination in the city. It will prioritise optimising its operational performance and strengthening marketing efforts to support its tenants.

With Capitol Singapore in close proximity to CHIJMES, the two properties will continue to roll out joint activities to achieve greater synergy and operational efficiency. Perennial will seek to further collaborations with brand partners and national bodies such as the Singapore Tourism Board and participate in placemaking initiatives such as the City Hall Business Improvement District.

CHIJMES
赞美广场



CHIJMES, formerly the Convent of the Holy Infant Jesus ("**CHIJ**"), is home to two gazetted National Monuments, namely 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 with close proximity to the City Hall MRT Interchange Station, which serves the North-South Line and East-West Line. It is also in close proximity to 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. The iconic CHIJMES Hall is a sought-after venue for weddings, seminars and performances.

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

KEY DEVELOPMENTS IN FY2019

CHIJMES' committed occupancy is maintained at close to 100%. This year, CHIJMES welcomed new tenants Kome Bar, The Tipsy Den and returning tenant Whitegrass, under the helm of new Head Chef Takuya Yamashita, previously the Head Chef at Tokyo's one-Michelin-starred Ciel et Sol.

To further enhance CHIJMES' ambience and support a wider range of events, more audio visual equipment were added to the courtyard and within CHIJMES Hall. Throughout the year, façade projections on the historic CHIJMES Hall during events such as the Singapore Night Festival and the Christmas celebrations "The Season of Joy" have certainly livened up the atmosphere for both visitors and diners. The property enjoyed a YoY increase of 5.6% in footfall.

FOCUS AREAS FOR FY2020

CHIJMES will continue to improve its performance by introducing more dining and lifestyle concepts with broad appeal to both locals and tourists.

CHIJMES will also collaborate closely with Capitol Singapore to jointly stage national and placemaking projects that complement the civic district's identity as a thriving arts, cultural and lifestyle precinct.

BUSINESS REVIEW:
> Real Estate – Singapore

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 commanding views of the CBD, waterfront and the historic Tanjong Pagar District. Offices in the tower enjoy unobstructed sea views and column-free layout.

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 FY2019

AXA Tower currently has an existing gross floor area ("**GFA**") of approximately 1.05 million square feet ("**sq ft**"). Based on Urban Redevelopment Authority's Master Plan 2019, AXA Tower has already secured an approved uplift in its gross plot ratio which would increase the development's existing GFA from approximately 1.05 million sq ft to approximately 1.24 million sq ft. Approval has also been obtained to further increase AXA Tower's GFA to 1.55 million sq ft should it integrate hotel and residential usage under the CBD Incentive Scheme. Overall, this would increase AXA Tower's existing GFA by approximately 46.5%, from 1.05 million sq ft to 1.55 million sq ft.

In 2019, the prime integrated development continues to attract multinational companies including COFCO International Singapore Pte. Ltd, NTan Corporate Advisory Pte Ltd and Arthur J. Gallagher (Singapore) Pte. Ltd. Existing tenants such as Lazada South East Asia Pte Ltd and Go-Jek Singapore Pte. Ltd. have also renewed and expanded their offices within AXA Tower. As at December 2019, the property's total office and retail committed occupancy was 94%.

FOCUS AREAS FOR FY2020

Perennial will continue with the execution of the ongoing asset enhancement programme at AXA Tower, which will see the first phase of works on the new retail podium complete by 3Q 2020. Following the divestment of a 50% stake in AXA Tower, expected to be completed around June 2020, the new Perennial-led consortium and Alibaba Singapore will explore redevelopment plans to transform the property into an iconic landmark in Singapore's CBD.

FORETT AT BUKIT TIMAH
福瑞轩

FORETT AT BUKIT TIMAH

Forett at Bukit Timah is a new freehold residential project undertaken by Perennial through a 40-60 joint venture with Qingjian Group of Companies (comprising subsidiaries of Hong Kong-listed CNQC International Holdings Limited and its minority partners) at the former Goodluck Garden site.

The residential site spans a land area of about 360,130 sq ft at No. 32 to 46, Toh Tuck Road, and is situated in close proximity to the Beauty World MRT Station, which serves the Downtown Line, Bukit Timah Plaza and Bukit Timah Shopping Centre. It is a five-minute drive to the upcoming Jurong Lake District and 25-minute drive to the Central Business District.

Forett at Bukit Timah is expected to comprise four 9-storey and nine 5-storey tower blocks, as well as two commercial units. The 633 apartments within the development will include 76 one-bedroom, 314 two-bedroom, 176 three-bedroom, 59 four-bedroom and 8 five-bedroom units.

KEY DEVELOPMENTS IN FY2019

Perennial made its maiden foray into pure play residential project by embarking on the project to develop a freehold site in the prime suburban district. The collective sale of Goodluck Garden was completed in June 2019, while the site possession and commencement of demolition took place in December 2019.

FOCUS AREAS FOR FY2020

The development is in process of obtaining the planning approvals in anticipation of the sale launch earmarked to be in 2020, with the showflat to be located at Yarwood Avenue. The development design took inspiration from the natural environment of the surrounding nature reserve. One may look forward to a resort-like home with architectural expression of the natural habitat and amenities catering to residents of all ages.

BUSINESS REVIEW:
> Real Estate – Singapore

PORTFOLIO AT A GLANCE

Property[1]	Location	Description	Tenure	Effective Interest (%)	Valuation[2] (S$ mil)
Capitol Singapore	**Eden Residences Capitol** 11 Stamford Road, Singapore 178884 **Retail Mall** 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	502.7[3]
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[5]	334
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	10[6]	N/A
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	–
Forett at Bukit Timah	32 – 46 Toh Tuck Rd, Singapore 596710 – Singapore 596721	Residential: 633 units Commercial: 2 units	Freehold	40	–

1 As at 31 December 2019, the value of leasehold properties on a 100% basis totalled S$4.26 billion and the value of freehold properties totalled S$74.5 million.
2 Valuation only includes Investment Properties.
3 Valuation excludes Eden Residences Capitol and The Capitol Kempinski Hotel Singapore.
4 Subject to final survey by a registered surveyor, excluding centre management office and concierge area.
5 Approximate percentage.
6 Post-completion of proposed divestment of AXA Tower to Alibaba Singapore and PRE 13 Pte. Ltd. which is expected to take place around June 2020.
7 Estimated strata area after completion of asset enhancement works. Area excludes strata office units handed over to purchasers as at 31 December 2019.
8 Proposed Development GFA includes bonus GFA under Urban Redevelopment Authority's Bonus GFA incentive scheme.

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: 133,822[4]	Operational	No18, Food Republic, Eccellente by Hao Mart	https://capitolsingapore.com/ www.kempinski.com/singapore
154,063	159,204	115,566	Operational	Lei Garden, Watabe, Natureland, New Ubin Seafood	www.chijmes.com.sg
118,230	1,029,306	Strata Area: Retail: 60,773 Medical: 26,565 Office: 680,020 Total: 767,358[7]	Operational with asset enhancement works in progress	Lazada South-East Asia Pte Ltd, AXA Life Insurance (Singapore), BOC Aviation, Red Hat Asia Pacific	–
26,321	Strata Area: 58,480	29,912	Operational	Amity Global Institute, Singapore	–
360,130	554,600[8]	–	Under Development	–	–

Anticipated HSR Network

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

OVERVIEW

In China, Perennial's real estate portfolio comprises seven large-scale integrated developments and two retail properties in eight major cities with a total gross floor area ("**GFA**") of 5.27 million square metres ("**sqm**"). The portfolio includes Chengdu East High Speed Railway ("**HSR**") Integrated Development, Xi'an North HSR Integrated Development, Perennial Tianjin South HSR International Healthcare and Business City, Perennial Kunming South HSR International Healthcare and Business City, Beijing Tongzhou Integrated Development, Shenyang Longemont Integrated Development, Zhuhai Hengqin Integrated Development, Perennial Jihua Mall in Foshan and Perennial Qingyang Mall in Chengdu. All of Perennial's projects enjoy direct connectivity to major transportation hubs or subway stations with four of its integrated developments directly connected to four of the largest HSR transportation hubs in China.

MARKET TRENDS AND OUTLOOK

Overview

In 2019, China continues to rebalance its economic growth. Despite rising trade tensions between China and the United States of America ("**USA**"), it has achieved real GDP growth rate of 6.2% YoY, a slight 0.4% drop from 2018.

During the year, the China government continued implementing an easing policy to support economic growth. As part of the policy, the cost of borrowing has been lowered by a slight cut in the medium-term lending facility rate and consumer confidence has been relatively ameliorated by a number of tax cuts[1].

Although geopolitical tension is expected to continue weighing on business activities in China, there remains significant opportunities for real estate occupiers and investors as they navigate a prolonged but volatile economic growth cycle[2].

Chinese authorities introduced a new policy which permits temporary entry to overseas visitors for up to 144 hours without a visa in 18 provinces, 23 cities and 30 ports of China. The cities include Beijing, Tianjin, Shanghai, Chengdu, Kunming, Xi'an, Shenyang, Shenzhen, Guangzhou, Wuhan, among others[3]. Under the policy, overseas visitors enjoy better accessibility to these provincial capitals. This enhances exposure for Perennial's projects in Chengdu, Beijing and Tianjin, Kunming and Xi'an to a wider base of investors.

The outbreak of the COVID-19 pandemic inevitably slowed down the development of China's retail sector[4] in 1Q 2020. However, the impact was cushioned by China's robust e-commerce sector. More importantly, several municipal authorities have issued consumers with coupons or pre-paid vouchers to encourage spending, in efforts to revive domestic consumption[5]. With these measures in place, the retail sector should be able to see a rebound in retail sales in 2H 2020.

China has opened its market to foreign companies since the implementation of the "Belt and Road Initiative" ("**BRI**"). In 2019, the China government removed the maximum cap of ownership by foreign investors in Chinese financial institutions. According to data by the China Banking and Insurance Regulatory Commission ("**CBIRC**"), foreign financial institutions, in particular foreign-invested insurance institutions, have accelerated their pace of investment with plans to enter the Chinese market. The approved capital injection by these companies amounted to RMB16.82 billion, representing a 172% increase as compared to 2018. Several leading financial companies have plans to set up foreign holding companies and commence operations in China. As a result, foreign-funded financial institutions will likely emerge as a key engine of growth in office demand in 2020.

The growth of sub-industries in technology, media and telecommunications ("**TMT**"), such as education, online gaming and enterprise online working services, could even stimulate office demand. In addition, TMT, finance and professional services have accumulatively made up for 60% of total nationwide leasing volume in 2019 and their leasing demand are anticipated to grow in 2020. Office leasing is set to continue playing a powerful role in the commercial real estate market[6].

Due to the COVID-19 outbreak, demand for healthcare services has seen steady growth. This trend is likely to accelerate further as consumers increase spending on health and wellness related services.

Since the beginning of March 2020, around 87% of hotels in Mainland China have recommenced operations. Top cities in China including Beijing and Shanghai have already seen the average daily occupancy rate recover from its lowest dip to a high of nearly 30% by end of March 2020. Accommodation demand is expected to continue rising with improved travel confidence and upcoming national holidays[7].

Implication for Value

China's real GDP growth forecast for 2020 is expected to be lower than in 2019, after taking into account the impact of the COVID-19 outbreak. Following a 50 basis point cut to the Reserve Requirement Ratio ("**RRR**") by the People's Bank of China in January 2020 and a circular issued by CBIRC requiring banks to extend credit support after the outbreak, further RRR and interest rate cuts are predicted to relieve the immediate liquidity strains on businesses and individuals in 2020[6]. In addition, central and local governments have pledged to invest as much as RMB3.5 trillion or 3.5% of GDP in infrastructure developments[8]. These enhanced fiscal or monetary measures are expected to help the economy return to its pre-outbreak growth trajectory. In view of the above developments, Perennial maintains a positive outlook on the growth potential of the China real estate market with favourable risk-adjusted return for investors in a low-yield environment.

Strategic Response

Perennial will focus on bringing more diversity to its retail, office, hotel and healthcare offerings to ride on the liberalisation of the Chinese market. With assets located strategically near HSR and transportation hubs, the above market developments are key opportunities that Perennial is set to leverage on.

1 Organisation for Economic Cooperation and Development Economic Outlook, Volume 2019 Issue 2.
2 CBRE, Asia Pacific Real Estate Market Outlook 2020.
3 China News Service article, dated 23 October 2019.
4 CBRE Greater China Market Outlook 2020.
5 CBRE China's Policy Response to COVID-19.
6 CBRE Greater China Market Outlook 2020.
7 JLL Are green shoots emerging in Mainland China.
8 CBRE China's Policy Response to COVID-19.

Beijing

In 2019, Beijing's GDP growth reached 6.2% YoY, which is in line with the national GDP growth rate.

In the year, total office supply surged to 1.34 million sqm, exceeding the total net absorption by around 450,000 sqm, and thus raising vacancy rate to 12.7%. By the end of 2019, average rent has continuously slid for four quarters to reach RMB364.9 per month per sqm. Tenants have become much more price sensitive in considering rental prices.

With stable demand, occupancy rate of serviced apartments rose to 89.4%, a drop of 0.5% YoY as compared to 2018. The average rent increased slightly to RMB256.8 per month per sqm.

As the government promotes the "night economy" to boost consumption, citywide shopping mall vacancy rate has shown a slight decrease of 1% to 9% YoY. Average first floor rent was RMB2,480 per month per sqm in 2019, a marginal increase from 2018.

Market Trends

According to the policy document《关于加快推进北京城市副中心高精尖产业发展若干措施》issued by Beijing Tongzhou District government, companies registered in Tongzhou District after January 2019 and listed on the Shenzhen Stock Exchange and the Shanghai Stock Exchange may receive a reward of up to RMB10 million. For new high-quality enterprises, a one-off reward of up to RMB50 million and housing subsidies will be awarded to support these enterprises to settle down[9].

Overall, the office market was active in terms of transactions, with high investor confidence. The total transacted amount reached a historic high of RMB86 billion. Acquisitions of shopping malls and hotels for conversion into office spaces made up almost half of the transaction activities[10]. Beijing will continue to see abundant supply and recovering demand from finance, technology and professional services companies as the impact from COVID-19 outbreak was limited in the city[11].

A survey by the Ministry of Commerce in 2019 found that more than half of shopping malls' daily sales were generated between 6pm to 10pm. With these findings, landlords and retailers are expected to further leverage on the night consumption trend in 2020 to increase store sales and rental income[10].

Strategic Response

The policy announcing the provision of incentives to corporates and individuals will boost Perennial's planned sales launch of commercial apartments. Riding on this momentum, Perennial will ramp up its pre-leasing marketing activities to attract anchor tenants for the shopping mall and office towers in 2020.

Tianjin

Tianjin's GDP reached RMB1,410.428 billion in 2019[12], maintaining its spot within the top 10 cities in China[13].

New supply of serviced apartments in 3Q 2019 amounted to 50 units and citywide vacancy rate increased by 0.2% QoQ to 19.4% in 3Q 2019. Average rent experienced a slight increase to RMB227 per month per sqm.

Retail leasing performance remained stable, with average vacancy rate down by 1.6% YoY to 11% in 3Q 2019. With delayed entering of new projects, supply has been well absorbed, which has supported an increase in average first floor rent of shopping malls to RMB344.4 per month per sqm.

Market Trends

Under the overall "Jing-Jin-Ji" (the megalopolis integrating Beijing, Tianjin and Hebei) joint development guidelines, Tianjin is set to play a crucial role in relieving Beijing of functions non-essential to its role as the capital. For instance, resources in the service sector such as medical and eldercare are encouraged to be transferred out of Beijing to Tianjin and other surrounding cities. In October 2019, Tianjin government issued a government document《关于天津市促进承接北京非首都功能项目发展的政策措施(试行)》detailing policies put in place to encourage the relocation of businesses from Beijing to Tianjin[14].

On the eldercare front, Tianjin government issued a detailed three-year action plan《天津市促进养老服务发展三年行动方案(2019—2021年)的通知》to further encourage private enterprises to set up eldercare institutions and integrate medical components into the eldercare facilities[15].

Strategic Response

Against the backdrop of favourable government policies, Tianjin South HSR International Healthcare and Business City is well-positioned to fulfil the consumer demands arising from the high-end service sectors setting up in Jing-Jin-Ji.

Kunming

The GDP of Kunming reached RMB647.588 billion in 2019, which represents 6.5% real growth YoY[16]. Healthcare has always been positioned as a critical sector for development in Kunming, with accumulated total investment amounting to RMB20 billion[17]. Chenggong District as an outstanding district in Kunming is predicted to achieve GDP of RMB27.5 billion by 2019[18].

For retail, the vacancy rate increased 3.3% YoY to 10.5% in 2019. Average first floor rent rose 1.3% YoY to RMB344.3 per month per sqm in 2019[19].

Market Trends

As a popular tourism and holiday resort, the retail sector of Kunming has seen rapid growth in 2019. Large-scale shopping malls that commenced operations over the past 12 months added a total floor area of more than 1.1 million sqm. The average first floor rent of shopping mall grew by 1.3% YoY to RMB344.3 per month per sqm. More importantly, Chenggong district in Kunming, boasting strong connectivity with its proximity to HSR and subway lines, has been earmarked to become the key district for healthcare and tourism development. It is expected to become one of Kunming's prime business districts[20].

9 Sina article, dated 27 October 2019.
10 China News Service article, dated 8 January 2020.
11 CBRE Greater China Market Outlook 2020.
12 China Economics article, dated 29 January 2020.
13 Baidu article, dated 2 April 2020.
14 Zhaoshang.net article, dated 17 October 2019.
15 Yanglaocn.com article, dated 17 October 2019.
16 Baidu article, dated 10 February 2020.
17 China News Service article, dated 31 December 2019.
18 Jiwu.com article, dated 12 January 2020.
19 Savills: 2019 Kunming Real Estate Review and Outlook.
20 Winshang.com article, dated 3 January 2020.

To align with "Healthy China 2030", the national public health blueprint, the government of Kunming has highlighted seven primary areas of development in the healthcare sector in Kunming's Healthcare and Eldercare Industries Development Plan《昆明市大健康产业发展规划(2019-2030年)》. A total investment sum of RMB465.7 billion has been committed to construct medical centres, rehabilitation and nursing facilities, and healthcare related service centres. In particular, the government will focus on Chenggong district for the development of eldercare facilities (i.e. rehabilitation and nursing facilities)[21].

Strategic Response

Riding on favourable government policies and positive market trends in Kunming, Perennial's Kunming South HSR International Healthcare and Business City, a one-stop regional healthcare and commercial hub, is set to grow in alignment.

Xi'an

Xi'an's economy has grown moderately by 7% over 2019, outperforming the national growth of 6%[22].

Xi'an's retail market was relatively active in 2019 with the launch of several high-profile shopping malls. Total retail stocks amounted to 5.79 million sqm by 2019[23]. Due to an oversupply in 2018, some projects faced leasing pressure and thus made adjustments to their tenant mixes, contributing to a 0.9% rise to 4.5% in city-wide vacancy rate by 2019[22]. The first floor rent of shopping malls held stable at RMB286 per month per sqm[22].

In 2019, the total stock of grade A office buildings jumped to 1.88 million sqm. Coupled with slowing demand, citywide vacancy rate rose by 4.2% to 33.5% by end of 2019. The average rent of Grade A offices exhibited a declining trend over the year and stood at RMB103.7 per month per sqm[24].

Market Trends

Over 2018 and 2019, Xi'an's residential market was relatively active with increased transaction volume and prices as compared to other second-tier cities. However, the average residential prices remained relatively lower. The Xi'an government has implemented policies to attract talent to settle down in Xi'an, boosting demand. As a result, the prices of Xi'an's residential properties are expected to continue rising[25].

Education is also a major domain of Xi'an's consumer services industry, as one of the top two industries driving leasing demand for grade A offices across the city. The favourable development environment and competitive cost advantages are attracting education enterprises to Xi'an. Coupled with a growing population, Xi'an will continue to see increasing demand for grade A office[25].

Strategic Response

Xi'an North HSR Integrated Development will seize the opportunity to market its commercial apartments to meet the rising demand for quality apartments.

Chengdu

In 2019, Chengdu's nominal GDP increased to RMB1,701.265 billion, representing an increase of 7.8% YoY. The disposable income per capita of households reached RMB39,503 by 4Q 2019, an approximately 9.3% increase YoY[26].

Market demand remained active, which led to average first floor rent of shopping mall climbing to RMB436.2 per month per sqm, representing 0.2% increase QoQ. As a result, citywide shopping mall vacancy rate fluctuated around 4.9% over the year[27].

Market Trends

In 2019, Chengdu government issued several policies to boost development of quality healthcare services[28]. These include:

- Encouraging private healthcare services providers to enter into and speed up the development of the local healthcare industry, through simplifying license application processes and incentivising private healthcare institutions to participate in quality ratings. Institutions stand to be awarded up to RMB5 million if they are rated as Grade A.
- Encouraging public hospitals to cooperate with private healthcare institutions through various ways, including transferring patients who completed operations in public hospitals to private rehabilitation hospitals and nursing centres for recovery. In addition, allowing doctors in public hospitals to work in private healthcare institutions and rolling out other special arrangements to support the integration of quality healthcare services between private and public hospitals.
- Attracting talent in healthcare industry to settle down in Chengdu, especially industry experts and entrepreneurs. Various incentives would be provided, such as start-up funding of up to RMB3 million for individuals and RMB5 million for groups, housing subsidies and other settling down benefits.

Strategic Response

With synergy created through the mix of public and private healthcare institutions, Perennial International Healthcare and Medical Hub is primed to leverage on the healthcare push in Chengdu. It will continue to explore long term partnership with reputable public and private healthcare institutions to boost its healthcare service mix.

21 Kunming Government website, dated January 2020.
22 Sohu article, dated 9 January 2020.
23 Savills Research Xi'an February 2020: Retail.
24 Savills Research Xi'an January 2020: Office.
25 Savills Research: China Real Estate Outlook 2020.
26 Chengdu Bureau of Statistics.
27 Savills Research Chengdu October 2019: Retail.
28 Chengdu Municipal People's Government.

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Zhuhai

In 2019, Zhuhai achieved GDP of RMB343.6 billion, representing a 6.8% increase YoY. The economy performance of Zhuhai is strong with GDP and growth rate outperforming the country's growth rate by 0.7%[29].

According to the 4Q 2019 Hengqin Valuation Report by CBRE, the annual disposable income per urban Zhuhai resident is RMB50,713, representing a 8.3% YoY increase over the year. The retail market has shown a steadily upward trend and look set to expand. The average first floor rent of shopping malls remained stable at RMB300 per month per sqm over the year. Also, the occupancy rate of prime shopping malls in Zhuhai hovered above 90%.

For the hotel market, average occupancy rate hovered around 50% to 65%, which is caused by a reduction in MICE events in recent years. International branded hotels maintained strong demand as compared to domestic hotel operators, with average room rates over RMB800 per night during peak seasons.

Market Trends

According to the《粤港澳大湾区发展规划纲要》outline development plan published by China State Council in 2019, the government plans to enhance cooperation between Macau and Hengqin, a critical region in the Guangdong-Hong Kong-Macau Greater Bay Area[30]. Some measures include:

- Construction of integrated healthcare, eldercare and residential developments, which would be supported by the government.
- Sourcing of healthcare experts from Hong Kong and Macau to Hengqin in order to speed up the development of the city's Traditional Chinese Medicine Science and Technology Industrial Park.

Strategic Response

The Zhuhai Hengqin Integrated Development will enhance its position in Guangdong-Hong Kong-Macau Greater Bay Area through its integrated development combining commercial apartments, hotel, office and retail.

Foshan

Foshan's GDP expanded by 7% YoY to RMB793 billion in 2019.

Despite the recent economic slowdown, Foshan's retail sales remained robust with total retail sales amounting to RMB322 billion. The city hosts over 2.5 million sqm of quality shopping malls spread across major commercial hubs and decentralised areas, which accounts for over 60% of total retail stock in the city, and demonstrating strong retail demand from shoppers[31].

Market Trends

The China government has approved the construction of several new subway lines in the city. Upon completion, these new networks would greatly improve the connectivity of Foshan city region to all other districts[32].

Strategic Response

Perennial Jihua Mall, with its direct link to future subway Line 4, will enjoy enhanced connectivity to the rest of Foshan city.

Shenyang

In 2019, Shenyang recorded a GDP of approximately RMB647.03 billion, representing an increase of 4.2% YoY[33]. Over 60% of the GDP was contributed by the tertiary services industry, with an increase of 5.2% YoY.

The office market saw the entrance of new projects, which intensified market competition. As a result, the citywide average rent is driven down to RMB76.3 per month per sqm, a 1% decrease QoQ.

Shenyang has the largest retail property market in Northeast China. With saturated supply, the vacancy rate gradually climbed up to 10.5% and the average rent reached its lowest level at RMB430 per month per sqm among the past three years by 3Q 2019.

Market Trends

As the economy performance of Shenyang continues warming up in 2019, demand for office and retail is expected to exhibit moderate growth in 2020. Leasing demand will largely come from the TMT sector and non-traditional finance businesses[34].

Strategic Response

Shenyang Longemont Shopping Mall and Longemont Offices will target new groups of tenants to enhance its operating performance.

STRATEGIC PRIORITIES IN FY2020

The BRI has given rise to a rapid construction of HSR railway grids in China. Perennial's developments located in close proximity to HSR stations or transportation hubs will stand to capitalise on this growth.

For 2020, Perennial will prioritise the launch of pre-leasing marketing of its shopping mall and office space; as well as the sales of commercial apartments in Beijing Tongzhou Integrated Development and Zhuhai Hengqin Integrated Development which are expected to launch in 2021 and 3Q 2020 respectively.

Perennial will focus on obtaining all necessary permits and ensuring smooth construction of Xi'an North HSR Integrated Development, Tianjin South HSR International Healthcare and Business City and Kunming South HSR International Healthcare and Business City. It will also continue exploring opportunities in other first tier and/or strong second-tier cities and provincial capitals.

In Chengdu, Shenyang and Foshan, Perennial will focus on boosting tenants' sales through an omnichannel strategy by enhancing its online sales platforms (e.g. WeChat memberships and Tiktok live webcast) as well as offline stimulus of consumption to mitigate the impact from the COVID-19 outbreak. Chengdu East HSR Integrated Development will concentrate on diversifying the tenant mix by converting retail space into medical space for healthcare and healthcare-related operators, to enhance its position as a landmark regional medical centre in West China. For Shenyang Integrated Development, Perennial will reposition the Longemont Shopping Mall and Longemont Offices by broadening its offerings to include retail, medical and hospitality services.

Perennial remains committed to grow its presence in China and to build its reputation as a dominant player in the HSR and transportation hub real estate space.

29 Sina article, dated 20 January 2020.
30 Hong Kong and Macau Affairs Office of the State Council.
31 Valuation Report 2019 – Foshan.
32 Leju.com article, dated 23 September 2019.
33 Baidu article, dated February 2020.
34 Valuation Report 2019 – Shenyang.

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 1.44 million sqm 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 approximately 200,000 passengers daily and this figure surges to 300,000 during peak periods[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 operations[2]. In 2019, HSR line connecting Chengdu to Guiyang commenced operations[3].

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.

1 Sichuan News article, dated 9 May 2018.
2 Baidu article, dated 19 January 2018.
3 Guiyang Ribao article, dated 15 December 2019.

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

PERENNIAL INTERNATIONAL HEALTH AND MEDICAL HUB

Positioned as a regional healthcare and commercial hub serving the Sichuan province, PIHMH is Perennial's first signature regional healthcare and commercial hub within its HSR integrated development portfolio. 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 Hospital Chengdu, which has opened in 2019. Other medical and healthcare-related service providers including Perennial International Specialist Medical Centre, Care Alliance Rehabilitation Hospital, and Aidigong Maternal and Child Health Centre serve as mini anchors.

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 FY2019

PIHMH has made steady progress in FY2019, with major medical tenants including Gleneagles Hospital Chengdu, Qijia Chinese-Western Hospital, Yinghe Medical Diagnosis Centre, Xiao Qing Cao Ophthalmology Group and BeiBeiEn Health Consulting commencing operations. PIHMH saw higher footfall after the opening of the underground link between PIHMH and Chengdu East HSR Station in December 2019. The introduction of a new pick-up point for private-hire vehicles also enhanced the accessibility of the hub to visitors.

Chengdu HSR Network

Perennial International Health and Medical Hub

The retail mall in PIHMH has launched a series of marketing activities which integrates both the medical and retail components to promote healthy lifestyle and personal well-being. In 2019, the mall attracted approximately 2.36 million customers.

In view of the increasing demand for medical space by healthcare and healthcare-related operators, adjustments were made to the asset plan by converting approximately 3,000 sqm of leased retail space on Basement 1 and 2 into medical space. As at 31 December 2019, total committed occupancy for PIHMH stands at 86%[4].

Focus Areas for FY2020

In 2020, PIHMH will focus on expanding the medical offerings at Gleneagles Hospital Chengdu to include health screening, maternal and child health centre, clinical laboratory, diagnostic imaging and dental services. The team is committed to raise the brand awareness of PIHMH in Chengdu.

The retail mall will continue to focus on carrying out more diversified and thematic medical and lifestyle driven marketing activities to drive shopper traffic, tenants' sales and occupancy. To provide shoppers with a more holistic retail experience, there are plans to transform the basement levels to house eyewear retailers, optometry services, and children clothing stores.

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 2020, 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 offices/SOHO with some retail spaces. The office blocks will include a hotel, eldercare centre, long lease apartments, and hospital facilities.

Key Developments in FY2019

All six towers in Plot D2 have reached structural top-out in 2019, and facade, mechanical and electrical ("**M&E**") works and interior decoration are in progress. The team is actively seeking cooperation with renowned operators of hotels and long lease apartments. To meet increasing and diversified demand, Perennial will seek to introduce specialised and high quality medical and retail tenants in Plot D2.

Focus Areas for FY2020

All construction works on Plot D2 are expected to be completed by 3Q 2020.

4 Including 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 904,000 sqm.

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 the 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 three metro lines, Line 2, Line 4 and the Xi'an Airport Intercity Railway which commenced operations in October 2019.

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[5]. It is now the main mode of transport for travel between Xi'an and Chengdu cities and has catalysed business and tourism developments, as demonstrated by the tripling of cross-city travel between Xi'an and Chengdu a year after the line opened.

In FY2019, the Xi'an Municipal Government accelerated the city's expansion of HSR network, resulting in Xi'an's enhanced connectivity to 23 major municipal and capital cities. The first intercity railway line connecting Xi'an Xianyang Airport to Xi'an North Railway Station, which is adjacent to the Xi'an North HSR Station, has also commenced operations.

Key Developments in FY2019

The construction work on Plot 4, which is designated for commercial usage, is proceeding well with three SOHO/apartment towers achieving structural top-out and facade works in progress. The hotel tower has been built up to level 30 and the structure of the retail podium is currently under construction. Construction for Plot 5, which is designated for medical usage, has commenced in December 2019 and detailed space planning for the hospital is currently in progress.

Discussions with renowned hospitality providers to manage and operate the hotels and serviced apartments are in progress. Perennial will also focus on formulating the sales strategies for the SOHO and LOFT towers as well as leasing plans for the retail podium.

Plot 4 and Plot 5 are expected to complete construction in 2021 and 2024 respectively.

5 China Daily article, dated 6 December 2017.

Xi'an HSR Network

Source: Gaotie.cn

Focus Areas for FY2020

For Plot 4, Perennial aims to complete facade works and M&E installation for LOFT, SOHO towers and retail podium in FY2020. Renovation works for the hotel tower and leasing for retail podium are scheduled to commence in August 2020.

Perennial targets to obtain the necessary permits and complete the sales show suite to launch the sale of the SOHO and LOFT Towers by end 2020.

For Plot 5, Perennial will focus on ensuring the smooth progress of the ongoing construction works.

PERENNIAL TIANJIN SOUTH HIGH SPEED RAILWAY INTERNATIONAL HEALTHCARE AND BUSINESS CITY
鹏瑞利国际健康商旅城 - 天津南站项目

Boasting a total GFA of approximately 330,000 sqm, Perennial Tianjin South HSR International Healthcare and Business City will be developed into a one-stop regional healthcare and commercial hub.

The hub will comprise medical care, eldercare, hospitality 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 include a general hospital, rehabilitation hospital, specialist centre, nursing and eldercare facilities supported by a hotel cluster, as well as complementary retail and healthcare related trades.

The development is strategically located about six kilometres ("**km**") from the bustling Xiaobailou Commercial Street in the city centre of Tianjin 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 has officially commenced operations in September 2019[6].

Upcoming infrastructural developments will further add to the cachet of the Perennial Tianjin South HSR International Healthcare and Business City. The 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, positioning Tianjin South HSR Station as a key interchange station.

Key Developments in FY2019

On 10 December 2019, Perennial Tianjin South HSR International Healthcare and Business City held its official groundbreaking ceremony. All three plots have obtained the four key permits, namely the Land Use Right Certificate, Land Use Planning Permit, Building Planning Permit and the Construction Permit. Construction plan drawings for the healthcare and eldercare plots are in progress and the development is expected to complete progressively from 2022.

Tianjin South HSR Station has been identified as one of the HSR stations to benefit from a simplified HSR-to-subway one-time security clearance process at eliminating the need for a second security clearance which transfer commuters have to undergo currently.

In August 2019, Perennial entered into a 40-60 joint venture with Shun Tak Holdings Limited to set up Nexus Hospitality Management Limited, which is poised to provide hospitality management services for hotel components within assets owned by the up to US$1.2 billion Perennial-led healthcare Joint Venture ("**JV**"). The JV currently owns Perennial Tianjin South HSR International Healthcare and Business City and Perennial Kunming South HSR International Healthcare and Business City.

Focus Areas for FY2020

Construction on the project has commenced in March 2020 and Perennial will focus on ensuring the smooth progress of the works.

6 Sohu article, dated 25 September 2019.

PERENNIAL KUNMING SOUTH HIGH SPEED RAILWAY INTERNATIONAL HEALTHCARE AND BUSINESS CITY
鹏瑞利国际健康商旅城 - 昆明南站项目

Spanning approximately 555,000 sqm in total maximum allowable GFA, Perennial Kunming South HSR International Healthcare and Business City is a one-stop regional healthcare and commercial hub that will encompass medical care, eldercare, hospitality, meetings, incentives, conferences and exhibitions ("**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.

Currently the largest HSR station in Southwest China, Kunming South HSR Station offers quick access to major cities including Shanghai, Beijing and Guangzhou. Kunming South HSR Station served an estimated 10 million passengers in FY2019, an approximately 19% increase over the previous year[7].

Currently, starting from Kunming South HSR Station, the Yunnan HSR network provides access to most cities in Central Yunnan within an hour's journey, and to the surrounding provincial capital cities within two to five hours. HSR trains originating from Kunming South HSR Station are connected to 23 major municipal and provincial capital cities.

The development is poised to serve the medical and lifestyle needs of visitors in Southeast Asia, including Laos, Myanmar, Vietnam and Thailand, with the upcoming Trans-Asian HSR network. Kunming South HSR Station is designated as the gateway station linking East Asian and South-east Asian countries (including India, Thailand, Laos, Vietnam, Myanmar, Malaysia and Singapore) to various parts of China. It is currently already connected to the border of Vietnam at Hekou via an approximately 3.5-hour train ride.

This lively arteries of railway connections will support China's immense growth in tourism (including medical tourism), trade and MICE activities.

7 East Day article, dated 27 December 2019.

Kunming HSR Network

Source: Huashang News

Situated in the vicinity of the University Town of Kunming and approximately 2 km from the Kunming Municipal Government Building, 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 approximately 25 km from Kunming Changshui International Airport.

Key Developments in FY2019

On 24 September 2019, Perennial Kunming South HSR International Healthcare and Business City held its official groundbreaking ceremony. Both plots have obtained two of four key permits, being Land Use Right Certificate and the Land Use Planning Permit. Both A1 and A2 plots are currently in the stage of construction plan drawings and are expected to progressively complete from 2023.

Focus Areas for FY2020

Perennial will focus on obtaining the Construction Commencement Permits and commence construction in 1H 2020.

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 781,000 sqm 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 public servants[8].

Set to become a bustling 'sub-centre' of Beijing, the Tongzhou District will feature key tourist attractions, including Universal Beijing Resort (phase one due to open in 2021)[9] 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 Beijing Daxing International Airport. The Beijing Suburban Railway Subcentre Line and the future Subway Line R1 will further enhance the development's connectivity to Beijing's city centre.

Huazhuang Station in Tongzhou District has commenced operations from December 2019[10]. 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. With this new station as well as the newly opened "Beijing Seventh Ring Road"[11] highway, Tongzhou is further connected with the rest of Beijing and is set to become the new sub-centre of Beijing.

Key Developments in FY2019

Construction of the development is set to take place in two phases.

The construction of Phase 1 has commenced in December 2019, after the facade design has been approved by the government and both the construction planning and commencement permits for Plot 14 were obtained for the areas above ground level. Also, excavation works have commenced on both plots 13 and 14.

For Phase 2, construction is progressing well with one of the three plots having completed structural top-out, and the other two plots achieving development height of Level 25 and Level 9.

The expected completion of Phase 1 and Phase 2 will be in 2023 and 2022 respectively.

From 11 January 2019, The Beijing Municipal Committee and Municipal Government has begun their relocation into new premises located within 5km proximity to Beijing Tongzhou Integrated Development. As of August 2019, Tongzhou District has welcomed over 30,000 officials into the vicinity and the relocation is expected to be completed in 2020 with a total of 400,000 public servants occupying the premises.

Focus Areas for FY2020

In FY2020, the focus will be on ensuring smooth progress of works on the six plots under construction. Sales of residences at the development are expected to be launched in 2021.

8 Tencent article, dated 2 November 2018.
9 Tencent article, dated 6 March 2019.
10 Baidu article, dated 31 January 2020.
11 Tencent article, dated 27 August 2018.

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

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 FY2019

Perennial Qingyang Mall continues to deliver successful performance with committed occupancy of 100% in FY2019. Despite the fierce competition from the malls in the vicinity, shopper traffic recorded an increase to 14.6 million people in FY2019 from 14 million in FY2018. The tenant mix has been enhanced through introduction of premium brands.

Focus Areas for FY2020

In 2020, Perennial Qingyang Mall will place emphasis on helping tenants stabilise sales and shopper traffic, to recover performance levels prior to the COVID-19 outbreak. To achieve this, the mall will adopt an omnichannel strategy to stimulate tenants' sales both online and offline.

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

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 FY2019

In 2019, 29 new shopping mall projects opened in Foshan, including two malls within 5km from Perennial Jihua Mall. Despite the fierce competition in the market, the committed occupancy was maintained at 100%. Furthermore, shopper traffic has increased steadily to 9.32 million people in FY2019 from 8.79 million people in FY2018. In addition, the mall's tenant mix has been enhanced by the introduction of several popular smartphone brands and F&B brands which attracted higher customer flow.

Focus Areas for FY2020

In 2020, Perennial Jihua Mall will focus on helping tenants recover sales by boosting shopper traffic, which was previously affected by the COVID-19 outbreak. In particular, the mall will expand its online sales platform and offer a variety of vouchers to encourage consumer spending and to revive 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**	Plot A, East of Qionglaishan Road, Chenghua District, Chengdu, Sichuan Province	Medical Block: 5 above ground levels and 3 basement levels Retail and Medical Block: 6 above ground levels and 3 basement levels (including underground Car Park)	40 years, expiring on 20 February 2051	80
Chengdu East HSR Integrated Development	**Chengdu Plot C**	East of Qionglaishan Road, Chenghua District, Chengdu, Sichuan Province	Retail Podium: 11 levels Office: 1 63-storey tower Hotel and Apartment: 1 63-storey tower Car Park: 3 basement levels	40 years, expiring on 20 February 2051	50
	Plot D1	Jianganhe Road, Chenghua District, Chengdu, Sichuan Province	Retail Podium/Office/SOHO: 4 37-storey towers Car Park: 1 basement level		50
	Plot D2		SOHO: 6 33-storey towers Retail Podium: 5 levels (including underground Car Park)		50
Xi'an North HSR Integrated Development	**Plot 4**	North of Shangxin Road, South of Railway North Station, Weiyang District, Xi'an, Shaanxi Province	Retail Podium: 5 levels (4 levels above ground and 1 basement level) SOHO: 1 29-storey tower Loft: 1 18-storey tower Hotel (3, 4 and 5 stars): 1 48-storey tower Serviced Apartment: 1 28-storey tower Car Park: 2 basement levels	40 years, expiring on 23 November 2052	65.7
	Plot 5		Retail Podium: 5 levels (4 levels above ground and 1 basement level) Serviced Apartment: 1 29-storey tower Eldercare and Retirement Home: 1 23- storey tower Hotel and Office: 1 52-storey tower Medical Block: 1 21-storey tower		65.7
Perennial Tianjin South HSR International Healthcare and Business City		Plot 1-8, 1-9, 1-11, Zhangjiawo Town, Xiqing District, Tianjin	Medical/Eldercare/Hotel/ Commercial	40 years, expiring on 2 December 2058	45

1 As at 31 December 2019, the value of leasehold properties was RMB44.5 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.

Valuation (RMB million)	Land Area (sq ft)	Gross Floor Area (sq ft)	Net Lettable Area (sq ft)	Status	Anchor/Major Tenants
3,950	570,837	3,152,915	1,632,138	Operational	Gleneagles Hospital Chengdu, St. Stamford Plastic Surgery and Aesthetic Hospital, Care Alliance Rehabilitation Hospital, AND Maternal and Child Health Centre, Qijia Chinese-Western Hospital, Yinghe Medical Diagnosis Centre
N/A	415,230	Office/Retail/Hotel/ Apartment: 4,360,105 Car Park/Others: 2,487,892 Total: 6,847,997	–	Target Completion 2025	–
N/A	246,235	Retail/Office/SOHO: 1,718,796 Car Park/Others: 703,271 Total: 2,422,067	–	Target Completion 2023	–
2,512	378,471	SOHO: 1,818,653 Retail: 668,441 Car Park/Others: 616,514 Total: 3,103,607	–	Target Completion 2020	–
1,272	506,973	Retail: 660,498 SOHO/Loft: 572,938 Hotel: 1,715,987 Serviced Apartment: 410,901 Car Park/Others: 1,045,502 Total: 4,405,827	–	Target Completion 2021	–
N/A	554,306	Retail: 600,680 Hotel and Office: 984,295 Serviced Apartment: 340,064 Eldercare: 558,141 Medical: 867,356 Car Park/Others: 1,980,829 Total: 5,331,365	–	Target Completion 2024	–
795.4	828,682	3,554,442	–	Target Completion 2022	–

PORTFOLIO AT A GLANCE

Property[1,2]		Location	Description[3]	Tenure	Effective Interest (%)
Perennial Kunming South HSR International Healthcare and Business City		Plot A1 and A2, Southeast of Wujiaying, Chenggong District, Kunming, Yunnan Province	Medical/Eldercare/Hotel/ Commercial	40 years, expiring on 19 December 2058	45
Beijing Tongzhou Integrated Development	**Phase 1**	Plots 13, 14-1 and 14-2, Junction of Dongguan Avenue and Xinhua Avenue, Tongzhou District, Beijing	Retail Podium: 8 levels (6 levels above ground and 2 basement levels) Office: 1 51-storey tower and 1 24-storey tower Residences: 1 41-storey tower Car Park: 2 basement levels	Commercial: 40 years, expiring on 4 November 2052 Office and Residence: 50 years, expiring on 4 November 2062	40[4]
	Phase 2	Plots 10, 11, 12, Junction of Dongguan Avenue and Xinhua Avenue, Tongzhou District, Beijing	Retail Podium: 8 levels (6 levels above ground and 2 basement levels) Office: 2 26-storey towers Residences: 1 25-storey tower and 1 32-storey tower Car Park: 1 basement level	Commercial: 40 years, expiring on 9 May 2053 Office and Residence: 50 years, expiring on 9 May 2063	23.3[4]
Shenyang Longemont Integrated Development	**Shenyang Red Star Macalline Furniture Mall**	No. 24 Pangjiang Street, Dadong District, Shenyang, Liaoning Province	Retail Podium: 8 levels (7 levels above ground and 1 basement level) Car Park: 1 basement level	50 years, expiring on 20 January 2059	50
	Shenyang Longemont Shopping Mall	Pangjiang Street, Dadong District, Shenyang, Liaoning Province	Retail Podium: 10 levels		50
	Shenyang Longemont Offices	No. 18 & No. 22 Pangjiang Street, Dadong District, Shenyang, Liaoning Province	Office: 2 56-storey towers		50
Zhuhai Hengqin Integrated Development		East of Huandao East Road, South of Jilin Road, Hengqin District, Zhuhai, Guangdong Province	Retail Podium: 6 levels (4 levels above ground and 2 basement levels) Office: 1 26-storey tower Hotel/Serviced Apartment: 1 41-storey tower Car Park: 4 basement levels	Commercial: 40 years, expiring on 1 March 2054 Residential: 70 years, expiring on 1 March 2084	20
Perennial Jihua Mall, Foshan		No. 45 Guilan South Road, Nanhai District, Foshan, Guangdong Province	Retail Podium: 4 levels Car Park: 1 above ground and 1 basement level	40 years, expiring on 20 May 2049	100
Perennial Qingyang Mall, Chengdu		No. 55 Guanghua North Third Road, Qingyang District, Chengdu, Sichuan Province	Retail Podium: 4 levels Car Park: 2 basement levels	40 years, expiring on 19 January 2050	100

1 As at 31 December 2019, the value of leasehold properties was RMB44.5 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 Approximate percentage.

Valuation (RMB million)	Land Area (sq ft)	Gross Floor Area (sq ft)	Net Lettable Area (sq ft)	Status	Anchor/Major Tenants
595	700,237	5,977,824	–	Target Completion 2023	–
5,619	418,996	Retail: 1,385,837 Office: 1,281,685 Residence: 543,038 Car Park/Others: 1,232,227 Total: 4,442,786	–	Target Completion 2023	–
N/A	537,485	Retail: 1,252,995 Office: 994,009 Residence: 716,107 Car Park/Others: 1,004,730 Total: 3,967,841	–	Target Completion 2022	–
2,453	482,712	3,048,831	2,558,754	Operational	Shanghai Red Star Macalline Home Furnishing Co., Ltd
3,763	574,020	3,528,291	2,155,342	Operational	Sinbad Joy Castle, Carrefour, C&A, H&M, UNIQLO
2,224		2,129,134	1,911,563	Operational	Taiping Insurance, Pingan Insurance, Taikang Insurance
N/A	256,550	Retail: 468,325 Office: 455,491 Hotel/Serviced Apartments: 541,292 Car Park/Others: 889,612 Total: 2,354,721	–	Target Completion 2020	–
950	370,403	979,965	467,006	Operational	Yonghui Superstore (Supermarket), Jinyi Cineplex, Inditex Group
1,350	575,742	1,471,228	603,722	Operational	Yonghui Superstore (Supermarket), Jinyi Cineplex, Kidswant

BUSINESS REVIEW:
> Real Estate – Other Markets

OVERVIEW

Outside of its core markets of China and Singapore, Perennial actively assesses business opportunities in other countries. Through this, Perennial aims to diversify its existing portfolio and access high growth and untapped emerging markets. This can be achieved through leveraging on the sponsors' extensive network of relationships; and selecting projects in which Perennial's international expertise and standards add value and serve as a unique point of differentiation.

In FY2019, Perennial entered into two new emerging markets, Myanmar and Sri Lanka. With these two additions, Perennial's overseas portfolio now comprises five development projects located in Malaysia, Indonesia, Myanmar, Sri Lanka and Ghana with a total gross floor area ("**GFA**") of approximately 8 million square feet[1]. All projects are mixed-use integrated developments consisting of commercial and residential components, except for the project in Indonesia, which is purely residential.

MARKET TRENDS AND OUTLOOK

Overview

The ASEAN economic bloc has experienced robust growth in the last decade, with an average annualised real GDP growth of 5.4% from 2009 to 2018[2]. Before COVID-19, ASEAN's projected average growth was 5.2% from 2018 to 2022, and was on track to become the fourth largest market by 2030 after the European Union, USA and China[3]. COVID-19 will have a severe adverse impact on ASEAN's growth in the next few years.

The resilient economic growth has resulted in rapid urbanisation in many of its member countries, of which many cities are expected to be significantly transformed[4], supported by a substantial labour force; an emerging middle-income population with growing private consumption and the large-scale implementation of several energy and infrastructure projects.

Implications for Value

Perennial will continue to tap on the rapid urbanisation and growing demand for quality real estate in ASEAN member countries, leveraging on Singapore's status as a leading ASEAN member and the Singapore brand to establish a presence in these new emerging markets. Value creation opportunities are present across sectors particularly in retail, office and residential, underpinned by increasing demand in private consumption, rising employment and growth in local infrastructure.

Strategic Response

Perennial remains committed to its ASEAN strategy through a two-pronged approach:

(i) Achieving value creation within the ASEAN emerging economies; and

(ii) Obtaining a first-mover advantage in high growth markets via leveraging on sponsors' extensive business network in the region.

Perennial's ASEAN projects include the development of The Light City, a large-scale mixed-use development located along the Penang Island seafront, as well as a landed residential development in Greater Jakarta, Indonesia. In FY2019, Perennial entered into the Myanmar market via its interest in a proposed mixed-use development in Mandalay. Perennial remains active in establishing its presence in new markets within ASEAN.

MALAYSIA

Malaysia's economy maintained its growth at a steady pace in 2019, underpinned by growth in the services, manufacturing and agriculture sectors[5]. COVID-19 will significantly dampen Malaysia's economic activity in 2020, and the country may experience negative growth.

The state of Penang maintained its status as one of the top contributing states to the nation's GDP in 2019, buoyed by the strong performance in the manufacturing and services sectors. It is also consistently ranked amongst the top states in attracting foreign direct investment. Its services sector is underpinned by strong growth in Penang's tourism industry. Passenger arrivals at Penang International Airport ("**PIA**") hit a record of 8.3 million passengers[6] in 2019, eclipsing the performance in the preceding year (7.8 million passengers).

Market Trends

Boom in Tourism and Business Travel

Malaysia Airport Holdings Berhad (the airport manager for PIA), confirmed that the development order for the expansion of PIA has been approved by the Penang Island City Council[7] on 3 December 2019. The contract award is expected in the first half of 2020 with construction commencing soon after. The expansion is expected to be operationalised by 2024. When completed, PIA's terminal gross floor area will increase to 113,005 square metres ("**sqm**") from 54,582 sqm[8], concurrently increasing PIA's capacity to accommodate 12 million passengers per annum, compared to the current capacity of 6.5 million passengers per annum.

Strategic Response

The proposed expansion of PIA provides a welcome boost to Penang's tourism, as the PIA is currently operating beyond full capacity. The expansion will boost PIA's carrying capacity and ability to serve more airlines and flights, which will facilitate Penang's efforts to promote the island as a business and leisure destination, invariably leading to an increase in business and leisure tourist visitors.

1 As the designs of the development projects are undergoing refinement, the GFA figure is subject to change.
2 ASEAN Statistical Yearbook 2019.
3 Enterprise Singapore. ASEAN Overview.
4 ASEAN Today article dated 8 November 2019.
5 World Bank's Malaysia Economic Monitor, December 2019.
6 The Sun Daily article, dated 28 January 2020.
7 New Straits Times article, dated 25 December 2019.
8 The Straits Times article, dated 13 December 2019.

With its unique waterfront retail experience, capacity to host MICE events and its integrated nature catering to the needs to a wider market, The Light City, Perennial's mixed-use development located on the eastern coastline of Penang, is well positioned to be a one-stop destination meeting the needs of locals and travellers alike. With its close proximity to PIA, The Light City is set to benefit from the increased influx of tourists, particular for the retail, convention centre, and office and hotel segments.

INDONESIA

Indonesia is the largest economy in South-east Asia with a population of approximately 264 million. Rich in natural resources, Indonesia's economy has been fairly stable with a GDP growth rate hovering around 5.0% YoY since 2015[10]. Indonesia's economic growth in 2020 will be severely affected by COVID-19, despite its strong macro-economic fundamentals and reduced political uncertainty.

Market Trends

Emergence of Lower Middle-Income Segment

The 4th most populous country in the world, Indonesia has taken substantive steps to reduce poverty to 9.4% in 2019, more than half of the poverty rate in 1999[9]. The lower middle-income segment is emerging as a result. Despite today's global uncertainty, Indonesia's medium-term economic outlook remains positive and continues to be driven by domestic demand.

Strategic Response

To cater to the emerging middle-income segment, Perennial is launching its maiden landed residential development with the vision to provide functionally innovative, quality homes with an abundance of facilities for multi-generational families to enjoy within the development.

MYANMAR

Myanmar is the largest country in Mainland South-east Asia by area, with abundant natural resources including mineral wealth, natural gas and fertile land. Since the peaceful transition to a democratically-elected government in 2015, the country has undergone improvements in liberalising its economy.

Myanmar maintained a moderate pace of growth of 6.5% YoY in 2018/2019[11]. Growth was underpinned by the manufacturing, construction and services sectors as a result of lower price and exchange rate volatility and economic reforms. The negative impact of COVID-19 will significantly reduce Myanmar's economic growth in 2020. However, in the medium term, its economic outlook remains positive.

Market Trends

Increased Connectivity under the Belt and Road Initiative ("BRI")

Myanmar has been supportive of China's BRI policy, particularly under the formation of the China-Myanmar Economic Corridor ("**CMEC**"), where several large transport infrastructure projects have been planned to support transport connectivity between Myanmar and China. Mandalay is a key beneficiary to the CMEC owing to its status as the economic capital in Upper Myanmar and its strategic proximity to the Yunnan province of China.

Strategic Response

The CMEC is expected to spur economic activity in Mandalay through the increase in Chinese investment capital into the region. This could lead to increased disposable income (and higher discretionary spending) in Mandalay's households, and attract inbound investment from Chinese investors into various sectors, including real estate.

Mandalay currently lags behind Yangon in the availability of high-quality residential products, leading to many affluent Mandalay residents and inbound investors turning to Yangon instead. The residential component within Perennial's mixed-use development aims to buck the trend, by providing prospective buyers with an attractive product for their own stay or investment purposes.

Similarly, Mandalay's retail sector is less mature compared to Yangon. With discretionary spending expected to rise as Myanmar's economy modernises, Perennial's retail mall aims to meet the increased needs of Mandalay's residents with its modern design and new-to-market retail offerings. It is poised to be the key destination catering to residents and tourists alike.

9 The World Bank in Indonesia report, dated 11 December 2019.
10 Focus Economics report, dated 13 December 2019.
11 World Bank's Myanmar Economic Monitor, June 2019.

BUSINESS REVIEW:
> Real Estate – Other Markets

SRI LANKA

Sri Lanka is an island nation located South-east of the Indian subcontinent. According to the World Bank[12], Sri Lanka's growth for 2019 is expected to be weak at 2.7%, due to instability arising from the April 2019 terrorist attacks. However, the November 2019 presidential election victory by Rajapaksa has revived confidence in the country. His pledge to make national security a key priority going forward and to improve investment activity is expected to accelerate growth in the medium-term, with key drivers of recovery being investments and exports, and improved tourism.

Market Trends

Reforms Underway to Improve Investment Climate

Sri Lanka's new government announced bold reforms aimed at improving the business environment and encouraging foreign investments. Initial reforms include the reduction of Value-Added Tax and the complete removal of Nation Building Tax with effect from December 2019[13]. This policy change is expected to boost economic activities and encourage foreign investment, a much needed move to kick-start the revival of confidence in the country. While Sri Lanka's economy in 2020 will be severely affected by COVID-19, it is hoped that with the reforms in place, growth will rebound in the medium term. After the global COVID-19 situation improves, tourism is also projected to recover[14].

Strategic Response

The new business-friendly policies are expected to stimulate foreign investments, including real estate. Tourism is also projected to recover with increasing political stability after the presidential elections. Perennial's mixed-use development in Colombo, Beira Lake, comprising residential towers, office and retail space is expected to ride on this growth.

GHANA

Ghana remains one of the most prosperous and stable countries in Sub-Saharan Africa. In 2019, Ghana's economy continued to expand with annual GDP growth estimated at 6.2%[15]. The high growth was driven by private sector credit growth and strong recovery in the services sector[16].

Market Trends

Foreign Investment Expected to Intensify

The Ghanaian government's 2020 budget aims to intensify foreign investment, increase public spending on construction and the development of the manufacturing sector, with the aim of job creation and economic growth. Although the government pledged to maintain fiscal discipline, the budget deficit forecast for 2020 is projected to increase due to higher spending[17]. COVID-19 will have a significant adverse impact on Ghana's economy in 2020.

Strategic Response

Perennial will continue to monitor the current economic situation and government policies in Ghana, with the intention to commence works on-site, when appropriate.

STRATEGIC PRIORITIES IN FY2020

For FY2020, Perennial will focus on making further progress on on-site construction, particularly in The Light City in Penang, and its developments in Greater Jakarta, Mandalay and Colombo. Perennial intends to launch residential sales for these projects, subject to obtaining regulatory approval.

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 the ASEAN region.

12 The World Bank in Sri Lanka report, dated 15 October 2019.
13 Reuters article, dated 27 November 2019.
14 Xinhua article, dated 2 December 2019.
15 PWC 2020 Budget Highlights: "Consolidating the Gains for Growth, Jobs and Prosperity for All" document.
16 The World Bank in Sri Ghana report, dated 26 November 2019.
17 Bloomberg Article, dated 13 November 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 square feet (“**sq ft**”) gross floor area (“**GFA**”) 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 FY2019

During the year, the project team completed the development design and obtained the relevant statutory approvals to commence construction works on site, including building plan approvals. Land and development financing was obtained for the project.

FOCUS AREAS FOR FY2020

Construction works for the first development phase of approximately 2.8 million sq ft GFA are expected to commence in 2H 2020. The first residential phase, Mezzo The Light City, is set to be launched for sale in 2H 2020, subject to market conditions.

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 Mall 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]	
Mixed-use Development in Mandalay, Myanmar	Along Thate Pan Road, Chan Mya Thazi Township, Mandalay, Myanmar	Retail Mall and Shophouses Residential	50 years, with two 10-year renewable terms[5], expiring on 27 November 2089	
Mixed-use Development in Colombo, Sri Lanka	Next to Beira Lake in Baladaksha Mawatha, Colombo 02, Sri Lanka	Residential Office Retail	99 years, expiring on 18 February 2119	
Accra Integrated Development, Ghana	Along Liberation Road and about 2 km from Kotoka International Airport within the Airport district of Accra, Ghana	Retail Mall Residential Office Hotel Serviced Apartments	50 years, expiring on 30 November 2067	

1 As at 31 December 2019, the value of leasehold properties was S$71.8 million and the value of freehold property was S$172 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 This development is a Public-Private Partnership project with the Mandalay Regional Government. Renewal terms are subject to the approval of the Myanmar Investment Commission.
6 As the design is undergoing refinement, the figure is subject to change.

	Effective Interest (%)	Land Area (sq ft)	Gross Floor Area[3] (sq ft)	Target Completion
	50	1,427,000	**Phase 1:** Retail Mall: 1,182,400 Residential: 698,200 Office: 204,400 Hotel: 393,900 Convention Centre: 310,600 **Phase 1 Sub-total**: 2,789,500 **Phase 2**: Under planning **Total**: 4,100,000	2024
	40	**Phase 1**: 563,700 **Total**: 2,659,000	**Phase 1**: 317,900 **Remaining phases**: Under planning	Progressively from 2021
	50	264,000	Retail Mall and Shophouses: 445,600 Residential: 151,500 **Total**: 597,100	2022
	25	151,000	1,300,000[6]	2023
	55	537,000	Retail Mall: 231,400 Residential: 375,400 Office: 592,000 Hotel: 354,200 Serviced Apartments: 194,200 **Total**: 1,747,200	2023

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 FY2019, Perennial's healthcare portfolio of operating beds grew robustly by 25.4% from 6,382 beds to approximately 8,000 beds. This stellar growth was primarily driven by Perennial's eldercare business arm in China, Renshoutang, a well-established player in the private integrated eldercare industry. In the year, Renshoutang launched seven new facilities in Shanghai, Changzhou and Jurong with over 1,700 beds, including the first integrated eldercare and retirement, nursing and rehabilitation facility with dedicated dementia care in the Shanghai centre. As of 31 December 2019, Perennial has secured a committed pipeline of around 7,600 beds.

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 ophthalmology, internal medicine and surgery, paediatrics, dermatology, dentistry, orthopaedics, rehabilitation, Traditional Chinese Medicine ("**TCM**"), and diagnostic imaging.

The Perennial International Health and Medical Hub ("**PIHMH**") in Chengdu is the first operating one-stop medical, healthcare and retail integrated development in Perennial's portfolio. In addition to housing specialty anchor tenants such as the Perennial International Specialist Medical Centre and Care Alliance Rehabilitation Hospital, in 2019 it also secured new tenants such as Qijia Chinese-Western Hospital (Eastern Branch of Sichuan Second TCM Hospital), ImaginGrace Medical Imaging Center Chengdu, and blood dialysis centre by WEGO Group.

In recognition of the unique positioning of the PIHMH, it was awarded the "Chengdu Specialised (Characteristic) Building" by Chengdu City Chenghua District Government in December 2019. PIHMH was the only property in Chengdu to be accorded this award in the Healthcare and Medical sector. This award was given to recognise and encourage property developers to build characteristic developments to enhance the urban character of the city.

A significant development in PIHMH in 2019 was the introduction of Gleneagles Hospital Chengdu on 26 October 2019 as PIHMH's anchor tenant. The hospital is operated by Parkway Pantai, which is the largest operating subsidiary of IHH Healthcare. Gleneagles Hospital Chengdu is IHH Healthcare's first general hospital in Mainland China and the first Sino-foreign joint venture multi-specialty medical institution to be approved by the Sichuan Provincial Development and Reform Commission. It occupies a floor area of 51,500 sqm in PIHMH and has a planned capacity of 350 beds. It offers a full range of specialties across all age groups. This includes Internal Medicine, Paediatrics, General Surgery, Otorhinolaryngology, Gastrointestinal Medicine and TCM, amongst others.

Suite of Medical and Healthcare-Related Services	No. of Operating Beds (As at 31 Dec 2019)	No. of Operating Beds (As at 31 Dec 2018)	Change
Eldercare and Senior Housing	7,724	5,927	1,797
Hospitals and Medical Centres	279	455	(176)
Total	8,003	6,382	1,621

The reduction in the number of beds in the hospitals and medical centres segment was due to the conversion of a TCM hospital from ownership to a leasing model.

HEALTHCARE BUSINESS

TWO CORE BUSINESS SEGMENTS

Hospital and Medical Centres

International Hospital
- Women and Children
- Geriatric and Rehabilitation

Specialist Medical Centre

Eldercare and Senior Housing

Independent Living
Assisted Living
Nursing Care
Dementia Care

Strategic Alliance Tenants in Various Specialities:
Such as Maternal and Child Health, Plastic Surgery, Health Screening, Diagnostic Imaging, Oral Medicine and Rehabilitation

Qijia Chinese-Western Hospital in PIHMH

ImaginGrace Medical Imaging Center Chengdu in PIHMH

MARKET TRENDS AND OUTLOOK

Overview

Healthcare in China has always been a national priority, beginning as early as the first healthcare reforms of the 1980s. Within the last two decades, China has benefited from large scale reforms in the fields of medical infrastructure and insurance, as well as the opening up of its healthcare market.

The Chinese government has initiated measures to boost foreign investment in the healthcare sector. Manufacturers of raw materials for the production of vaccines and cell-therapy drugs and those investing in medical institution services can now access preferential treatment, such as tax incentives, streamlined procedures or discounted land prices. In 2019, subsectors of both the pharmaceutical and healthcare industries were added to the Catalogue of Encouraged Industries for Foreign Investment 2019[1].

The COVID-19 outbreak in early 2020 is likely to lead to a surge in investment in China's healthcare system[2]. In response to the burden COVID-19 has placed on the public healthcare system, the Chinese government is likely to accelerate healthcare reforms focused on access to quality care and digitalisation.

1 China Briefing from Dezan Shira & Associates article, dated 25 July 2019.
2 Bain & Company article, dated 4 March 2020.

Perennial International Health and Medical Hub, Chengdu

(Top) In-patient Room and (Bottom) Nurses' Station in Gleneagles Hospital Chengdu, PIHMH

The China government will likely step up efforts to improve the quality and availability of medical services across various Chinese cities as medical resources and capabilities remain unevenly distributed, with patients still crowding major public hospitals in big cities. China is encouraging more qualified doctors to run their own clinics, or practise in private clinics on a part time basis, while still being employed by public hospitals. This healthcare policy reform has seen an increase in the number of doctors in private practice and private doctor and specialist groups, which are likely to boost demand for private clinic spaces and shared medical services and resources.

COVID-19 saw the unprecedented adoption of digital health services and growth acceleration of China's online healthcare platforms[2]. Digitalisation of health services represents one of the largest potential areas of growth in China's healthcare sector. In the near term, the China government is likely to emphasise support for online healthcare and telemedicine, with more offline healthcare providers developing digital health platforms or partnering digital health companies to deliver comprehensive care at scale.

Perennial's healthcare business slowed in the first quarter of 2020 as some healthcare operations in PIHMH were closed during the period under the China government's requirements. They have since gradually resumed operations from end March 2020 after the relaxation of the containment measures in Chengdu. Notwithstanding, as China strives to improve its public and private healthcare capacity, and with China facing a rapidly aging population and citizens expecting higher quality healthcare services, China's healthcare sector is poised to be an area of priority growth and investment in the coming decade[3]. Perennial is confident that the long term outlook of China's healthcare and eldercare sector will remain positive, underpinned by its ageing population and burgeoning healthcare spending.

Market Trends

Integration of Medical and Eldercare Services

Since 2015, the State Council of China and various China government departments have released several documents and guiding principles to develop integrated medical and eldercare services in China, which essentially refer to the model whereby medical, nursing and eldercare services are collectively provided at eldercare and retirement institutions. Medical services could refer to rehabilitation, medical consultations and treatments, health check-ups, and health prevention. Nursing services could refer to nursing care, palliative care, and hospice care. Eldercare services are designed to meet the needs of the elderly at various stages of their lives, such as personal care services, assisted living, and active ageing activities etc.

In November 2015, the State Council of China issued a document with guiding principles to promote the integration of medical services with eldercare services《关于推进医疗卫生与养老服务相结合的指导意见》[4], which stated that China would put in place an integrated medical and eldercare services structure and policy and regulation system by 2020. This was to drive development of co-sharing of medical and eldercare services and resources, and solve the shortcomings of the existing eldercare model in China where there is a heavy reliance on hospitals for all eldercare needs. Through the new policies outlined, the elderly can enjoy quality medical and nursing services in eldercare and retirement homes as well.

In July 2016, the Ministry of Civil Affairs of China published the 13th Five Year Plan for civil affairs development in China, which outlined the strategic focus of promoting and developing integrated medical and eldercare services institutions to ensure that the medical, nursing and retirement needs of elderly are met by the market[5]. Following which, the State Council issued an outline

3 China Briefing from Dezan Shira & Associates article, dated 25 March 2020.
4 State Council of the People's Republic of China document, dated 18 November 2015.
5 China Ministry of Civil Affairs document, dated 6 July 2016.

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> Healthcare – China

on the "Healthy China 2030" initiative in October 2016, which emphasised on the integrated model of medical and eldercare services as a priority development in China's eldercare sector[6]. A report on the initiative delivered at the 19th National Congress of the Communist Party of China in 2017[7] emphasised that the Chinese government will respond proactively to population ageing, adopt policies and foster a social environment in which senior citizens are respected, cared for, and live happily in their later years, provide integrated eldercare and medical services, and accelerate the development of old-age programmes and industries.

Implication for Value

The integration of medical and eldercare service is a clear development priority for the eldercare sector in China. According to China's National Health Commission, as at October 2019, there were about 4,000 institutions providing integrated medical and eldercare services in China, and about 25,000 collaboration partnerships between medical institutions and eldercare institutions[8]. The comparatively smaller number of institutions providing integrated medical and eldercare services implies that there is still ample opportunity space for market development.

Strategic Response

Currently, China's integrated eldercare and medical services sector is transitioning from top-level design to model exploration[9]. Through Renshoutang, Perennial's eldercare business arm in China, Perennial is actively contributing to the integration of eldercare and medical services tailored to the China market, so that elderly residents can have easier access to medical, nursing, and retirement services, which will in turn improve their quality of life.

Renshoutang is one of the pioneers in China to provide integrated medical and eldercare services under one roof for the elderly residents. In particular, Renshoutang was recognised by the Shanghai Government as an "Exemplary Unit" for integrated medical and eldercare services. Renshoutang is further expanding its integrated medical and eldercare services model in new projects, such as Shanghai Hongqiao Renshoutang Eldercare and Retirement Home, which houses well-equipped clinical departments in both western medicine and TCM, as well as a 2,000 sqm rehabilitation space.

In-house medical services at Renshoutang

In addition, Renshoutang has been actively working with the China government to convert a number of eldercare beds to nursing beds at its eldercare facilities. Three eldercare facilities, namely Shanghai Xijiao Xiehe Nursing Home, Shanghai Yixian No.3 Eldercare and Retirement Home, and Shanghai Yixian Chengqiao Eldercare and Retirement Home, received approval from the Civil Affairs Bureau of Shanghai Changning District Government to convert a total of 297 eldercare beds to nursing beds in 2020.

A patient undergoing rehabilitation at Renshoutang

CHINA'S SMART HEALTH AND ELDERCARE INDUSTRY

The China government has expounded that smart health and eldercare is a strategic area of development to improve the access, quality and cost-effectiveness of China's eldercare services.

In February 2017, the Ministry of Industry and Information Technology ("**MIIT**"), Ministry of Civil Affairs, and National Health and Family Planning Commission of China jointly issued an action plan《智慧健康养老产业发展行动计划(2017-2020年)》[10] on China's intent to develop a smart health and eldercare industry with more than 100 industry leading enterprises by 2020. The government also has plans to develop more than 100 smart health and eldercare demonstration bases by 2020.

In particular, the private sector is encouraged to make breakthroughs in core technologies and promote the development of analytical technologies, such as real-time health status and health trend analysis based on big data, so as to provide more timely and value-added healthcare services to the elderly. The China government also encouraged the development of advanced health devices, such as health management wearables, portable health monitors, and home service robots. The MIIT further shared that it will build an information sharing system to improve the quality and security of the service network.

Implication for Value

The favourable government policies supporting the development of China's smart health and eldercare industry has opened up new opportunity spaces for the private sector in areas such as the design and implementation of eldercare services and information systems, smart eldercare product development, smart health and eldercare services pilot projects, and remote monitoring equipment and systems.

Strategic Response

Perennial is riding the wave of China's healthcare digitalisation and partnering with leading players to future-proof its healthcare and eldercare business. For instance, Renshoutang has developed a health management software system and sourced for the most effective and recognised smart health tracking devices for its elderly residents.

6 State Council of the People's Republic of China document, dated 25 October 2016.
7 State Council of the People's Republic of China document, dated 27 October 2017.
8 China National Health Commission document, dated 11 October 2019.
9 Deloitte article, dated 2018.

Renshoutang provides a holistic suite of offerings including Eldercare, Nursing, Rehabilitation, Dementia Care and Medical Services

With the digitalisation of healthcare and eldercare services, Renshoutang is poised to set a new benchmark for integrated medical, eldercare and nursing care. Looking ahead, Perennial will continue to expand its digital strategy in the China healthcare and eldercare portfolio to improve the quality of services, and enhance the engagement and experience of the patients and residents.

MARKET OUTLOOK

Hospitals and Medical Centres

As at end 2019, the total number of public and private hospitals in China increased by 3% YoY to 34,000 from 33,009 in the previous year. The number of public hospitals dropped by 0.27% YoY from 12,032 in 2018 to 12,000 in 2019. In contrast, the number of private hospitals increased by 4.88% YoY from 20,977 to 22,000 in 2019[11].

There were a total of 6.97 million public and private hospital beds in China in 2019, an increase of 6.9% from the previous year (6.52 million)[11]. Of the total number of hospital beds in 2018, 73.7% were public hospital beds, while 26.3% were private hospital beds. Public hospital beds increased by 3.7% YoY to 4.8 million, while private hospital beds increased by 15.3% YoY to 1.71 million[12].

Despite the higher rate of increase in both private hospitals and beds in 2018 and 2019, there remains a gross undersupply of hospital beds in China.

The heightening demand for better quality medical services driven by the growing middle class bodes well for the healthcare industry. With increased affluence and disposable income, Chinese citizens spent RMB4,148.10 per capita on medical care in 2018, a growth of 9.6% from the previous year[12].

Eldercare and Senior Housing

China's population demographics have changed significantly over the past 20 years. As at end 2018, there were about 249 million people above 60 years old, making up 17.9% of China's population[13]. This was a 23% increase from five years ago in 2013. According to the China National Committee on Aging, by 2053, the number of people above 60 years old will reach 487 million, accounting for 34.9% of the total population[14]. According to China's MIIT, the eldercare market is expected to grow to RMB22 trillion in 2030[15].

Life expectancy has also continuously risen in China. According to the United Nations ("**UN**") World Population Prospects, the current life expectancy for China in 2019 is 76.79 years, a 0.22% increase from 2018, putting it significantly higher than the world average life expectancy of about 72 years. The UN projects a similar rate of increase for the rest of the 21st century for China[16].

10 China Ministry of Industry and Information Technology document, dated 6 February 2017.
11 China National Bureau of Statistics report, dated 28 February 2020.
12 China National Health Commission report, dated 22 May 2019.
13 Xinhuanet article, dated 31 May 2019.
14 The Straits Times article, dated 2 December 2019.
15 Sina Finance article, dated 20 July 2019.
16 China Daily article, dated 25 December 2019.

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In addition, it was reported that China has nearly 300 million patients with chronic diseases, accounting for 86.6% of deaths in China[17]. This means that the country has officially reached a tipping point whereby chronic conditions surpass infectious diseases as the leading causes of early deaths. Meanwhile, there were only 7.61 million eldercare beds in the country as at end 2019[18], signaling a supply gap in this area.

STRATEGIC PRIORITIES FOR FY2020

In line with its long-term belief in China's healthcare and eldercare market, Perennial is committed to the long-term investment, management and operation of two main business segments, namely Hospitals and Medical Centres, and Eldercare and Senior Housing, and on the execution of pipeline projects to create for its shareholders an outstanding real estate portfolio of these asset classes that will generate strong returns.

In FY2020, Perennial will accelerate the growth of its medical and healthcare-related business in China. For the Hospitals and Medical Centres segment, Perennial will continue to position itself as the investor and landlord of choice for both local and international established healthcare and medical partners to co-create premier one-stop international medical and healthcare hubs across China. It will also seek partnerships with established local and foreign healthcare or medical-related operators with extensive networks and strong track records, with the aim of further expanding the range of medical and healthcare services.

Perennial will continue to pursue innovative collaboration and operating models in its integrated healthcare developments in Chengdu, Xi'an, Tianjin and Kunming, which may eventually produce different healthcare and medical models in its portfolio. For instance, Perennial will be exploring the concept of bringing in a host of medical groups of diverse medical specialties, then organising and running the entire international hospital.

Against the backdrop of China's rapidly ageing population, increasing affluence of the Chinese, the Government's focus on quality integrated medical and eldercare, and China's opening up of its healthcare sector to private foreign investors, the Eldercare and Senior Housing segment is expected to drive growth for Perennial's healthcare business in China. Perennial will actively respond to China's government policy to integrate eldercare and medical services at its eldercare facilities to meet the varying needs of the elderly residents and ensure that it continuously delivers high quality of care and achieve exceptional levels of resident satisfaction with smart eldercare and health management systems in place.

As one of the pioneers of China's real estate industry in developing integrated commercial, healthcare and eldercare projects with shared medical facilities next to key transportation nodes such as High Speed Rail stations, Perennial is well-positioned to differentiate itself as a premier healthcare and eldercare player with unparalleled knowledge, expertise and experience in investing, managing and operating hospitals and medical centres, as well as eldercare and senior housing. Perennial's healthcare facilities located within integrated developments enjoy the synergy between the various components, such as retail and hotel facilities, enhancing the overall value of the integrated development.

Looking ahead, Perennial remains confident in its strategic focus and plans in China's healthcare and eldercare market, and its ability to deliver accretive growth. Perennial will continue to closely monitor the healthcare and eldercare market in China to continue its progress in 2020, actively seek new investment and development opportunities in the hospitals and medical centres segment, as well as eldercare and senior housing portfolio in China, deepen its presence in the core Chinese provincial cities to add value and growth to its existing portfolio, and create positive financial impact and long-term value for its shareholders.

17 People's Daily Online article, dated 11 August 2016.
18 China National Bureau of Statistics report, dated 28 February 2020.

BUSINESS REVIEW:
> Hospital and Medical Centres

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

Launched in June 2018, 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 consultation and treatment destination, the centre offers multiple specialties including ophthalmology, internal medicine and surgery, paediatrics, dermatology, dentistry, orthopaedics, and TCM.

Perennial International Specialist Medical Centre is located at PIHMH in Chengdu, and majority owned and operated by Perennial. The Centre is able to provide shared medical resources and services, such as diagnostic imaging, laboratory services and hospital wards, to its healthcare tenants and patients, given its close proximity to the hospitals and other healthcare tenants in PIHMH. This not only lowers the initial set-up costs for private healthcare operators, but also provide greater convenience to patients to access a comprehensive suite of medical services within a single location.

KEY DEVELOPMENTS IN FY2019

Under the Hospitals and Medical Centres business segment, the Perennial International Specialist Medical Centre located in PIHMH strengthened its offerings with new medical group tenants such as Xiao Qing Cao Ophthalmology Group.

FOCUS AREAS FOR FY2020

With the Chinese government's push for more doctors to practise in private clinics, Perennial continues to consider healthcare real estate as an attractive asset class in China, and will be carrying out expansion plans for Perennial International Specialist Medical Centre to add 5,000 sqm to its existing 11,000 sqm space. The plan to reconfigure retail space to healthcare and medical space will cater to rental demand from new healthcare tenants, such as Otolaryngology, Psychology, and Nephrology, to complement the current offerings at the Centre.

Perennial will continue to proactively manage Perennial International Specialist Medical Centre and introduce new and renowned specialty medical groups and shared medical services to optimise cost savings and efficiencies for its tenants, and complete the continuum of healthcare offerings at the Centre for its patients.

BUSINESS REVIEW:
> Healthcare – Eldercare and Senior Housing

RENSHOUTANG
人寿堂

Founded in 1994, Renshoutang is a pioneer in providing private integrated eldercare in China and one of the largest private integrated eldercare services operators in Shanghai with a portfolio of over 7,700 operating beds and a committed pipeline of approximately 7,600 beds. 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 24 eldercare facilities that are predominantly located in Shanghai. The portfolio also encompasses two pharmacies that are attached to dedicated TCM clinics.

Leveraging on its 18 years of experience in the sector, Renshoutang created three well-known eldercare services brands: Yixian Eldercare and Retirement Home (逸仙颐养院) which targets the mass market, Xiehe Eldercare and Retirement Home (协和颐养院) which focuses on more affluent customers, and Renshoutang Eldercare and Retirement Home (人寿堂颐养院) which targets the high-end market.

Renshoutang Eldercare and Retirement Home 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.

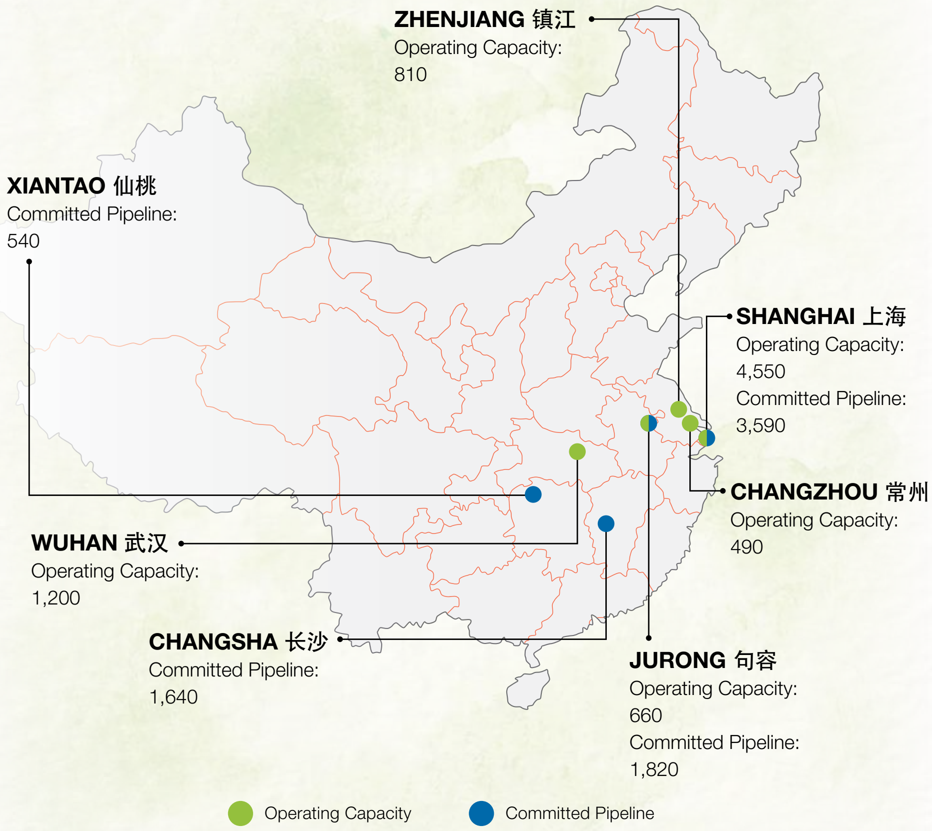
Within the next few years, Renshoutang is poised to become one of the largest eldercare services operators in the Yangtze River Delta Region with the fulfilment of committed pipeline projects. These projects are strategically located in key cities including Changsha, Changzhou, Jurong, Shanghai, Wuhan,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

KEY DEVELOPMENTS IN FY2019

In 2019, Renshoutang continued to expand its market share in China and added over 1,700 beds across seven new facilities to reach a total of 15,300 beds. The very first Renshoutang-owned facility, Shanghai Renshoutang Nursing Home located in Hongqiao district, opened in July 2019 with a total of 808 beds. Of these beds, there were 248 eldercare beds, 100 nursing beds, 410 integrated medical and eldercare beds, and 50 individual care beds under the "Memory Home" ward, the first dedicated dementia care ward in Perennial's healthcare portfolio.

From September to December 2019, a Renshoutang-developed health management programme, named "Smart Eldercare and Health Management", was introduced to more than 60 elderly residents at Shanghai Hongqiao Renshoutang Nursing Home, Shanghai Xijiao Xiehe Nursing Home, and Wuhan Jiuzhoutong Renshoutang Nursing Home. Residents and their family members can easily access the health assessment and monitoring reports generated by the software via a mobile app.

Renshoutang's Presence Map



This digital health solution, together with smart health tracking devices such as continuous glucose monitoring system that does not involve finger pricking, sleep monitoring device, and GPS-tracked sports shoes, will enable Renshoutang to improve its care for the elderly as doctors and care workers can actively monitor the health status of the elderly and provide timely support and interventions. It will also enable Renshoutang to streamline processes and improve productivity.

FOCUS AREAS FOR FY2020

In 2020, Renshoutang will continue to build on the "Smart Eldercare and Health Management" programme, with plans to incorporate rehabilitation elements and customised nutrition plans. The aim is to roll out the programme to all the residents in the pilot facilities in phases. In addition, Renshoutang plans to set up eldercare gym facilities in the properties to address common geriatric medical conditions, such as sarcopenia, frailty, osteoporosis, and depression.

Renshoutang will enhance the clinical care standards at Shanghai Hongqiao Renshoutang Nursing Home in 2020 by establishing five new clinical areas in Oncology, Cognitive Impairment, Frailty, Diabetes Care, and Comprehensive Geriatrics Assessment. These additions will allow the nursing home to plan and execute a customised health and activity plan for each elderly resident.

In response to the China government's policy of integrating medical and eldercare services, three existing Renshoutang nursing homes, i.e. Shanghai Xijiao Xiehe Nursing Home, Shanghai Yixian Chengqiao Nursing Home, and Shanghai Yixian No.3 Eldercare and Retirement Home, are in the midst of asset enhancement works to add close to 100 nursing beds to each nursing home in 2020.

Over 3,000 beds are expected to be added to Renshoutang's capacity in 2020 in cities such as Changsha, Shanghai and Xiantao. Renshoutang will continue to leverage on its three-pronged leasing, PPP, and acquisition model to deepen its footprints in the eldercare and retirement sector in China.

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

BUSINESS REVIEW:
> Healthcare – China

PORTFOLIO AT A GLANCE

Business	Description	Joint Venture Partner	
Hospitals and Medical Centres			
Perennial International Specialist Medical Centre, Chengdu	Premier one-stop comprehensive specialist medical centre which hosts a wide range of specialist departments	–	
St. Stamford International Medical Pte Ltd	A joint venture with Guangdong Boai	Guangdong Boai, one of the largest private hospital and medical services operators in China	
Eldercare and Senior Housing			
Shanghai Yixian Renshoutang Eldercare Group Co., Ltd	One of the largest private integrated eldercare services operators in Shanghai	–	

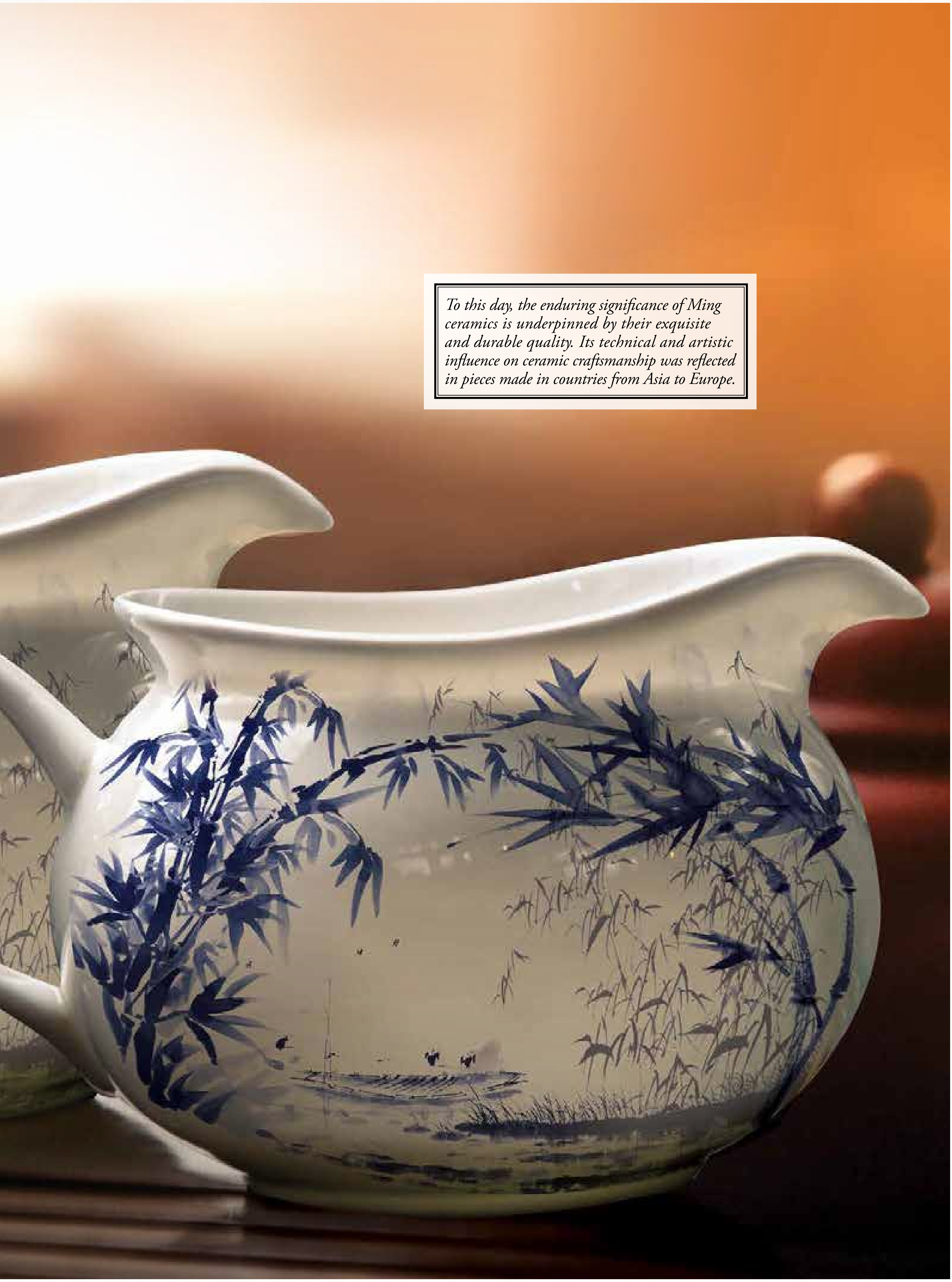
1 Approximate percentage.

	Effective Interest (%)	Medical Specialties	Portfolio of facilities
	90	Ophthalmology, Internal Medicine and Surgery, Paediatrics, Dermatology, Dentistry, Orthopaedics, and Traditional Chinese Medicine (TCM)	1 specialist medical centre
	40[1]	Cancer treatment, Plastic Surgery and Aesthetics	1 hospital in Guangzhou 1 hospital in Chengdu
	49.9 (Largest Single Shareholder)	Retirement Home, Nursing Home, Rehabilitation Home, and Pharmacy with attached TCM clinics	24 eldercare facilities 2 pharmacies with attached TCM clinics Upcoming eldercare facilities in Changsha, Shanghai, and Xiantao

Harmonising Priorities,

Achieving Sustainability

Perennial is committed to sustainable and responsible business practices, which it recognises as integral to delivering long-term growth and positive impact to the wider community, the environment, and all of its stakeholders.



To this day, the enduring significance of Ming ceramics is underpinned by their exquisite and durable quality. Its technical and artistic influence on ceramic craftsmanship was reflected in pieces made in countries from Asia to Europe.

SUSTAINABILITY SUMMARY REPORT

SUSTAINABILITY AT PERENNIAL

Perennial is driven by its commitment to enriching the lives of those it serves and delivering value to all of its stakeholders. In this year's Sustainability Report, the Company's third publication, Perennial seeks to provide a holistic overview of its sustainability performance for the financial year ended 31 December 2019 ("**FY2019**"). The following is a summary of the upcoming full Sustainability Report for FY2019. Further information on Perennial's sustainability efforts can be accessed on Perennial's corporate website (www.perennialrealestate.com.sg). The Company welcomes feedback from all stakeholders as it strives to continually improve its sustainability policies, processes and performance. If you wish to provide comments and suggestions, please send them to sustainability@perennialrealestate.com.sg.

Since FY2017, Perennial's Sustainability Report has been prepared in accordance with the Global Reporting Initiative ("**GRI**") Standards – 'Core' option. This year, to align its sustainability direction with the global agenda on sustainability, Perennial has adopted two of the United Nations Sustainable Development Goals[1] ("**SDGs**") and mapped relevant sustainability initiatives under each of these goals.

Perennial's reporting scope for SR2019

	Singapore	China
Real Estate	Capitol Singapore CHIJMES AXA Tower 111 Somerset House of Tan Yeok Nee Chinatown Point	Perennial Qingyang Mall (Chengdu) Perennial Jihua Mall (Foshan)
Healthcare		Fengxian District Yixian Eldercare and Retirement Home (Shanghai) ("**Fengxian**")

To present a holistic view of its businesses, Perennial has expanded the reporting scope beyond its Real Estate business to include its Healthcare business for the first time, focusing on Eldercare and Senior Housing, starting from Yixian Eldercare and Retirement Home located in Fengxian District, Shanghai.

During FY2019, Perennial divested its entire stake in Chinatown Point's retail mall and four strata office units. As the Company still oversees the day-to-day operations of the property, the property will remain in its reporting scope as Perennial has adopted an operational control approach for data consolidation.

Since FY2016, Perennial has acquired an effective interest of 49.9% in Shanghai RST Chinese Medicine Co. Ltd ("**Renshoutang**"), an established pioneer of private integrated eldercare with medical and pharmacy services in China. This year, we have included Fengxian, an eldercare and retirement home in China under Renshoutang's portfolio, into the reporting scope. Perennial manages Fengxian on a strategic level, hence the management approach comprising of policies, practices and relevant initiatives at the facility will be disclosed in this report.

Sustainability Governance Structure of Perennial

SUSTAINABILITY GOVERNANCE STRUCTURE

Board of Directors

Frequency: Annually

Sustainability Committee

Frequency: Monthly

Sustainability Reporting Team

Frequency: Ongoing

- Legal and Corporate Secretariat
- Finance and Enterprise Risk Management
- Project Development and Management
- Investment, Asset Management and Operations
- Human Resources
- Investor Relations and Corporate Communications
- Design Management

BOARD STATEMENT

As Perennial looks towards finetuning its strategies, the Board has taken steps to review its current business strategies taking into account sustainability issues and has made its commitment towards adopting the SDGs. The Board also remains centrally involved in determining, managing and monitoring Perennial's material Environmental, Social and Governance ("**ESG**") factors.

SUSTAINABILITY GOVERNANCE

The Sustainability Committee was established in FY2017 and has since been responsible for the Company's implementation of sustainability policies. The committee, with the support of the Sustainability Reporting Team, closely monitors and collects relevant information from each department via the consolidation of monthly reports. Perennial's Board of Directors then reviews the Sustainability Report submitted by the committee on an annual basis.

1 The SDGs define global priorities and aspirations for 2030 and represent an unprecedented opportunity to eliminate extreme poverty and put the world on a sustainable path. (www.sdgcompass.org)

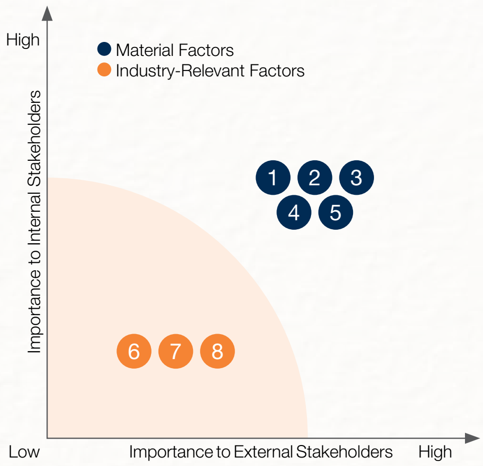
MATERIALITY ASSESSMENT

Perennial conducted its first materiality assessment for its inaugural Sustainability Report in FY2017. Eight ESG factors (five material and three industry-relevant) were selected to provide an accurate reflection of key areas of stakeholder interests and their significant impact on the community as a result of the Company's business activities. The Board has reaffirmed the relevance of these eight ESG factors in FY2019. The corresponding policies, initiatives, targets and performance measurement indicators under each material factor are detailed in Perennial's FY2019 Sustainability Report.

MAPPING TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The 2030 Agenda for Sustainable Development, an internationally adopted blueprint for holistic and sustainable global prosperity, is defined by 17 SDGs. This is the first year that Perennial has mapped its sustainability initiatives to the SDGs. As a start, the Company has adopted two key SDGs identified as integral to its sustainability approach, namely Goal 13 (Climate Action) and Goal 16 (Peace, Justice and Strong Institutions). Recognising that sustainable economic growth involves strategies that simultaneously combat climate change and its impacts, and promote peace, justice and strong institutions, the Company aims to contribute towards the achievement of Goal 13 and Goal 16.

Perennial's Materiality Matrix



List of factors for reporting

1. Customer Satisfaction
2. Health and Safety of Stakeholders
3. Business Ethics
4. Corporate Governance
5. Compliance with Laws and Regulations
6. Occupational Health and Safety
7. Energy, Greenhouse Gas ("**GHG**") Emission and Alternative Energy Sources
8. Water Management

Only factors which have been selected for reporting are shown in this matrix

Mapping Perennial's Initiatives to UN SDGs

Perennial's initiatives and commitments

- Regular monitoring, review and disclosure of energy consumption and carbon emissions
- Adoption of energy-efficient technologies in Asset Enhancement Initiatives across Singapore properties
- Target for all properties to meet Green Mark Requirements
- Consistent monitoring and review of consumption and efficiency

Relevant ESG Factor

- Energy, GHG Emissions and Alternative Energy Sources

Perennial's initiatives and commitments

- Full compliance with Code of Corporate Governance 2018
- Zero tolerance towards fraud, corruption and unethical actions
- Remaining relevant to all relevant laws and regulations
- Stringent requirements conveyed to suppliers (i.e. comply with Employment Act, Workplace Safety and Health Act)

Relevant ESG Factors

- Compliance with Laws and Regulations
- Business Ethics
- Corporate Governance

ENVIRONMENT

Energy, Greenhouse Gas Emissions and Alternative Energy Sources

Perennial recognises the importance of reducing the impact of its business operations on the environment. Led by the Sustainability Steering Committee, the Environment and Climate Change Mitigation Policy was established, guiding not only improvements on energy consumption performance across several Singapore properties through energy-efficient Asset Enhancement Initiatives ("**AEIs**") but also the promotion of environmental awareness in all employees and stakeholders.

This year, LED light fitting replacements have been fully completed for retail areas of all real estate properties[2] and energy-saving escalators with sensors were installed in Perennial's real estate properties. At 111 Somerset, a designed chiller system servicing four retail level floors achieved a high energy efficiency of below 0.7kW/RT.

The proportion of NEWater used within Perennial's Singapore real estate properties has also increased from previous years. For the China real estate properties, facility managers were provided with relevant Mechanical & Electrical systems trainings to upgrade their skillsets and to keep them abreast of the latest developments in energy monitoring systems and energy-saving initiatives.

Water Management

On water consumption, Perennial aligns itself with Singapore's move towards increasing reclaimed water usage. Singapore produces its own high-grade, reclaimed water named NEWater, and has plans to increase its NEWater supply to meet up to 55% of total water demand by 2060.

In the Senior Housing and Eldercare sector, a wide range of high-tech facilities with energy-saving and water-saving mode has been operationalised, which embodies the sustainable supply chain. Additionally in Fengxian, used water is collected and treated at the onsite wastewater treatment stations before it is discharged into the domestic wastewater system. The wastewater is thus returned to the water cycle with reduced impact on the environment.

2 With the exception of CHIJMES and House of Tan Yeok Nee which are still undergoing AEI projects.

SUSTAINABILITY SUMMARY REPORT

SOCIAL

Customer Satisfaction

Perennial is dedicated towards delivering a good customer experience to its end-users (tenants, shoppers and customers) at its real estate properties. A Centre Management Team ("**CMT**") located at each property, comprising operations, marketing communications and leasing departments liaises and regularly engages with tenants while working in tandem with headquarters ("**HQ**") to provide resources and tailored offerings for all end-users.

As providing an enjoyable experience for all is a top priority for Perennial, a dedicated Customer Service Assistant ("**CSA**") system which provides a variety of services ranging from general services such as Lost & Found, tenants' promotions to incident and feedback reporting, are available in all Perennial- owned and/or -managed properties. Properties' operations are well guided by Standard Operating Procedures ("**SOPs**"), encompassing the daily operating routines from pre-operating hours to after mall closure, ensuring quality and reliable services for all residents, tenants, shoppers and visitors.

In FY2019, Perennial introduced several amenities such as addition of nursing rooms (111 Somerset) and wheelchair lifts (Chinatown Point) to provide greater accessibility. End-of-Trip facilities such as bicycle lots, lockers, shower rooms and toilets were also installed at AXA Tower and 111 Somerset to provide greater convenience for tenants and visitors who cycle to work. Additionally, the installation of turnstile with lift destination control system at AXA Tower has provided even greater access control security to tenants and visitors with reduction in waiting time for lifts.

In the year, training programmes were also organised for mall technicians to improve their equipment knowledge to better serve the tenants.

End-of-Trip Facilities in AXA Tower

In FY2019, Perennial has held over 90 sustainability-related events within its properties in Singapore and China. In a bid to raise environmental awareness amongst the public, events such as anti-trash races to donation drives were launched. Others, such as charity drives and fitness events, emphasised on the importance of giving back to the society and personal well-being. Book fairs and Christmas markets were also organised in response to customers' demands. All activities were well received by members of the public and tenants.

On the healthcare front, Perennial understands the importance of providing quality healthcare services to the community and places great emphasis on customer experience and service excellence in the healthcare sector. In China, Perennial is the largest single shareholder of Renshoutang, which has 17 eldercare facilities and two pharmacies under its portfolio. Fengxian, one of the eldercare and retirement homes under Renshoutang, is included for the first time in the FY2019 sustainability report. The home has many elder-friendly facilities, from clinics, a library to activity rooms. A range of holistic services ranging from daily nursing care to specific dementia care are available together with a myriad of social activities such as chess, painting and music, ensuring that Fengxian's residents are well taken care in a comfortable and socially engaging environment. Since the start of its operations in June 2018, with its excellent facilities and services, the 768-bed home has achieved 90% occupancy rate within 12 months and 99.7% occupancy rate by December 2019.

Christmas Event and Singapore Book Fair at Capitol Singapore

Residents enjoy social activities in the activity rooms in Fengxian

Health and Safety of Stakeholders[3]

Perennial is committed to the well-being of its employees and seeks to maintain a healthy and safe workplace. The Workplace Health, Safety and Security Policy ("**HSS Policy**") guides both the Safety Team at Perennial HQ and respective CMTs located at each property on rolling out safety procedures, such as regular fire drills, and ensuring that appropriate training is carried out for all employees. The policy also works toward safeguarding the health and well-being of the Company's tenants, visitors and third-party service providers. A comprehensive set of SOPs guides the CMT in Singapore and China on matters pertaining to incident reporting and crisis management. Perennial is also currently on track to achieve bizSAFE Level 3 certification for all CMTs in Singapore by FY2020, with CHIJMES being the first property to receive this certification in FY2019. As a testament to its success in

3 Stakeholders include employees, tenants, shoppers, residents, contractors and suppliers.

ensuring a safe work environment of its employees, Perennial recorded zero fatalities in FY2019.

In Healthcare, Perennial acknowledges the importance of occupational health and safety regulations, combined with well-targeted prevention measures. Fengxian is well-equipped with state-of-the-art health monitoring machines and supported by an experienced and professional medical team on geriatric, rehabilitation medicine, nutrition and other relevant fields. A set of SOPs has also been developed for both eldercare workers and residents within Perennial's healthcare facilities on operations management and crisis management. Overnight patrol and leaving rules are also strictly enforced to ensure accountability and safety of the elderly residents.

GOVERNANCE

Business Ethics
Corporate Governance
Compliance with Laws and Regulations

Perennial operates on a strong system of business ethics that guides its vision, mission, and core values. With a prevailing management philosophy founded on ethical practices and behaviour, all employees are expected to conduct business in a responsible, sound and ethical manner. The Company has an established suite of policies which provides a strong foundation of ethical behaviour in all employees. This includes the Whistleblowing Policy and a formalised grievance handling procedure.

In FY2019, Perennial introduced the Code of Conduct and Code of Ethics to all employees, which sets out clear principles to guide employees on proper individual practices and ethical matters in the business' context. In addition, to further enhance corporate governance standards, Perennial also formally adopted the Board Diversity Policy, pledging to build a diverse board with Directors of varied backgrounds and skillsets.

The Company's Risk Management team tracks incidences of non-compliance and reports to the Board every quarter. Perennial also encourages third-party stakeholders, including service providers, partners and strategic alliances to report any concerns of possible malpractice or improprieties.

SUSTAINABILITY TARGETS AND PERFORMANCE

Company's Targets for FY2019	FY2019 Performance	FY2020 Targets
Environment *Energy, GHG Emissions and Alternative Energy Sources | Water Management*		
SINGAPORE – Real Estate		
Mid-Term Targets		
To continue replacement to LED light fittings upon end of life or as and when necessary	Completed for retail areas of all Singapore properties. Works at CHIJMES and House of Tan Yeok Nee are ongoing	To continue replacement to LED light fittings at CHIJMES and House of Tan Yeok Nee, and 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 AXA Tower and 111 Somerset. Works at Capitol Singapore, Chinatown Point, CHIJMES and House of Tan Yeok Nee are ongoing	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	Green Mark Certification upon completion of projects
CHINA – Real Estate		
Mid-Term Targets		
To continue replacement to LED light fittings upon end of life or as and when necessary	Completed for Perennial Qingyang Mall and Perennial Jihua Mall	To continue to maintain the LED light fittings and ensure all are in good working condition
Adopt more accurate methods to track water consumption including the strategic installation of water meters at selected water outlets in all assets	Completed in Perennial Qingyang Mall and ongoing in Perennial Jihua Mall	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		
Regularly organise events aimed at raising environmental awareness	Visitors, tenants and employees have actively participated in the events, which improved awareness on sustainability	To continue to hold events aimed at raising environmental awareness
CHINA – Healthcare		
Mid-Term Target		
Install power meters for better management of energy consumption	Completed in Fengxian	To continue to maintain the power meters for better management of energy consumption

SUSTAINABILITY SUMMARY REPORT

Company's Targets for FY2019	FY2019 Performance	FY2020 Targets
Social *Customer Satisfaction*		
SINGAPORE – Real Estate		
Perpetual Targets		
Roll out training programmes to inculcate a service culture	Achieved	All concierge staff and technicians will continue to attend customer service and safety training courses in FY2020
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
CHINA – Real Estate		
Perpetual Target		
Roll out traning programmes to inculcate a service culture	Achieved	Roll out traning programmes to inculcate a service culture
CHINA – Healthcare		
Perpetual Target		
Regularly gather feedback on residents' satisfaction levels	Achieved	To continue gathering feedback on residents' satisfaction levels on a regular basis
Health and Safety of Stakeholders | Occupational Health and Safety		
SINGAPORE – Real Estate		
Mid-Term Target		
To roll out bizSAFE Level 3 to all other CMTs in Singapore properties by FY2020	Achieved for CHIJMES, on track to achieve bizSAFE Level 3 for other CMTs in Singapore by FY2020	Roll out bizSAFE Level 3 to all other CMTs in Singapore properties by FY2020
Perpetual Target		
Zero fatality rate	Achieved	Zero fatality rate
CHINA – Real Estate		
Perpetual Targets		
Attain Work Safety Standardisation Certificate (Level 3)	Achieved	Continuously maintain the validity of certification
Zero fatality rate	Achieved	Zero fatality rate
CHINA – Healthcare		
Perpetual Targets		
Zero incidences of health and safety issues	Achieved	Zero incidences of health and safety issues
Zero fatality rate	Achieved	Zero fatality rate
Governance *Business Ethics | Corporate Governance | Compliance with Laws and Regulations*		
Perpetual Targets		
Full compliance with the Code of Corporate Governance 2018	Achieved	Full compliance with the Code of Corporate Governance 2018
Zero tolerance towards fraud, corruption and unethical actions	Achieved	Zero tolerance towards fraud, corruption and unethical actions
Zero cases of non-compliance with laws and regulations	Achieved	Zero cases of non-compliance with laws and regulations

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")
Key Objective: Assist the Board to discharge its responsibilities relating to financial and accounting matters, internal controls, risk management and compliance	**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	**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:** Assist the Board in the approval of key strategic decisions
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
	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, and executive Director	
	Mr Eugene Lai, being the Lead Independent Director, is one of the independent members of the NC			

CORPORATE GOVERNANCE

This report sets out Perennial's corporate governance practices for the financial year ended 31 December 2019 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 principles and provisions in the Code in all material respects. To the extent that there are deviations, explanations have been provided in the report.

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 and 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 interests 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 approve 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

Delegation of Authority and Conflicts of Interest

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, CDC and EC 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 on the dedicated investor relations section of the Company's website (http://www.perennialrealestate.com.sg). All 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.

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 Management in writing. These internal guidelines are set out in the Financial Authority Limits, which provide 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 periodic reviews and updates to ensure operational relevancy with respect to the changing needs of 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 major transactions (such as capital investments, acquisitions and disposals, capital expenditure and expenses) below certain threshold limits to the EC and Management. Approval sub-limits are also provided at Management level to facilitate operational efficiency.

Role of EC

The EC is established to assist the Board in the approval of key strategic decisions to ensure that Perennial achieves its desired performance objectives and enhances long-term shareholder value. The EC provides overall direction on Perennial's business plans and oversees the general management of Perennial, and may:-

- Review and recommend Perennial's corporate values, corporate strategy, corporate objectives and performance targets
- Review and evaluate new business opportunities and recommend strategic business proposals to the Board for approval
- Review, approve and recommend major transactions below S$30 million
- Guide senior management on business, strategic and operational issues
- Perform such other duties as the Board may delegate from time to time

The Board recognises that Directors owe fiduciary duties to the Company and should act objectively in the best interests 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.

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 Management on the desired culture of the Group and monitors Management's implementation of such culture. Formalised Code of Conduct and Code of Ethics have been adopted and implemented throughout the Group.

The Code of Conduct is applicable to all employees and sets out the principles to guide the conduct of business activities internally as well as externally. The principles covered in the Code of Conduct include, amongst others, conflict of interests, entertainment and gifts, misuse of position, insider trading and confidentiality. It also defines the procedures for employees to report any violation of the Code of Conduct. The Code of Ethics sets out the moral and ethical standards of behavior that are expected of employees of Perennial when dealing with customers, suppliers, other business associates and colleagues as well as when discharging their duties as employees of Perennial.

All employees of Perennial are required to make an ongoing effort to learn about the content relevant to their duties, guidelines that apply to them and any changes that are made to the guidelines. Members of the public may access the Code of Conduct and Code of Ethics on the investor relations section of the Company's website.

Role of the Company Secretaries

Under the direction of the Chairman, the Company Secretaries ensure good information flow within the Board and the Board Committees, as well as between the Management and non-executive Directors.

The Company Secretaries assist the Chairman and the Chairman of respective Board Committees in the administration of the Board and various Board Committees meetings. They attend all Board and Board Committees meetings of the Company and prepare minutes of meetings. The Company Secretaries are responsible for designing and implementing a framework for Management to comply with the SGX-ST Listing Rules. They also advise the Board on all corporate governance and administrative matters and assist 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 Secretaries are 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 Secretaries also liaise on behalf of the Group with the SGX-ST, the Accounting and Corporate Regulatory Authority ("**ACRA**") and when necessary, Shareholders. The appointment and removal of the Company Secretaries is subject to the Board's approval.

Independent Professional Advice

Where the Board, whether as an individual Director or as a Group, requires independent professional advice in the furtherance of their duties, the Company Secretaries 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 Secretaries consult 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 Secretaries and circulated to all Directors to keep them updated.

Should a Director be unable to attend a Board or Board Committee meeting, that Director 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 2019, the number of Board and Board Committee meetings held and the Directors' attendance thereat are set out below:

Name of Directors	Board Meetings	ARC Meetings	NC Meeting	RC Meeting	Independent Directors' Meeting	Annual General Meeting
Mr Kuok Khoon Hong	4	N/A	N/A	1	N/A	1
Mr Ron Sim	3	N/A	1	N/A	N/A	Absent
Mr Eugene Lai	4	4	1	1	1	1
Mr Ooi Eng Peng	3	3	N/A	N/A	1	1
Mr Lee Suan Hiang	4	4	1	1	1	1
Mr Chua Phuay Hee	4	4	N/A	N/A	1	1
Mr Pua Seck Guan	4	N/A	N/A	N/A	N/A	1
Total number of meetings held in the financial year	**4**	**4**	**1**	**1**	**1**	**1**

CORPORATE GOVERNANCE

All Directors are given sufficient time to prepare for the Board and the Board Committee meetings and to make informed decisions. 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 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 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, Management, Company Secretaries, 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 Management, thereby facilitating Board interaction and independent access to Management.

If first-time Directors are appointed, Perennial will provide training in areas such as accounting, legal and industry-specific knowledge as appropriate. In addition, Perennial will ensure that first-time Directors attend the relevant mandatory training conducted by the Singapore Institute of Directors. 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.

To ensure that Directors can fulfil their obligations and to continually improve the performance of the Board, all Directors are encouraged to undergo continual professional development. In addition, Directors are also encouraged to attend training sessions conducted by the Singapore Institute of Directors to stay abreast of relevant developments in relation to financial, legal and regulatory requirements.

During the year, in view of the increasing focus on sustainability issues globally, arrangements have been made for members of the Board to attend a briefing on "Sustainability Trends for Real Estate and Healthcare Sector" conducted by Ernst & Young Solutions LLP. During this briefing, Directors were updated on the latest sustainability standards and trends for Singapore listed companies in the real estate and healthcare sectors.

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 deliberation. All key information on the Directors is set out on pages 24 to 27 of this report.

Best efforts have been made to ensure that in addition to contributing their valuable expertise and insights 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 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 Management as and when the need arises. The chairman of such meetings provides feedback to the Board and/or Chairman of the Board as appropriate. Non-executive Directors comprise a majority of the Board.

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.

In view of the principles and provisions set out in the Code, the Board has adopted a board diversity policy in November 2019 as Perennial recognises that board diversity is an essential element contributing to the sustainable development of the Company. The key selection criteria for director candidates is based on the right blend of competencies, skills, ability to contribute effectively and experience in the context of Perennial's business operations. The board diversity policy provides that NC will consider all aspects of diversity in reviewing the Board composition and succession planning.

The Board is supportive of gender diversity and subscribes to the view that female directors may offer fresh perspectives and enhance the decision-making process. However, the Board is also of the view that gender should not be the main selection criteria and that it ought to look beyond gender to seek diversity of background, knowledge and thought in the appointment of a Director. As gender is an important aspect of diversity, the NC will strive to ensure that (a) if external search consultants are used to search for candidates for Board appointments, the brief will include a requirement to also present suitable female candidates; (b) when seeking to identify a new Director for appointment to the Board, the NC will request for female candidates to be fielded for consideration; and (c) at least one female director be appointed to the Board.

The final decision on appointment of Directors will be based on merit in the context of the skills, experience and knowledge of each individual Director which the Board collectively requires to be effective. The NC is of the view that the Board has an appropriate level of independence and diversity of thought and background in its composition. A copy of the board diversity policy is available on the investor relations section of the Company's website.

The NC carries out a proactive review of 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 Directors 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 principles and provisions 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 2019, all Directors have completed their Checklist which has been evaluated by the NC and Board to determine their independence. Mr Eugene Lai, Mr Ooi Eng Peng and Mr Lee Suan Hiang were appointed to the Board as independent directors. The NC has affirmed that they do not have any relationship with Perennial and are not faced with any of the circumstances identified in the Code that will affect their independent business judgement. The Board concurred with the NC's assessment of the independence of the relevant Directors in their conduct, character and judgement during the discharge of their duties and responsibilities. Based on the above information, the Board concluded that Mr Eugene Lai, Mr Ooi Eng Peng and Mr Lee Suan Hiang are independent Directors.

CORPORATE GOVERNANCE

Mr Chua Phuay Hee is presently an independent non-executive director of Yihai Kerry Arawana Holdings Co., Ltd ("**YKA**"), a subsidiary of Wilmar International Limited ("**WIL**"), which is in turn a controlling shareholder of Perennial. The Board noted Mr Chua's confirmation that (i) his position in YKA would not affect the exercise of his independent business judgement and he continues to act in the best interest of Perennial, (ii) he is not accustomed to act under the instructions of WIL and (iii) apart from his Director's fees from Perennial and YKA, he does not receive any other benefits or fees from WIL, and considers him independent as he is not involved in the day-to-day business operations of YKA. The Board is also satisfied that Mr Chua has demonstrated independence in conduct, character and judgement in the discharge of his responsibilities as an independent Director of Perennial.

As of 31 December 2019, Perennial is in compliance with the Code, as its independent Directors constitute a majority of the Board. None of the independent Directors have been on the Board for more than nine years.

The Board and Management fully appreciate that an effective and robust board whose members engage in open and constructive discussion and challenge Management on its assumptions and proposals is fundamental to good corporate governance. A board should also aid in the development of strategic proposals and oversee the effective implementation by Management to achieve set objectives.

Independent Directors also meet without the presence of Management on a need-to basis and at least once a year 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.

During the financial year, led by the Lead Independent Director, the Independent Directors met without the presence of Management to facilitate open discussions regarding the performance and effectiveness of Management.

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 Management, sets the agendas for Board meeting with inputs from 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 ensures 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 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 Management.

The CEO, assisted by Management, 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 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. No query or request on any matter which requires his attention was received from shareholders in 2019. He also works closely with the other independent Directors, and when necessary, meets them without the presence of the Chairman or Management to discuss matters that were deliberated during the Board meetings and on such occasions as deem appropriate. Any feedback which the Lead Independent Director obtains during such meetings is communicated to the Chairman and Management, as appropriate.

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 Board ensures that the contributions of each Director and the Company's Board composition provide a good reflection of the Board's effectiveness and adequacy of diversity. 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 101 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 the 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 Eugene Lai and Mr Chua Phuay Hee. Mr Lai is currently the Chairman of the RC and a member of ARC and NC. He is also the Lead Independent Director. Mr Chua is a member of the ARC. Mr Lai and Mr Chua have indicated their willingness to stand for re-election at the coming AGM. The NC has nominated and recommended for their re-election at the forthcoming AGM to the Board, 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 carry 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 Directors 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 Committees meetings held in the financial year, all Directors were actively engaged and contributed to such meetings. 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 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

The 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, the NC has ensured that each Director 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, the Board Committees and individual Directors. The performance evaluation criteria were recommended by the NC and approved by the Board. The evaluations are done by way of each Director completing an electronic questionnaire which seeks their views on the different aspects of performance by the Board, the Board Committees and individual Directors.

To assess the Board's performance, each Director is required to evaluate 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 Committees' 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.

As for the assessment of individual Directors, it is similar to peer evaluation where each Director is required to comment on the contributions and performance of other Directors excluding himself. Criteria for assessment of individual Directors included the Directors' 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.

The assessment results and feedback are consolidated by the Company Secretaries 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, the Board Committees and individual Directors.

For the financial year ended 31 December 2019, the Directors completed the questionnaire which assessed the effectiveness of the Board, the Board Committees and individual Directors. No external facilitator was engaged to conduct the performance evaluation of the Board, the Board Committees and individual Directors. The results of the assessment indicated that the Board and Board Committees had functioned effectively and both the NC and the Board are also satisfied that each Director contributed to the effectiveness of the Board.

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.

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 Directors 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 potential obligations and liabilities arising from any 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 its duties, the RC may seek advice from the Human Resource Department of Perennial ("**HR**") and external consultants, whenever necessary. For the financial year ended 31 December 2019, 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 is designing and implementing career development plans for members of Perennial's 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.

The fee structure for non-executive Directors for the financial year ended 31 December 2019 is as follows:

There is no change to the annual fee structure for the Board for the financial year ended 31 December 2019 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.

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**

CORPORATE GOVERNANCE

The details of remuneration for the Directors and CEO for the financial year ended 31 December 2019 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	537	724	711	–	1,972
Non-Executive Directors					
Mr Kuok Khoon Hong	–	–	–	55	55
Mr Ron Sim	–	–	–	55	55
Mr Eugene Lai	–	–	111	90	201
Mr Ooi Eng Peng	–	–	73	75	148
Mr Lee Suan Hiang	–	–	111	80	191
Mr Chua Phuay Hee	–	–	111	65	176

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 Management. For the financial year ended 31 December 2019, 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 forthcoming AGM.

For the financial year ended 31 December 2019, 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 Director 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 employees. The RC also exercises independent judgment in ensuring that the remuneration structure is aligned with the interests of Shareholders and promotes 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 behaviour 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 ("**Perennial ESOS 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 any 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:

		Fixed Compensation			Variable Compensation	
Total Remuneration	=	Base salary and employer's contribution to CPF	Market-related benefits and employer's contribution to CPF*	+	Annual performance incentive and employer's contribution to CPF	Share options
		Short-term Incentive				Long-term Incentive

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 designed to discourage short-termism and to encourage sustainability and long-term thinking to deliver sustainable value to the business, shareholders and stakeholders.

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 2019, 27,719,500 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 132 to 133 and in the Notes to Financial Statements from pages 181 to 183. For more information on the Directors' shareholding of the Company, please refer to page 130.

* Where applicable

CORPORATE GOVERNANCE

For the financial year ended 31 December 2019, 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 %
Koh Ming Chye, Ivan*	Between $1,000,000 and $1,249,999	41.1	37.4	21.5	100
Khoo Chow Huat*	Between $500,000 and $749,999	80.3	19.7	-	100
Gan Chui Chui Belinda	Between $500,000 and $749,999	75.7	24.3	-	100
Annie Lee	Between $500,000 and $749,999	56.8	13.8	29.4	100
Low Sock Ching Joanna*	Between $500,000 and $749,999	44.9	38.3	16.8	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 $3,510,072. The Company has not disclosed the exact remuneration amount of each key management personnel due to the highly competitive human resource environment and confidential nature of staff remuneration matters.

For the financial year ended 31 December 2019, the Company does not have any employee who is a substantial shareholder, save for Mr Pua Seck Guan whose remuneration is 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. During the financial year ended 31 December 2019, shareholders were provided with quarterly, half-year and full-year financial results which are approved by the Board. Following the amendments to the SGX-ST Listing Rules which took effect on 7 February 2020, Perennial will no longer be subject to quarterly reporting requirements. Going forward, the Board has considered and decided to provide half-year and full-year financial results and will continue to provide shareholders with voluntary updates on Perennial's interim business performance as and when necessary. 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 all its directors and key management personnel 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 to comply with the relevant regulatory requirements.

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 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 makes recommendations on the risk tolerance limits and other associated risk parameters, and 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 require 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 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, 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 risk exposure 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 2019, the ARC and Board have reviewed Perennial's risk management framework, policies and system, and are 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 116 to 121 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 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 provide an independent assessment and assurance on the reliability, adequacy and effectiveness of Perennial's 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 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 for analysis of the adequacy of Perennial's internal controls.

For the financial year, the Board has received written assurance from:

(a) the CEO and the CFO, that financial records of Perennial have been properly maintained, the financial statements for the financial year ended 31 December 2019 give a true and fair view of Perennial's operations and financial results; and
(b) the CEO and other relevant key management personnel, 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: 2018, Risk Management – Guidelines. The Board has also observed that 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 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, CFO and other key management personnel, 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 2019, 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 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 hold 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 judgment 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 the 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 (Chapter 50) of Singapore 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
- reports 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 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. 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 2019, and all other Directors (who are not members of the ARC) are invited to attend the ARC meetings. CEO, CFO, Company Secretaries, internal and external auditors as well as 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 it 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 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. Where the external auditors, in their review or audit of the Company's year-end financial statements, raise any significant issues (e.g. significant adjustments) which have a material impact on the interim financial statements or financial updates previously announced by the Company, the ARC should bring this to the Board's attention immediately. The ARC should also advise the Board if changes are needed to improve the quality of future interim financial statements or financial updates.

The following significant matters impacting the financial statements were discussed with Management and KPMG, and were reviewed by the ARC:

Key Audit Matters	How the ARC has reviewed and decided on these matters
Valuation of Investment Properties	The ARC has reviewed the year end valuation of the investment properties and has been kept abreast of the performance of the completed projects and progress of the development for the projects under construction. The ARC has also considered the findings of the auditors, including their assessment on the valuation methodologies and was satisfied that the valuation approaches were appropriate.
Valuation of Development Properties	The ARC has considered the auditors' assessment of the valuation of the development properties which were performed by international valuation firms. Management has also apprised the ARC on the property market of the cities in which the development projects are located. The ARC, having taken into consideration the assumptions in the valuation reports and the external auditors' assessment, was satisfied that the valuation of the development properties were appropriate.
Impairment of Goodwill	Management performed an annual impairment test on the goodwill using discounted cash flows based on forecast for the next 5 years and other key assumptions such as discount rate and growth rate. The ARC noted the assessment findings by the auditors on the reasonableness of the assumptions used by Management and was satisfied that the estimates and assumptions used for the impairment test were reasonable and within acceptable ranges.

CORPORATE GOVERNANCE

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 KPMG 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 2019, the aggregate fees paid/payable to KPMG for external audit services were S$773,681. 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 2019, 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 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 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 Management.

Whistle-Blowing Policy

The ARC oversees Perennial's Whistle-blowing Policy, which provides 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 they 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 the investor relations section of the Company's website. The secure 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.

INTERNAL AUDIT

Perennial's internal audit function is outsourced to EY, an international professional advisory 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 and has unfettered access to all documents, records, properties and personnel in Perennial, including unrestricted access to the ARC, the Board and 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, 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 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 ended 31 December 2019, 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**"). Perennial's 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 the investor relations section of the Company's 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 the Company's website and disclosed in this report to facilitate any queries from Shareholders and the Investment Community.

An investor relations section on the Company's 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 to 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 and Company's website. Quarterly, half-yearly and full-year results are also announced by Perennial within the mandatory period. To ensure a 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 that is necessary to avoid the establishment of a false market in its securities or which would likely materially affect the price of its securities, which includes corporate transactions, release of results announcements and interested person transactions. During the year, no meeting of the CDC was convened.

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 Company's 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 Shareholders via the Company's website.

Pursuant to the Company's Constitution, if any Shareholder is unable to attend the meeting, he or she is allowed to appoint up to two proxies to attend, speak and vote on his or 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. Any relevant intermediary as defined 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 for the electronic poll voting at the meetings. Prior to the commencement of each general meeting, the scrutineer will review the proxies and proxy process to ensure that the proxy and poll voting information are compiled accurately. The scrutineer will attend the general meeting to ensure that the voting procedures and processes are carried out in order and voting rules are adhered to.

CORPORATE GOVERNANCE

The total number of votes cast for or against each resolution and the respective percentages will be displayed instantaneously during the general meeting and the respective results 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.

The Board Chairman, Chairman of each Board Committee, all Directors, CEO, CFO, Company Secretaries and members of Management 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 Management on issues pertaining to the proposed resolutions or any other matters regarding Perennial. The external auditors, KPMG, also attend 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 Management to respond to queries, where relevant. Shareholders also have the opportunity to communicate, discuss and interact with the Board and Management after the general meetings.

The Company Secretaries prepare minutes of general meetings, which include substantial comments or queries raised by Shareholders and the responses from the Chairman, Board Members and 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 the investor relations section of the Company's website as soon as practicable.

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 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 Shareholders and Investment Community through various platforms including phone calls, e-mail communications as well as publication of content on Company's website.

The Sustainability Summary Report from pages 92 to 96 of 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 2019.

Perennial will continue to engage Shareholders by voluntarily providing interim updates on useful and relevant information in addition to the mandatory financial statements.

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 of the Group. Pursuant to SGX-ST Listing Rule 1207(19), Perennial issues guidelines to Directors and employees of 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 Secretaries in advance of the commencement of each period where dealings in the Company's securities are prohibited.

Going forward, the Board has considered and decided that Perennial would only release its results for half and full financial year. Hence, Perennial will issue guidelines to Directors and employees of the Group which set out the prohibitions against dealings in the Company's securities (i) while in possession of material unpublished price-sensitive information, and/or (ii) during the one month preceding, and up to the time of announcement of, Perennial's results for the half-year and full financial year.

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 (Chapter 289) of Singapore.

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 ("IPTs")

Perennial has established a formal 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 to report any IPT to the ARC for review.

In accordance with the reporting requirements in Chapter 9 of the SGX-ST Listing Rules, Perennial also maintains a register of all IPTs entered into by the Group. As stipulated in Perennial's IPT Policy, 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 the discussion and refrains from exercising any influence over other members of the Board.

An audit on IPTs 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 2019, 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 of relationship and corresponding aggregate transaction value of IPTs for the financial year may be found in the supplemental information on page 210 of this report.

Material Contracts

Since the end of the previous financial period ended 31 December 2018, 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 2019, 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.

The Board 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**"). As an integral part of Perennial's strategic and decision-making process, risk management practices are embedded into day-to-day operations at all levels of Perennial.

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, managing the risk profile and monitoring the risk exposure. 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

	DESCRIPTION	
RISK GOVERNANCE	**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	
RISK MANAGEMENT	**ARC** > Assists the Board in risk management oversight > Formulates risk policies and strategies as well as oversees the design and implementation of risk management practices and internal control systems > Oversees internal and external audit	**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
RISK OWNERSHIP	**Risk Owners at Business units** > Responsible for managing risk in business activities > Embed risk management as an integral part of business unit processes > Implement improvements on risk measures to cater to changing needs > Report business and operational risks and highlight key/emerging risks to ERM and Compliance Department	

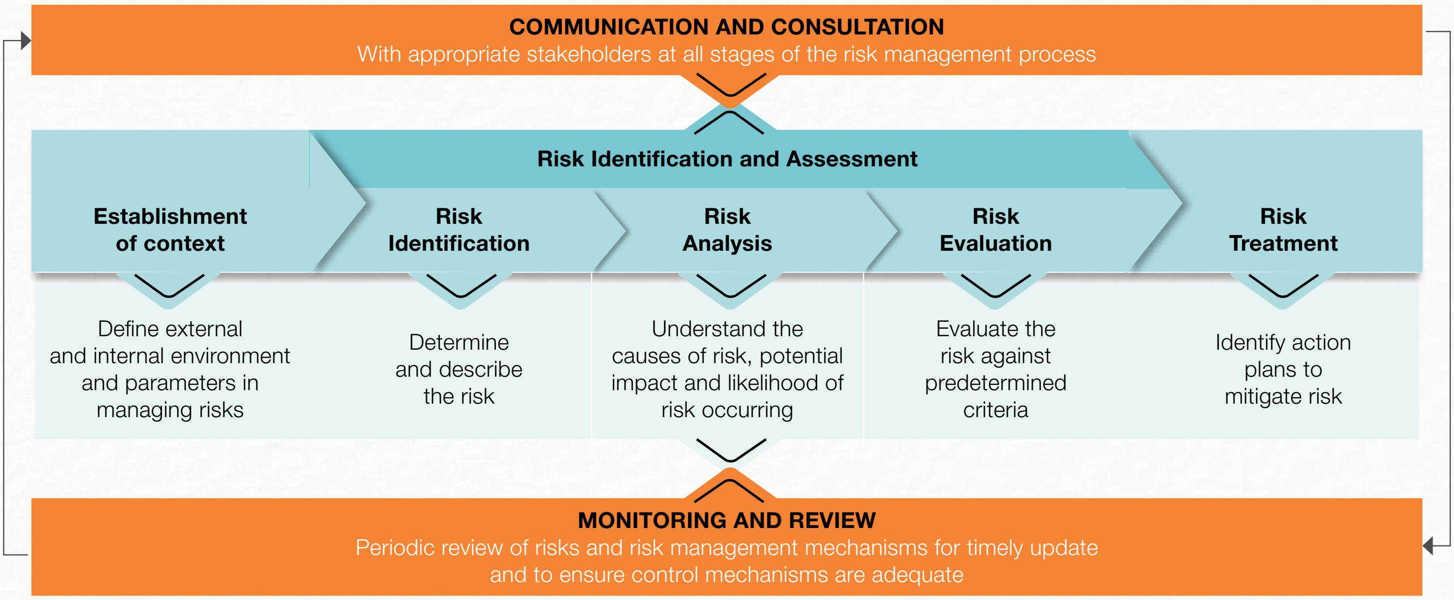
ERM FRAMEWORK

The key 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, together with the management team of Perennial ("**Management**"), will ensure that 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, inputs from the business units are collated and the financial, operational and reputational impact of the risks as well as their likelihood are considered. The relevant risks to the business are identified and ranked using tools such as risk ratings and risk profile. The key risks and the appropriate risk indicators are maintained in a risk register. The risk management process involves 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.

RISK MANAGEMENT

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 new business of the Company, 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, this is further augmented through internal audit reviews. 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 Whistleblowing 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 these remain adequate and effective and that the risks are well-managed and monitored throughout the Group. A well-established risk management approach will enable Perennial to capitalise on growth opportunities amid the risks of a dynamic and challenging business environment.

RISK APPETITE AND TOLERANCE

As in any business ventures, there are inherent risks. In pursuing business opportunities, Perennial therefore tries to ensure that risks taken are appropriate in relation to the return and not excessive. 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 against the risk tolerance limits and key risk indicators, which measure the exposures for such risks. The ARC and the Board review the risk tolerance limits and key risk indicators annually.

Please find the key risk indicators for the key risks in the table on pages 119 to 121.

KEY RISKS

Perennial takes the management of key risks as a key consideration towards fulfilling the Company's strategic priorities and value creation objectives. Towards this end, it 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:

Key Risk	Objective	Value Impact	Mitigating Measures	Key Risk Indicators	Linkage to Strategic Priority
Project Development Risk – Inability to meet completion timeline and project specifications	To minimise the likelihood and the impact of negative risk events that will affect timeliness, quality and safety of the development projects	• Permit or approval not obtained due to non-compliance with specifications • Project delay due to inadequate resources or reworks • Reputational damage	• Proactive management process to monitor project progress per approved timeline • Stringent pre-qualification procedures to appoint well-qualified vendors/contractors 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 compared to targeted timeline	
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 pages 191 to 196)*	• Gearing and debt ratios • Working capital ratio	
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

RISK MANAGEMENT

Key Risk	Objective	Value Impact	Mitigating 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 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	

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

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Key Risk	Objective	Value Impact	Mitigating 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	

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 maintaining strong relationships with its shareholders ("**Shareholders**"), as well as analysts, potential investors, the media and various stakeholders (collectively known as the "**Investment Community**"), through open, regular and prompt communications.

Perennial's Investor Relations and Corporate Communications ("**IRCC**") efforts are overseen by the Chief Executive Officer ("**CEO**").

OPEN DIALOGUE WITH THE INVESTMENT COMMUNITY

Perennial proactively assists Shareholders and the Investment Community in making informed investment decisions on the Company and its prospects by providing up-to-date information on 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 www.perennialrealestate.com.sg. Statutory announcements, past financial results, financial data, corporate information, corporate governance framework and policies, such as the Whistle-blowing Policy and IRCC Policy, and the Sustainability Report, are easily accessible on the IR webpage. Investors can also subscribe to the email alert service to be closely updated on the Company's latest developments.

In FY2019, the senior management and IRCC team continued to actively engage the Company's Shareholders and the Investment Community via various touchpoints and platforms, such as one-on-one meetings, group meetings, calls, post-results luncheons and emails. Through these efforts, Perennial was able to hear from various groups of stakeholders, with feedback received incorporated into decisions made by the management. This process also serves to strengthen the relationship between the Company and stakeholders.

Joint briefings for the media and analysts were hosted by the management for the half year and full year financial results announcements. These briefings provide a platform for the media and analysts to raise pertinent views or issues, which were then taken into consideration by the IRCC team in fine-tuning the company's communication and engagement efforts.

Perennial's FY2018 Annual General Meeting

To further its outreach efforts to retail investors, an important audience for the Company, Perennial continued to sponsor the Securities Investors Association (Singapore) ("**SIAS**") Shareholder Communication Programme. Perennial leverages on this platform to communicate with retail investors on its strategy and performance.

Perennial co-hosted a Pre-Annual General Meeting ("**AGM**") with SIAS where Perennial's senior management engaged in an open dialogue with the Company's Shareholders who were also SIAS' members. This session allowed the Company to reach out to the retail investors in a smaller group setting, which provided more face-to-face time for management to address any queries and concerns directly.

Perennial held its FY2018 AGM on 25 April 2019. The event was well attended by over 240 Shareholders. The Minutes of Meeting and AGM presentation slides were uploaded to the IR webpage for the benefit of Shareholders who were unable to attend.

In the year, site visits to Perennial's facilities in China were organised for investors and analysts who were keen to understand Perennial's operations and the implementation of its integrated real estate and healthcare strategy. On the analysts' trip, they were brought on a visit to some of Perennial's properties in China, including eldercare facilities in Shanghai, as well as the Perennial International Health and Medical Hub in Chengdu, which is Perennial's first operational regional healthcare hub. The trip also included a journey via the High Speed Rail ("**HSR**") for the analysts to gain a better appreciation of how connectivity adds value to the Company's HSR projects in China.

Moving forward, the IRCC team will continue to ramp up its engagement efforts with investors across multiple platforms, presenting them with regular updates on Perennial's growth and performance in both its real estate and healthcare businesses.

Perennial is covered by two sell-side research houses, namely CGS-CIMB Securities (Singapore) Pte Ltd and DBS Vickers Securities (Singapore) Pte Ltd.

Further to the SGX Listing Rules amendments which take effect from 7 February 2020, Perennial will no longer be required to undertake quarterly reporting, and will instead move onto the half-yearly reporting regime. Notwithstanding this development, in addition to the half-yearly reports, Perennial will continue to uphold high standards of corporate governance and ensure timely business updates and disclosures to all stakeholders.

ENHANCING CORPORATE GOVERNANCE STANDARDS

Perennial remains committed to maintaining strong corporate governance and high corporate disclosure standards, with a view towards maximising shareholders' value.

In this regard, Perennial formalised three corporate policies in FY2019 to enhance corporate governance standards. Firstly, it formally adopted the Board Diversity Policy, which affirms the Company's belief in the strength of a diverse board composed of Directors from varied backgrounds and experience, with distinct competencies and skills. Secondly, it introduced and disseminated the Code of Conduct and Code of Ethics to all employees, which sets out principles to guide the conduct of employees in internal and external business activities.

For ease of access, a Corporate Policy section has been created on the IR webpage as a one-stop location for the hosting of all Perennial corporate policy documents.

Perennial will continue to keep abreast of developments on the corporate governance front, and benchmark itself against best practices and policies to further strengthen its governance and disclosure standards.

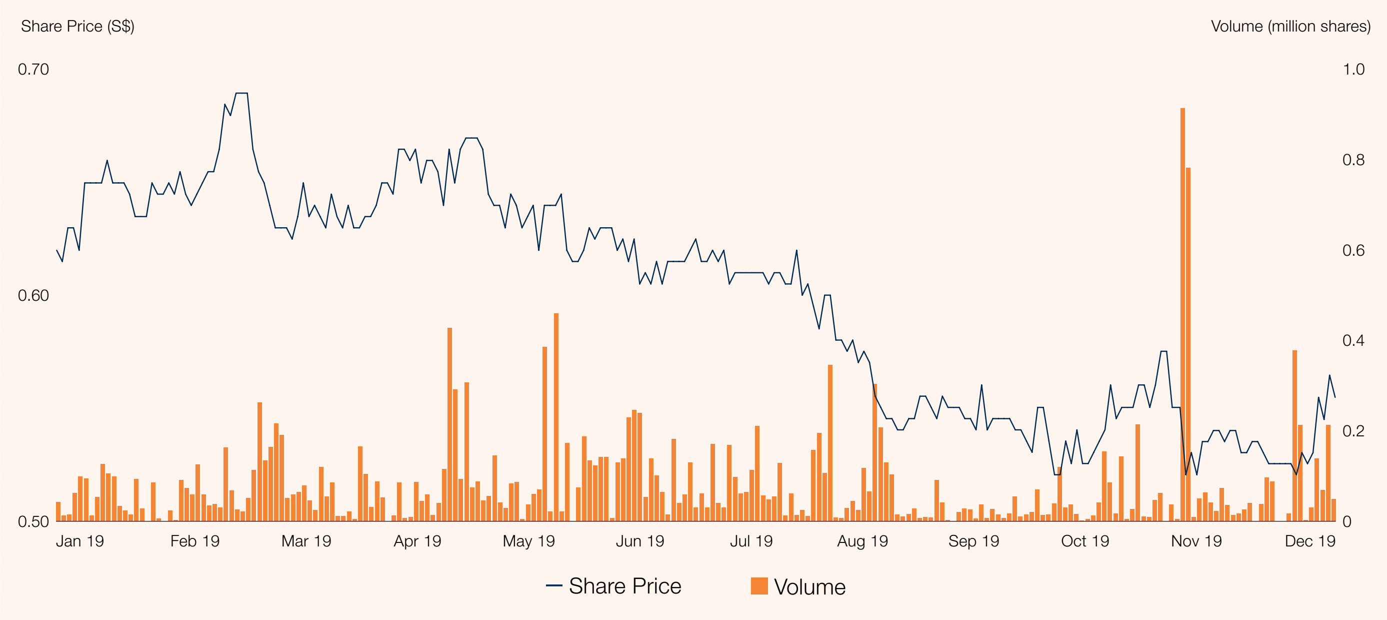
SHARE INFORMATION

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 2019 was S$0.555, which translates to a total market capitalisation of approximately S$922 million.

As at 31 December 2019, approximately 82.4% 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 10.4%).

For the financial year ended 31 December 2019, a dividend of 0.2 Singapore cents has been proposed, as compared to 0.4 Singapore cents in FY2018.

Perennial Daily Share Price and Volume for FY2019



INVESTOR RELATIONS CALENDAR FOR FY2019

Events	Date
1Q 2019 Results Announcement	7 May 2019
1H 2019 Results Announcement	7 August 2019
1H 2019 Results Analysts/Media Briefing	7 August 2019
3Q 2019 Results Announcement	5 November 2019
FY2019 Results Announcement	20 February 2020
FY2019 Results Analysts/Media Briefing	20 February 2020
Post-FY2019 Investor Luncheon	20 February 2020
FY2019 Annual General Meeting	26 June 2020
Books Closure Date for Proposed Dividend	7 July 2020
Proposed Payment of FY2019 First and Final Dividend	21 July 2020

INVESTOR RELATIONS CALENDAR FOR FY2020

Events	Date
1H 2020 Results Announcement	August 2020
FY2020 Results Announcement	February 2021

OUR COMMUNITY

SingWithJoy@CHIJMES CSR Event

Perennial remains committed to growing and developing the communities in which we operate in. Our Corporate Social Responsibility ("**CSR**") approach is executed through the three prongs of corporate giving, partnerships with community organisations and staff volunteerism. In FY2019, we initiated and supported various meaningful CSR activities, which were mainly centred on enriching the mental and physical health and wellness of the community, with focus on the Children, Family and Elderly.

CORPORATE GIVING

Our total contribution, including cash and in-kind sponsorships, amounted to over S$1 million in FY2019. The activities supported included:

- Good Health and Well-being initiatives (including the Breast Cancer Awareness Month Campaign, Lianhe Zaobao LOHAS Mega Health Seminar, Straits Times Mind & Body 360 Health Management Seminar, donations for POSB Passion Run for Kids and UOB Heartbeat Run/Walk, as well as various physical and mental health and fitness activities by Health Promotion Board).
- Education, Arts and Cultural programmes for the community (such as Voices of Singapore Festival, Berlin State Opera Children's Choir, Singapore International Film Festival, Singapore Press Holdings' Sing My Song Music Showcase, Singapore Book Fair, as well as National University of Singapore's Real Estate Conference).

PARTNERSHIPS WITH COMMUNITY ORGANISATIONS

We continued to partner with various community organisations including Focus On The Family ("**Focus**"), the Central Singapore Community Development Council ("**Central CDC**"), Lions Befrienders, The Straits Times School Pocket Money Fund ("**STSPMF**"), as well as the Community Chest ("**ComChest**") and its beneficiaries on our CSR outreach. These partnerships help to maximise the impact of our strategic community investment initiatives.

In particular, our partnership with Focus is now in the third year running and the partnership's flagship Create With Mum programme which promotes mother-child bonding continues to be extended to mother-child pairs from various non-profit organisations on a complimentary basis.

We have worked closely with various grassroots and community organisations to develop and grow the communities where we have a presence. Apart from popular programmes in Singapore including the SkillsFuture Workshop at AXA Tower and Farmers' Market at Capitol Singapore organised with the Central CDC, various outreach programmes for the under-privileged children and children with special needs in China were also organised.

Perennial Jihua Mall – Environmental Campaign

Watching Over Children with Different Situational Needs in China

In Chengdu, Perennial Qingyang Mall's flagship 'Give the Children a Warm Winter' campaign took on an upgraded format. The annual charity event aims to fundraise and collect winter and learning supplies for the children in the rural Bian'er township, located in the mountainous area within the Danba county in Sichuan province. This year's campaign expanded to include an art exhibition by children with autism, as well as a charity art auction, performances, upcycling showcase and eco fashion show.

Also in Chengdu, Perennial International Health and Medical Hub organised its second edition of the annual 'Autism Awareness at Fun Marketplace' CSR event and held an art workshop for children with autism, to help raise awareness on autism.

Perennial Jihua Mall in Foshan joined in the action to promote a more socially inclusive society through organising performances and activities at the mall to interact with children with special needs. Following last year's success, the mall has continued to fundraise for a group of cataract-stricken children through a charity marketplace event. The mall also organised an environmental campaign to pick up litter and contribute towards a clean and green environment.

Perennial Qingyang Mall – Warm-Hearted Arts Festival

EMPLOYEE VOLUNTEERISM

In FY2019, our employees' unwavering passion towards caring for the community saw them contributing both in monetary donations and volunteering of their services, with a total of 2,203 volunteer hours clocked. Their participation included collection of supplies towards the 'Give the Children a Warm Winter' campaign, as well as supporting the breast cancer awareness campaign in Singapore through purchase of pink ribbons and participation in Pink Ribbon Walk, an annual walk to demonstrate solidarity with those afflicted with breast cancer. Employees also organised SingWithJoy@CHIJMES, a fun day out with the elderly members from Lion Befrienders at CHIJMES for a choral singing activity led by Voices of Singapore.

PERENNIAL AND THE CAPITOL KEMPINSKI HOTEL SINGAPORE CHARITY NIGHT

The Perennial and The Capitol Kempinski Hotel Singapore Charity Night, which was held on 6 December 2019, saw a night of triple celebrations as Perennial celebrated its 10th anniversary, as well as commemorated the 1st anniversary of The Capitol Kempinski Hotel Singapore and the 115th anniversary of Stamford House with a charity dinner at Capitol Theatre graced by Minister for Education, Mr Ong Ye Kung, as Guest-of-Honour.

The Charity Night raised S$255,000 for beneficiaries of the ComChest. The ComChest supports about 80 social service agencies in Singapore which reaches out to under-privileged groups ranging from children with special needs and youth-at-risk, to families in need, persons with mental health conditions or disabilities and vulnerable seniors. The Canossian Percussion Band, from the Canossian School which is one of the beneficiaries of the ComChest and comprised entirely of percussionists with varying degrees of hearing loss, wowed guests with their mellifluous performance.

Perennial and The Capitol Kempinski Hotel Singapore Charity Night

Separately, Perennial donated S$100,000 to the STSPMF at the Charity Dinner. STSPMF supports about 10,000 students from low-income families annually through school by providing them with pocket money.

A charity silent auction was also held with full proceeds donated equally towards the Community Chest and STSPMF. The night's celebrations kicked off with the lighting up of the Capitol • Kempinski Singing Tree to officially launch the Capitol • Kempinski Christmas Market. The Christmas Market featured an outdoor ice skating rink and all attending beneficiaries from the ComChest and STSPMF were invited to enjoy and have fun on the skating rink. They also savoured a special Christmas buffet spread of burgers and milkshakes.

OUR PEOPLE

Our people are our most valuable asset in our mission to build a sustainable business, establish strong lasting relationships, and create long-term growth for our shareholders. We believe that a diverse, committed and engaged workforce is vital to our vision to be a leading global integrated real estate and healthcare company. Beyond attracting, developing and retaining high performance talents with the right values, our human capital strategy is also focused on providing a conducive workplace for each and every staff to develop and realise their fullest potential.

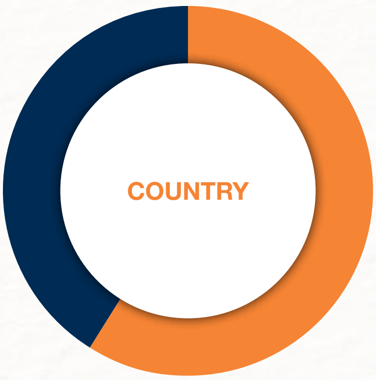
BUILDING A HIGH-PERFORMING TEAM AND CONDUCIVE WORK CULTURE

Building a diverse pool of high performers is key to support Perennial's business growth plans, augment our management bench strength and support our succession planning. We actively seek talented people to join the team at different points of their careers, from fresh graduates to mid-career professionals and industry veterans who can bring different perspectives to the company. We believe in and uphold fair and merit-based employment practices aligned with the Tripartite Guidelines on Fair Employment Practices ("**TAFEP**"). We are also a signatory of the Employers' Pledge of Fair Employment Practices. We offer equal opportunities with regard to recruiting, developing and rewarding people, regardless of age, race, gender, religion, marital status and family responsibilities, or disability.

To promote high workplace performance, our rewards system is based on a merit-based framework. Work performance is assessed on measurable objectives through a structured two-way performance appraisal system with employees going through an annual performance review with open discussion between the supervisor and the individual. This system provides transparency in assessing work performance and ensures open and clear communication between supervisor and the employee. Career development review, as well as the identification of learning and development needs are also discussed at this annual review.

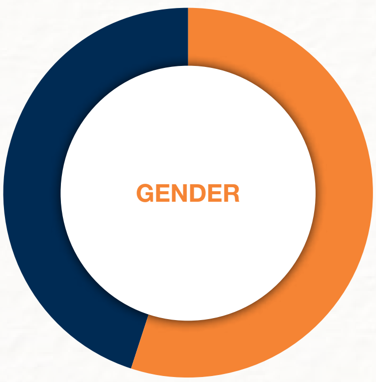
EMPLOYEE DIVERSITY

As at 31 December 2019, Perennial employed 446 staff globally, an increase of 14% year on year. Of our global workforce, 41% are located in Singapore and 59% in China. We have maintained a balanced gender mix in terms of headcount, with women accounting for 55% and men 45% of our global workforce. Senior Management was evenly represented with a 50% balance between both genders. In terms of our employees' age group, 69% of employees are in their 30s to 50s, 22% of our employees less than 30 years old and 9% above 50 years old.

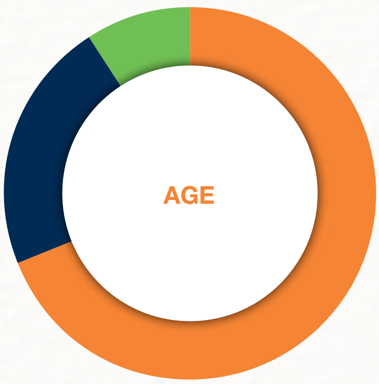


Employees in China	59%
Employees in Singapore	41%

Female	50%
Male	50%



Female Employees	55%
Male Employees	45%



Employees 30-50 years old	69%
Employees <30 years old	22%
Employees >50 years old	9%

Chinese	60%
Singaporean	29%
Malaysian	7%
Asian (except Chinese, Singaporean and Malaysian)	3%
European	1%

Perennial Qingyang Mall Team-Building

Singapore Team Bowling Tournament

We remain committed to providing a safe and healthy environment for our people and are Workplace Safety and Health Council bizSAFE Level 3 certified. To cultivate a strong safety culture, in the year under review, we have conducted fire drills, counter-terrorism drills, fire safety seminars as well as safety-related training on risk assessment, policies and safe work procedures for our Centre Management Teams.

Consistent with our commitment to provide a conducive work culture, our established policies on employee Code of Conduct and Whistle-blowing ensure all valid concerns of unfair employment practices or malpractices and impropriety in the workplace will be investigated. There were no incidents of reported discrimination at Perennial in FY2019. Further details on our Code of Conduct and Whistle-blowing policies can be found in the Corporate Governance report (page 97).

DEVELOPING OUR PEOPLE

In developing our people, we emphasise continual learning and a growth mindset. As part of our people development strategy, we advocate job rotations, overseas assignments, cross functional projects and other experiential learning opportunities across the company with a view to enable employees to experience different tasks and challenges.

We recognise the importance of professional and personal development of our employees and invest in staff training and development. Training development programmes at Perennial include onboarding and induction programmes, on-the-job training, soft skills training as well as functional skills training. In 2019, we invested a total of 4,674 training hours which translates to an average of 10.4 training hours per employee, covering training programmes in the areas of Accounting, Fire Safety, Workplace Safety, Human Resources and Service Excellence.

PROMOTING INNOVATION

We recognise that new and viable ideas are crucial to sustaining Perennial's growth. To create a conducive environment that promotes and fosters innovation, the Perennial Innovation Awards was launched in 2019. Through this programme, we hope to cultivate and build a culture that encourages employees to constantly seek new and better ways of doing things, be inventive and creative to bring about positive outcomes.

ENGAGING OUR PEOPLE

We recognise that an engaged workforce is vital to the organisation's growth and success. Different engagement programmes are implemented across our offices according to the nature of operation, local culture and needs. Examples of these programmes include our Foshan team-building programme, as well as our regular China Management Meeting.

Throughout the year, various social and recreational events have been organised to foster team bonding and team spirit. These activities include festive celebrations, bowling tournament, lunch talks and get together events.

STATUTORY ACCOUNTS

CONTENTS

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the shareholders of Perennial Real Estate Holdings Limited (the "Company") together with the audited financial statements for the financial year ended 31 December 2019.

In our opinion:

(a) the financial statements set out on pages 139 to 209 are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Companies Act") and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement and as disclosed in note 2, 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' STATEMENT

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and 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:

Name of director	Holdings registered in the name of directors		Holdings in which directors are deemed to have an interest	
	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(1)	–	–	606,120,716	607,031,816
Ron Sim(2)	254,652,664	254,652,664	2,059,035	2,059,035
Ooi Eng Peng	78,634	78,634	–	–
Lee Suan Hiang(3)	200,000	200,000	200,000	200,000
Pua Seck Guan(4)	7,423,668	7,423,668	164,095,626	165,503,926
$280 million 4-year 4.55% Retail Bonds due 2020				
Kuok Khoon Hong(5)	–	–	33,713,000	33,713,000
$120 million 3-year 3.90% Fixed Rate Notes due 2021				
Kuok Khoon Hong(6)	–	–	50,000,000	50,000,000
$180 million 2-year 5.95% Fixed Rate Notes due 2020				
Kuok Khoon Hong(7)	–	–	30,000,000	30,000,000
Ron Sim(8)	–	–	10,000,000	10,000,000
Pua Seck Guan	5,000,000	5,000,000	–	–
Subsidiary				
Perennial Treasury Pte. Ltd.				
$125 million 3-year 4.90% Fixed Rate Notes due 2019				
Kuok Khoon Hong(9)	–	–	1,250,000	–
$100 million 3-year 3.85% Fixed Rate Notes due 2020				
Kuok Khoon Hong(10)	–	–	29,250,000	29,250,000

Notes:

(1) Mr Kuok Khoon Hong's deemed interest in the Shares arises from his shareholdings in 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 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.

(2) 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).

(3) Mr Lee Suan Hiang's deemed interest in the Shares arises from the Shares held through bank nominees.

(4) 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.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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. The notes were redeemed on 18 March 2019.

(10) 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' STATEMENT

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

Name of director	Holdings registered in the name of directors 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	–
Lee Suan Hiang	500,000	–
Chua Phuay Hee	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	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 26 February 2020 to 25 February 2024 at $0.68 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 7 of the Companies Act, 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, debentures or share options of the Company, either at the beginning of the financial year or at the end of the financial year.

There were no changes in any of the above mentioned directors' interests in the Company between the end of the financial year and 21 January 2020.

DIRECTORS' STATEMENT

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 and subsidiary holdings) 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 and subsidiary holdings) 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 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). 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 totaled 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 31/12/2019 '000	Aggregate options granted since the commencement of the scheme to 31/12/2019 '000	Aggregate options exercised since the commencement of the scheme to 31/12/2019 '000	Aggregate options outstanding as at 31/12/2019 '000
Pua Seck Guan	5,100	20,400	–	20,400

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 2019, the total number of outstanding options under the grant was 72,465,500 (2018: 56,540,000).

DIRECTORS' STATEMENT

SHARE OPTIONS (continued)

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 1/1/2019 '000	No. of options granted during the year '000	No. of options lapsed/ cancelled '000	No. of options exercised '000	As at 31/12/2019 '000	Exercise price per share $	Exercise period
15/5/2015	9,790	–	(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	19,990	–	(380)	–	19,610	0.88	13/5/2018 – 12/5/2022
22/3/2018	21,660	–	(740)	–	20,920	0.87	23/3/2019 – 22/3/2023
25/2/2019	–	27,720	(884)	–	26,836	0.68	26/2/2020 – 25/2/2024
Total	56,540	27,720	(11,794)	–	72,466		

The number of outstanding options represents 4.36% of the total number of shares issued (excluding treasury shares and subsidiary holdings) as at 31 December 2019.

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 31/12/2019 '000	Aggregate options exercised since commencement of the option scheme to 31/12/2019 '000	Aggregate options lapsed since commencement of the option scheme to 31/12/2019 '000	Aggregate options outstanding as at 31/12/2019 '000
Eugene Paul Lai Chin Look	1,000	3,500	–	(500)	3,000
Ooi Eng Peng	1,000	3,000	–	–	3,000
Lee Suan Hiang	1,000	3,500	–	(500)	3,000
Chua Phuay Hee	1,000	3,500	–	(500)	3,000
Pua Seck Guan	5,100	20,400	–	–	20,400
Employees	18,620	60,250	–	(20,184)	40,066
Total	27,720	94,150	–	(21,684)	72,466

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 of the Companies Act, the SGX-ST Listing Manual and the Code of Corporate Governance.

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 (continued)

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 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 is satisfied with the independence and objectivity of the external auditors and 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.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

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 May 2020

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 2019, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 139 to 209.

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)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Valuation of investment properties

(Refer to Note 6 to the financial statements)

Risk

As at 31 December 2019, the Group has investment properties, mainly in Singapore and China, with a total carrying amount of $3.38 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 market data.

Key audit matters (continued)

Valuation of development properties
(Refer to Note 11 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 2019, the carrying value of development properties amounted to $1.09 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.

Impairment of intangible assets and goodwill
(Refer to Note 8 to the financial statements)

Risk

The Group has recorded intangible assets and goodwill in relation to its management business, at a carrying value of $75.74 million as at 31 December 2019.

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 supportable when compared to the range of available market data and historical trends, taking into consideration the committed management contracts.

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.

INDEPENDENT AUDITORS' REPORT

Responsibilities of management and directors for the financial statements

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

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

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

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 May 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-current assets					
Property, plant and equipment	5	291,447	297,445	154	233
Investment properties	6	3,378,695	3,349,533	–	–
Subsidiaries	32	–	–	2,650,095	2,637,351
Associates and joint ventures	7	2,254,469	2,491,511	–	–
Intangible assets and goodwill	8	75,741	78,345	–	–
Other financial assets	9	–	72,510	–	72,510
Trade and other receivables	10	9,573	4,211	–	–
		6,009,925	6,293,555	2,650,249	2,710,094
Current assets					
Development properties	11	1,094,073	1,088,059	–	–
Inventories		326	1,234	–	–
Trade and other receivables	10	330,947	210,630	186,854	148,951
Cash and cash equivalents	12	119,808	76,856	785	4,582
		1,545,154	1,376,779	187,639	153,533
Total assets		7,555,079	7,670,334	2,837,888	2,863,627
Non-current liabilities					
Loans and borrowings	13	1,669,889	2,176,102	119,914	615,128
Junior bonds	14	30,000	30,000	–	–
Lease liabilities	33	182	–	–	–
Trade and other payables	16	152,097	84,171	–	–
Deferred tax liabilities	17	161,736	156,166	–	–
		2,013,904	2,446,439	119,914	615,128
Current liabilities					
Loans and borrowings	13	1,298,729	761,960	459,515	–
Lease liabilities	33	712	–	–	–
Trade and other payables	16	374,377	475,232	12,847	12,754
Current tax liabilities		15,756	10,325	886	869
		1,689,574	1,247,517	473,248	13,623
Total liabilities		3,703,478	3,693,956	593,162	628,751
Net assets		3,851,601	3,976,378	2,244,726	2,234,876
Equity					
Share capital	18	2,208,267	2,208,267	2,208,267	2,208,267
Other reserves	19	452,705	459,750	9,632	16,972
Foreign currency translation reserve	19	(263,316)	(158,084)	–	–
Retained earnings		234,778	222,712	26,827	9,637
Equity attributable to owners of the Company		2,632,434	2,732,645	2,244,726	2,234,876
Non-controlling interests	20	1,219,167	1,243,733	–	–
Total equity		3,851,601	3,976,378	2,244,726	2,234,876

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Revenue	21	124,221	78,261
Cost of sales		(76,707)	(47,530)
Gross profit		47,514	30,731
Other income	22	51,893	327,448
Administrative expenses		(45,117)	(37,760)
Other operating expenses		775	(491)
Results from operating activities		55,065	319,928
Finance income		15,727	12,511
Finance costs		(124,432)	(96,911)
Net finance costs	23	(108,705)	(84,400)
Share of results of associates and joint ventures, net of tax		80,919	56,279
Profit before tax		27,279	291,807
Tax expense	24	(21,822)	(82,302)
Profit for the year	25	5,457	209,505
Profit for the year attributable to:			
Owners of the Company		3,832	78,055
Non-controlling interests	20	1,625	131,450
		5,457	209,505
Earnings per share (cents)			
Basic	27	0.23	4.70
Diluted	27	0.23	4.70

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Profit for the year		5,457	209,505
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences relating to foreign operations, net of tax		(82,515)	(72,858)
Foreign currency translation differences on monetary item forming part of net investment in foreign operations, net of tax		(11,877)	(5,778)
Share of other comprehensive income of associates and joint ventures		(52,530)	(42,767)
Other comprehensive income of associates reclassified to profit or loss upon disposal		5,628	–
		(141,294)	(121,403)
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		4,930	(14,514)
Other comprehensive income for the year, net of tax		(136,364)	(135,917)
Total comprehensive income for the year		(130,907)	73,588
Total comprehensive income attributable to:			
Owners of the Company		(97,028)	(27,271)
Non-controlling interests	20	(33,879)	100,859
		(130,907)	73,588

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	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 by 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 by 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 CHANGES IN EQUITY

Year ended 31 December 2019

	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 2019	2,208,267	459,750	(158,084)	222,712	2,732,645	1,243,733	3,976,378
Adjustment on initial application of SFRS(I) 16 (net of tax) (note 3.5)	–	–	–	(21)	(21)	–	(21)
Adjusted balance at 1 January 2019	2,208,267	459,750	(158,084)	222,691	2,732,624	1,243,733	3,976,357
Total comprehensive income for the year							
Profit for the year	–	–	–	3,832	3,832	1,625	5,457
Other comprehensive income							
Net change in fair value of equity investments, at fair value through other comprehensive income	–	4,930	–	–	4,930	–	4,930
Foreign currency translation differences relating to foreign operations, net of tax	–	–	(50,897)	–	(50,897)	(31,618)	(82,515)
Foreign currency translation differences on monetary item forming part of net investment in foreign operations, net of tax	–	–	(7,589)	–	(7,589)	(4,288)	(11,877)
Transfer of fair value reserves of equity instruments at FVOCI upon disposal	–	(15,756)	–	15,756	–	–	–
Share of other comprehensive income of associates and joint ventures	–	(130)	(51,578)	172	(51,536)	(994)	(52,530)
Other comprehensive income of associates reclassified to profit or loss upon disposal	–	(600)	4,832	–	4,232	1,396	5,628
Total other comprehensive income	–	(11,556)	(105,232)	15,928	(100,860)	(35,504)	(136,364)
Total comprehensive income for the year	–	(11,556)	(105,232)	19,760	(97,028)	(33,879)	(130,907)
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Share-based payment transactions	–	3,485	–	–	3,485	–	3,485
Dividends paid (note 19)	–	–	–	(6,647)	(6,647)	–	(6,647)
Capital injection by non-controlling interests	–	–	–	–	–	9,313	9,313
Transfer to statutory reserve	–	1,026	–	(1,026)	–	–	–
Total contributions by and distributions to owners	–	4,511	–	(7,673)	(3,162)	9,313	6,151
Total transactions with owners	–	4,511	–	(7,673)	(3,162)	9,313	6,151
At 31 December 2019	2,208,267	452,705	(263,316)	234,778	2,632,434	1,219,167	3,851,601

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Profit for the year		5,457	209,505
Adjustments for:			
Amortisation of intangible assets	8	2,604	2,604
Change in fair value of investment properties	6	(48,242)	(309,077)
Depreciation of property, plant and equipment	5	13,846	4,684
Dividend income		(1,231)	–
Equity-settled share-based payment transactions	25	3,485	2,929
Foreign currency exchange gain (net)		(910)	(205)
Gain on disposal of property, plant and equipment		(108)	–
Impairment losses on trade and other receivables	26	169	–
Net finance costs	23	108,705	84,400
Net loss on disposal of associates	7	15,233	–
Property, plant and equipment written off		243	–
Re-measurement to fair value of pre-existing equity interest in a subsidiary	22	–	(13,884)
Share of results of associates and joint ventures, net of tax		(80,919)	(56,279)
Tax expense	24	21,822	82,302
		40,154	6,979
Changes in:			
– development properties		(32,016)	(30,615)
– inventories		907	(521)
– trade and other receivables		(68,496)	68,251
– trade and other payables		(11,580)	(54,720)
Cash used in operations		(71,031)	(10,626)
Tax paid		(5,828)	(4,717)
Net cash used in operating activities		(76,859)	(15,343)
Cash flows from investing activities			
Acquisition of property, plant and equipment	5	(8,912)	(12,681)
Acquisition of subsidiaries, net of cash acquired	28	–	(94,379)
Development expenditure – investment properties		(45,376)	(71,446)
Dividends from associates	7	77,360	5,555
Dividends from other financial assets		1,231	4,074
Interest received		4,440	5,905
Investment in associates and joint ventures		(92,860)	(105,123)
Loans to associates and joint ventures		(67,317)	(33,594)
Loans to a related corporation		(5,706)	(23,554)
Proceeds from disposal of associates	7	242,736	–
Proceeds from disposal of other financial assets		77,440	–
Proceeds from disposal of property, plant and equipment		2,195	–
Share capital reduction in associates	7	49,338	–
Net cash from/(used in) investing activities		234,569	(325,243)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flows from financing activities			
Acquisition of non-controlling interests	28	–	(18,781)
Capital injection by non-controlling interests		9,313	21,154
Dividends paid to owners of the Company		(6,647)	(16,618)
Interest paid		(125,444)	(99,543)
Loans from affiliated company		–	142,996
Loans from joint venture and associate		41,407	20,428
Payment of upfront debt arrangement costs		(3,816)	(6,944)
Purchase of treasury shares		–	(1,956)
Proceeds from loans and borrowings		564,578	1,891,360
Repayment of loans and borrowings		(530,944)	(1,293,739)
Payment of lease liabilities		(733)	–
(Repayment of loans to)/Loans from a third party		(29,716)	30,642
(Repayment of loans to)/Loans from non-controlling interests		(28,822)	64,342
Repayment of loan to a former joint venture's shareholder		–	(395,730)
Repayment of loans to an affiliated company		–	(30,642)
Net cash (used in)/from financing activities		(110,824)	306,969
Net increase/(decrease) in cash and cash equivalents		46,886	(33,617)
Cash and cash equivalents at beginning of the year		76,856	111,678
Effect of exchange rate fluctuations on cash held		(3,934)	(1,205)
Cash and cash equivalents at end of the year	12	119,808	76,856

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

These notes form an integral part of the financial statements.

The financial statements were authorised by the Board of Directors on 13 May 2020.

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 2019 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 GOING CONCERN

As at 31 December 2019, the Group's total current liabilities exceeded its total current assets by $144.4 million and has capital commitments amounting to $1,165.5 million (see note 34).

The financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its funding requirements and to refinance or repay its borrowing obligations as and when they fall due. 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, refinance its existing borrowing obligations or divest its assets as part of its capital recycling strategy.

The Group had put in place a $2 billion multicurrency debt issuance programme established on 22 January 2015. As at the date of these financial statements, the uncommitted facilities available to the Group under the programme amounted to $1,441.5 million and other available banking facilities approximately $100 million.

As at the date of this financial statements, the Group has also undertaken the following financing and divestment actions:

(i) On 18 March 2020, the Group obtained a bank loan facility of $250 million to partially fund the repayment of $280 million retail bonds that were due in April 2020. The remaining balance of the retail bonds were funded through the issuance of new debt security to a shareholder in April 2020. At the date of these financial statements, the retail bonds were fully repaid;

(ii) On 30 March 2020, the Group renewed an unsecured loan facility of $200 million that will be due on 31 May 2020. The renewed unsecured loan facility has a new maturity date on 31 May 2021;

(iii) On 16 April 2020, the Group entered into a sale and purchase agreement to dispose its 30% equity interest in Perennial Somerset Investors Pte. Ltd. and its subsidiaries for a total cash consideration of $155.1 million;

(iv) On 6 May 2020, Perennial Shenton Investors Pte. Ltd. ("PSI"), an associate of the Group entered into a share purchase agreement to dispose its 50% equity interest in its subsidiary, Perennial Shenton Holdings Pte. Ltd. ("PSH") to an external party. Concurrently, PSI also entered into another share purchase agreement to dispose its remaining 50% equity interest in PSH to PRE 13 Pte. Ltd. ("PRE 13"), which the Group will reinvest 20% equity interest in it. Arising from these transactions, the Group will hold an effective interest of 10% in PSH and the net proceeds shared by the Group after the reinvestment into PRE 13 will be approximately $137.6 million; and

(v) On 8 May 2020, the Group renewed a secured loan facility of $100 million that was due on the same day. The renewed secured loan facility has a new maturity date on 8 May 2021.

Management believes that the refinancing or repayment of the Group's borrowing obligations will occur as required and is confident that the asset sales as disclosed above will be completed prior to July 2020. Management anticipates that any additional cash required will be met out of operating cash flows or from alternative forms of capital raised such as further asset sales or new loan or debt facilities. In addition, management does not consider that it is probable that a claim will be made against the Group under the financial guarantee contracts issued to certain financial institutions in respect of banking facilities drawn by an associate and a joint venture.

Management acknowledges that uncertainties remain over the ability of the Group to meet its funding requirements and to refinance or repay its borrowing obligations as and when they fall due, particularly in light of the unfavourable effects of COVID-19 over the Group's financial position and performance. However, as described above, management has a reasonable expectation that the Group is able to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3 BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

This is the first set of the Group's annual financial statements in which SFRS(I) 16 *Leases* has been applied. The related changes to significant accounting policies are described in note 3.5.

3.2 Basis of measurement

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

3.3 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.

3.4 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 4.6 and note 6 – Classification of investment properties

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 6	–	Determination of fair value of investment properties
Note 8	–	Impairment test: key assumptions underlying recoverable amounts of cash-generating unit ("CGU") containing goodwill
Note 11	–	Determination of net realisable value of development properties

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.

3 BASIS OF PREPARATION (continued)

3.4 Use of estimates and judgements (continued)

Measurement of fair values (continued)

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

Note 6	–	Investment properties
Note 15	–	Share-based payment arrangements
Note 26	–	Financial instruments

3.5 Changes in significant accounting polices

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Other than SFRS(I) 16, the application of these standards, amendments to standards and interpretations does not have a material effect on the financial statements.

SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases assets including office spaces and other equipment. The Group previously classified leases as operating leases or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if SFRS(I) 16 had been applied since the commencement date, discounted using the Group’s incremental borrowing rate at the date of initial application.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

NOTES TO THE FINANCIAL STATEMENTS

3 BASIS OF PREPARATION (continued)

3.5 Changes in significant accounting polices (continued)

As a lessee (continued)

Leases classified as operating leases under SFRS(I) 1-17 (continued)

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

As a lessor

The Group leases out its investment properties. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to SFRS(I) 16 for leases in which it acts as a lessor.

Impact on financial statements

Impact on transition*

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets, including property, plant and equipment, additional lease liabilities, adjustment to trade and other payables, and the difference in retained earnings. The impact on transition is summarised below.

	1 January 2019 $'000
Right-of-use assets – property, plant and equipment	1,466
Trade and other payables	92
Lease liabilities	(1,579)
Retained earnings	21

* For the impact of SFRS(I) 16 on profit or loss for the period, see note 33. For the impact of SFRS(I) 16 on segment information, see note 29. For the details of accounting policies under SFRS(I) 16 and SFRS(I) 1-17, see note 4.7.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3.78%.

	1 January 2019 $'000
Operating lease commitments at 31 December 2018 under SFRS(I) 1-17	1,650
Adjustments on initial application on 1 January 2019:	
– Discounted using the incremental borrowing rate at 1 January 2019	(71)
Lease liabilities recognised at 1 January 2019	1,579

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 3.5, which addresses changes in accounting policies.

4.1 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 re-measured 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.

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 pre-combination 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 equity transactions.

(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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Basis of consolidation (continued)

(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) Acquisitions from 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 consolidated financial statements of the Group's controlling shareholder. 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.

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.

4.2 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Foreign currency (continued)

(i) Foreign currency transactions (continued)

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 equity investment designated as at fair value through other comprehensive income ("FVOCI") 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. 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.

4.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

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

(ii) Classification and subsequent measurement

Non-derivative financial assets

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

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

Financial assets at amortised cost

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

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

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets (continued)

Debt investments at FVOCI

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

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

Equity investments at FVOCI

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

Financial assets at FVTPL

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

Financial assets: Business model assessment

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

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

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

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

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest (continued)

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 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 compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

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

Financial assets at amortised cost

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

Debt investments at FVOCI

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

Equity investments at FVOCI

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

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

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

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

(iii) Derecognition

Financial assets

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

The Group enters into transactions whereby it transfers assets recognised in its 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Financial instruments (continued)

(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 them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and 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.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with SFRS(I) 1-12.

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, 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. Subsequently, they are measured at the higher of the loss allowance determined in accordance with SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

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.

4.4 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.

If significant 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.

Any 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment (continued)

(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.

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 for the current and comparative years are as follows:

• Leasehold land and buildings	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.

4.5 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 4.1(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.

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.

4.6 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.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Investment properties (continued)

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.

4.7 Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Leases (continued)

Policy applicable from 1 January 2019 (continued)

(i) As a lessee (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and 'lease liabilities' in the statements of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16.

Leases – Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Leases (continued)

Leases – Policy applicable before 1 January 2019 (continued)

(ii) As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Rental income from investment property is recognised as 'revenue' on a straight-line basis over the term of the lease.

4.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

4.9 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.

4.10 Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost 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. 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Impairment (continued)

(i) Non-derivative financial assets (continued)

General approach (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

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

Measurement of ECLs

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost 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 debtor;
- 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 debtor 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 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.

(ii) Non-financial assets

The carrying amount of the Group's non-financial assets, other than investment properties, development properties and inventories, 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 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.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Impairment (continued)

(ii) Non-financial assets (continued)

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.

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 change in the estimates used to determine the recoverable amount and only to the extent that the recoverable amount increases.

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.

4.11 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 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 benefit expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the 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 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 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.

4.13 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) Hotel revenue

Revenue from hotel operations mainly comprises room rental, food and beverage sales, and is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO. Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. Revenue is recognised at a point in time when the goods are delivered or services are rendered.

(iii) 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.

(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 PO. 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.

(v) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income; and
- interest expense.

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

4.15 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 Asset*s.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint 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.

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 carrying amount of the investment property is presumed to be recovered through sale, and the Group has not rebutted this presumption. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 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 year, 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.

4.17 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 to 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.

4.18 Results from operating activities

Results from operating activities is generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Results from operating activities excludes net finance costs, share of results of equity-accounted investees and income taxes.

4.19 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; 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 not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- SFRS(I) 17 *Insurance Contracts*

NOTES TO THE FINANCIAL STATEMENTS

5 PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land and buildings $'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 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	6	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
At 1 January 2019		218,259	5,755	3,956	31,362	45,655	436	305,423
Recognition of right-of-use asset on initial application of SFRS(I) 16		1,955	–	–	–	–	–	1,955
Adjusted balance at 1 January 2019		220,214	5,755	3,956	31,362	45,655	436	307,378
Additions		–	615	402	524	7,371	–	8,912
Disposals		–	(1,694)	(494)	(75)	(235)	–	(2,498)
Written-off		–	(324)	(162)	–	(464)	–	(950)
Reclassification		–	–	(44)	(2,571)	2,615	–	–
Translation differences		–	(98)	(45)	(15)	(114)	(7)	(279)
At 31 December 2019		220,214	4,254	3,613	29,225	54,828	429	312,563
Accumulated depreciation								
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
At 1 January 2019		851	1,177	1,978	685	3,162	125	7,978
Recognition of right-of-use asset on initial application of SFRS(I) 16		489	–	–	–	–	–	489
Adjusted balance at 1 January 2019		1,340	1,177	1,978	685	3,162	125	8,467
Depreciation charge for the year		4,056	804	669	2,192	6,082	43	13,846
Disposal		–	(308)	–	(17)	(86)	–	(411)
Written-off		–	(324)	(162)	–	(221)	–	(707)
Reclassification		–	–	(48)	(344)	392	–	–
Translation differences		–	(20)	(20)	(2)	(35)	(2)	(79)
At 31 December 2019		5,396	1,329	2,417	2,514	9,294	166	21,116
Carrying amounts								
At 1 January 2018		–	387	457	13	441	359	1,657
At 31 December 2018		217,408	4,578	1,978	30,677	42,493	311	297,445
At 31 December 2019		214,818	2,925	1,196	26,711	45,534	263	291,447

5 PROPERTY, PLANT AND EQUIPMENT (continued)

	Computer equipment and software $'000	Motor vehicles $'000	Total $'000
Company			
Cost			
At 1 January 2018	–	197	197
Additions	162	–	162
At 31 December 2018	162	197	359
At 1 January 2019	162	197	359
Additions	20	–	20
At 31 December 2019	182	197	379
Accumulated depreciation			
At 1 January 2018	–	11	11
Depreciation charge for the year	95	20	115
At 31 December 2018	95	31	126
At 1 January 2019	95	31	126
Depreciation charge for the year	79	20	99
At 31 December 2019	174	51	225
Carrying amounts			
At 1 January 2018	–	186	186
At 31 December 2018	67	166	233
At 31 December 2019	8	146	154

Right-of-use assets

As at 31 December 2019, the Group's property, plant and equipment includes right-of-use assets of $0.8 million related to leased properties (see note 33).

Security

As at 31 December 2019, leasehold land and building of the Group with a total carrying amount of $214.0 million (2018: $217.4 million) were pledged as security for loans and borrowings (see note 13).

NOTES TO THE FINANCIAL STATEMENTS

6 INVESTMENT PROPERTIES

	Note	Group 2019 $'000	Group 2018 $'000
At beginning of the year		3,349,533	1,659,723
Additions		56,950	84,828
Acquisition of subsidiaries	28	–	776,510
Transfer to property, plant and equipment	5	–	(279,810)
Transfer from development properties		–	865,788
Change in fair value		48,242	309,077
Translation differences		(76,030)	(66,583)
At end of the year		3,378,695	3,349,533

Investment properties comprise 5 (2018: 5) completed commercial properties which are leased to third parties and 3 (2018: 3) investment properties under development. The leases contain initial lease terms ranging from 1 year to 15 years. Subsequent renewals are negotiated with the lessees. See note 33 for further information.

Contingent rental, based on tenants' turnover, recognised in profit or loss amounted to $4.8 million (2018: $4.9 million).

During the year, borrowing costs capitalised in investment properties under development amounted to $11.6 million (2018: $23.1 million). These borrowing costs were incurred at interest rates ranging from 4.19% – 5.15% (2018: 3.15% – 9.00%) 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 4.6 for transfer to, or from, investment properties).

Transfer to property, plant and equipment

In 2018, the Group transferred the Capitol Kempinski Hotel, Singapore from investment property to property, plant and equipment (see note 5).

Transfer from development properties

In 2018, 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.

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 2019, the fair value measurement for the investment properties of $3,378.7 million (2018: $3,349.5 million) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 3.4).

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.

6 INVESTMENT PROPERTIES (continued)

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 4.25% – 5.00% (2018: 4.50% – 5.00%)	The estimated fair value increases with decreases in the capitalisation rate.
	Direct comparison	• Average value of $26,372 – $37,694 (2018: Not applicable) per square metre	The estimated fair value increases with increases in average value of a similar class of assets.
Investment properties – People's Republic of China ("PRC")	Capitalisation approach	• Capitalisation rate 5.00% (2018: 5.25%)	The estimated fair value increases with decreases in the capitalisation rate.
	Direct comparison	• Average value of RMB9,274 – RMB17,712 (2018: RMB9,400 – RMB14,000) 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% – 8.50% (2018: 8.00% – 8.75%) • Terminal yield rate 5.00% – 5.50% (2018: 5.50% – 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% (2018: 3.75% – 5.25%)	The estimated fair value increases with decreases in the capitalisation rate.
	Direct comparison	• Not applicable (2018: RMB10,800 – RMB12,800) 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% (2018: 7.25% – 8.75%) • Terminal yield rate 4.00% – 5.50% (2018: 4.00% – 5.50%)	The estimated fair value increases with decreases in the discount rate and terminal yield rate.

Security

As at 31 December 2019, investment properties together with land use rights with a total carrying amount of $3,132.6 million (2018: $3,110.8 million) were pledged as security for loans and borrowings (see note 13) and junior bonds (see note 14).

7 ASSOCIATES AND JOINT VENTURES

	Group 2019 $'000	Group 2018 $'000
Interests in associates	640,201	1,001,693
Interests in joint ventures	1,438,398	1,401,233
Loans to associates	66,737	68,748
Loans to joint ventures	109,133	19,837
	2,254,469	2,491,511

Loans to associates and joint ventures are classified as financial assets at amortised cost. There is no allowance for impairment losses arising from these loans as the ECL is insignificant.

The loan to a joint venture of $89.4 million (2018: $Nil) is unsecured, bears interest rate of 5% per annum and has no fixed terms of repayment. The loans to associates and remaining amounts of loans to joint ventures 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

7 ASSOCIATES AND JOINT VENTURES (continued)

The Group's interests in the associates included investment in junior bonds of $118.6 million and redeemable preference shares of $28.7 million (2018: junior bonds of $118.6 million and redeemable preference shares of $28.7 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 5 (2018: 6) 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:

Name of associates	Principal activities	Country of incorporation	Ownership interests held by the Group 2019 %	Ownership interests held by the Group 2018 %
Nation Mind Development Limited and its subsidiaries[(a)(d)^] ("Nation Mind")	Investment holding and property development	Hong Kong	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
Perennial Shenton Investors Pte. Ltd. and its subsidiaries[(b)] ("Perennial Shenton")	Investment and property holding	Singapore	31.2	31.2
Perennial Somerset Investors Pte. Ltd. and its subsidiaries[(a)^] ("Perennial Somerset")	Investment and property holding	Singapore	30.0	30.0
Perennial Chinatown Point LLP and its subsidiaries[(b)(c)] ("Chinatown Point")	Investment and property holding	Singapore	45.5	45.5
Yanlord Investment (Singapore) Pte. Ltd.[(a)(e)(f)^] ("YIS")	Investment holding	Singapore	–	45.0

(a) Audited by other auditors.
(b) Audited by KPMG LLP, Singapore.
(c) As at 31 December 2018, the Group held 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. The said associate disposed off all its subsidiaries, inclusive of its investment properties on 31 May 2019.
(d) Effective interest held by the Group is 20%.
(e) Effective interest held by the Group was 32.5%. The entire equity interest was fully disposed on 25 October 2019.
(f) Formerly known as Yanlord Perennial Investment (Singapore) Pte. Ltd. ("YPIS").
^ 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 was included in the share of results of associates in the consolidated statement of profit or loss for the year ended 31 December 2018. The gain on bargain purchase represented the excess of fair values of the identifiable net assets over total purchase consideration.

Disposal of associates

(i) On 31 May 2019, the Group's associate, Perennial Chinatown Point LLP disposed all its subsidiaries based on an agreed property price of $520.0 million.

(ii) On 19 September 2019, the Group disposed its entire equity interest in its associate, Shenzhen Aidigong Modern Maternal and Child Health Management Co., Ltd. ("Aidigong") for a cash consideration of $40.0 million, resulting in a gain on disposal of $9.8 million included in the consolidated statement of profit or loss for the year ended 31 December 2019.

(iii) On 25 October 2019, the Group disposed its entire equity interest in its associate, YIS for a cash consideration of $202.7 million, resulting in a loss on disposal of $25.1 million included in the consolidated statement of profit or loss for the year ended 31 December 2019.

7 ASSOCIATES AND JOINT VENTURES (continued)

Associates (continued)

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.

	Nation Mind $'000	Perennial Tongzhou Holdings $'000	Perennial Shenton $'000	Perennial Somerset $'000	Chinatown Point $'000	YIS $'000	Immaterial associates $'000	Total $'000
31 December 2019								
Revenue	–	–	51,887	158,478	13,056	–		
(Loss)/Profit after tax	(260)	(14)	7,046	(1,241)	38,177	2,890		
OCI	(2,504)	(16,610)	–	–	–	(5,940)		
Total comprehensive income	(2,764)	(16,624)	7,046	(1,241)	38,177	(3,050)		
Attributable to associate's shareholders	(2,764)	(16,624)	7,046	(1,241)	38,177	(3,050)		
Non-current assets	38	560,778	132,600	533	–	–		
Current assets	837,714	8,348	1,195,321	1,066,955	8,140	–		
Non-current liabilities	(246,381)	–	(856,854)	(4,443)	–	–		
Current liabilities	(266,309)	(240)	(20,264)	(668,650)	(5,084)	–		
Net assets	325,062	568,886	450,803	394,395	3,056	–		
Attributable to associate's shareholders	325,062	568,886	450,803	394,395	3,056	–		
Carrying amount of interest in associate at end of the year	97,519	265,108	140,650	118,319	1,180	–		
Group's interest in net assets of associate at beginning of the year	98,348	272,856	138,452	118,691	108,142	218,879	46,325	1,001,693
Group's share of:								
– (Loss)/Profit after tax	(78)	(7)	2,198	(372)	19,340	1,299	1,978	24,358
– OCI	(751)	(7,741)	–	–	–	(2,671)	(138)	(11,301)
Total comprehensive income	(829)	(7,748)	2,198	(372)	19,340	(1,372)	1,840	13,057
Additions during the year	–	–	–	–	–	5,220	–	5,220
Capital reduction during the year	–	–	–	–	(49,338)	–	–	(49,338)
Dividends received during the year	–	–	–	–	(76,964)	–	(396)	(77,360)
Disposals during the year	–	–	–	–	–	(222,727)	(29,614)	(252,341)
Other adjustments	–	–	–	–	–	–	(730)	(730)
Carrying amount of interest in associate at end of the year	97,519	265,108	140,650	118,319	1,180	–	17,425	640,201

NOTES TO THE FINANCIAL STATEMENTS

7 ASSOCIATES AND JOINT VENTURES (continued)

Associates (continued)

	Nation Mind $'000	Perennial Tongzhou Holdings $'000	Perennial Shenton $'000	Perennial Somerset $'000	Chinatown Point $'000	YIS $'000	Immaterial associates $'000	Total $'000
31 December 2018								
Revenue	–	–	50,112	44,023	31,717	–		
(Loss)/Profit after tax	(168)	11	2,011	184	57,727	47,967		
OCI	6,287	(15,148)	–	–	–	(7,723)		
Total comprehensive income	6,119	(15,137)	2,011	184	57,727	40,244		
Attributable to associate's shareholders	6,119	(15,137)	2,011	184	57,727	40,244		
Non-current assets	41	576,772	118,500	103	477,007	874,188		
Current assets	699,470	8,975	1,174,218	1,131,720	37,312	6,568		
Non-current liabilities	(111,241)	–	(825,405)	(709,325)	(296,109)	–		
Current liabilities	(260,443)	(236)	(23,556)	(26,862)	(4,642)	(394,359)		
Net assets	327,827	585,511	443,757	395,636	213,568	486,397		
Attributable to associate's shareholders	327,827	585,511	443,757	395,636	213,568	486,397		
Carrying amount of interest in associate at end of the year	98,348	272,856	138,452	118,691	108,142	218,879		
Group's interest in net assets of associate at beginning of the year	96,512	279,910	137,825	118,636	83,453	30,007	46,521	792,864
Group's share of:								
– (Loss)/Profit after tax	(50)	5	627	55	29,210	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	55	29,210	18,110	838	43,622
Additions 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	118,691	108,142	218,879	46,325	1,001,693

7 ASSOCIATES AND JOINT VENTURES (continued)

Joint ventures

The Group has 5 (2018: 5) 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	
			2019	2018
			%	%
Chengdu Huifeng Commercial Real Estate Co., Ltd.[(b)] ("Chengdu Huifeng")	Property development	PRC	50.0	50.0
Chengdu Changfeng Real Estate Development Co., Ltd.[(b)] ("Chengdu Changfeng")	Property development	PRC	50.0	50.0
Shenyang Summit Real Estate Development Co., Ltd.[(b)] ("Shenyang Summit")	Investment and property holding	PRC	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	45.0

(a) Audited by KPMG LLP, Singapore.
(b) Audited by other member firms of KPMG International.
(c) Audited by other auditors.
^ 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.

Incorporation and acquisition of joint ventures

(i) In 2018, 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 USD13.7 million (approximately $18.5 million) (2018: USD62.3 million (approximately $84.8 million)) in PHCH.

NOTES TO THE FINANCIAL STATEMENTS

7 ASSOCIATES AND JOINT VENTURES (continued)

Joint ventures (continued)

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.

	Chengdu Huifeng $'000	Chengdu Changfeng $'000	Shenyang Summit $'000	Renshoutang $'000	PHCH $'000	Immaterial joint ventures $'000	Total $'000
31 December 2019							
Revenue	–	–	45,041	–	–		
(Loss)/Profit after tax[(a)]	–	2,467	24,789	5,033	91,241		
OCI	(10,253)	(10,724)	(45,178)	(9,385)	(8,931)		
Total comprehensive income	(10,253)	(8,257)	(20,389)	(4,352)	82,310		
Attributable to NCI	–	–	–	(90)	–		
Attributable to joint venture's shareholder	(10,253)	(8,257)	(20,389)	(4,262)	82,310		
[(a)] Includes:							
– Depreciation and amortisation	–	–	(15)	(2,470)	(4)		
– Interest expense	–	–	–	(4,224)	(292)		
– Tax expense	(1,045)	–	(4,465)	(32)	(12,458)		
Non-current assets	–	485,932	1,633,195	395,737	268,997		
Current assets[(b)]	340,191	110,347	209,565	48,710	58,413		
Non-current liabilities[(c)]	–	(32,743)	(280,973)	(89,868)	(12,242)		
Current liabilities[(d)]	(8)	(207,235)	(57,965)	(40,692)	(2,127)		
Net assets	340,183	356,301	1,503,822	313,887	313,041		
Attributable to NCI	–	–	–	1,483	–		
Attributable to joint venture's shareholder	340,183	356,301	1,503,822	312,404	313,041		
Carrying amount of interest in joint venture at end of the year	170,092	178,151	751,912	156,202	140,868		
[(b)] Includes cash and cash equivalents	1,229	31	6,928	6,234	45,198		
[(c)] Includes non-current financial liabilities (excluding trade and other payables and provisions)	–	–	–	(89,107)	–		
[(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							
Group's share of:	175,218	182,279	762,106	158,333	85,216	38,081	1,401,233
– (Loss)/Profit after tax	–	1,234	12,395	2,562	41,188	(818)	56,561
– OCI	(5,126)	(5,362)	(22,589)	(4,693)	(4,074)	615	(41,229)
Total comprehensive income	(5,126)	(4,128)	(10,194)	(2,131)	37,114	(203)	15,332
Additions/Acquisitions during the year	–	–	–	–	18,538	1,702	20,240
Capitalisation of loan to joint venture	–	–	–	–	–	1,600	1,600
Other adjustments	–	–	–	–	–	(7)	(7)
Carrying amount of interest in joint venture at end of the year	170,092	178,151	751,912	156,202	140,868	41,173	1,438,398

7 ASSOCIATES AND JOINT VENTURES (continued)

Joint ventures (continued)

	Capitol Singapore $'000	Chengdu Huifeng $'000	Chengdu Changfeng $'000	Shenyang Summit $'000	Renshoutang $'000	PHCH $'000	Immaterial joint ventures $'000	Total $'000
31 December 2018								
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	(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)	–		
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

The share in a joint venture was pledged as security for loans and borrowings (see note 13).

NOTES TO THE FINANCIAL STATEMENTS

8 INTANGIBLE ASSETS AND GOODWILL

	Goodwill $'000	Management contracts $'000	Total $'000
Group			
Cost			
At 1 January 2018, 31 December 2018 and 31 December 2019	63,155	26,040	89,195
Accumulated amortisation			
At 1 January 2018	–	(8,246)	(8,246)
Amortisation charge for the year	–	(2,604)	(2,604)
At 31 December 2018	–	(10,850)	(10,850)
Amortisation charge for the year	–	(2,604)	(2,604)
At 31 December 2019	–	(13,454)	(13,454)
Carrying amounts			
At 1 January 2018	63,155	17,794	80,949
At 31 December 2018	63,155	15,190	78,345
At 31 December 2019	63,155	12,586	75,741

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	
	2019 $'000	2018 $'000
Management business	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 the CGU based on the most recent forecasts approved by management for the next five years.

The key assumptions used in the estimation of the recoverable amount are set out below.

	Group	
	2019 %	2018 %
Discount rate	9.3 – 10.6	10.2 – 11.7
Terminal value growth rate	3.0	3.0
Budgeted EBITDA growth rate	3.0	3.0

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.

8 INTANGIBLE ASSETS AND GOODWILL (continued)

As at 31 December 2019, the recoverable amount of the CGU exceeded its carrying amount by $24.4 million (2018: recoverable amount of the CGU exceeded its carrying amount by an insignificant amount).

As at 31 December 2019, 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.

	2019 %	2018 %
Change required for carrying amount to equal the recoverable amount		
Increase in discount rate	2.2	–

9 OTHER FINANCIAL ASSETS

	Group and Company	
	2019 $'000	2018 $'000
Equity investments at FVOCI	–	72,510

Equity investment designated at FVOCI

The Group and the Company designated the investments in quoted equity securities as equity investments at FVOCI because these equity investments represent investments that the Group and the Company intend to hold for the long-term for strategic purposes.

Dividend income related to equity investments at FVOCI held during the year amounted to $0.2 million (2018: $3.5 million).

During the financial year ended 31 December 2019, the Group disposed the entire investments in quoted equity securities as the underlying investment was no longer aligned with the Group's long-term investment strategy. These investments had a fair value of $77.4 million at the date of disposal, and the cumulative gain on disposal amounted to $15.8 million, net of tax. The cumulative gain on disposal was reclassified from fair value reserve to retained earnings.

The fair value of quoted equity securities is based on quoted bid price.

At 31 December 2018, equity investments of $71.4 million were pledged as security to obtain credit facilities (see note 13).

Information about the Group and the Company's exposures to market risks and fair value measurement related to equity investments at FVOCI are disclosed in note 26.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade receivables	20,741	12,252	9	1
Trade amounts due from:				
– subsidiaries	–	–	21,909	22,036
– associates	1,464	1,399	2	2
– joint ventures	4,989	5,184	4	6
Non-trade amounts due from:				
– subsidiaries	–	–	49,218	40,447
– associates	13,951	13,305	–	–
– joint ventures	–	*	–	–
– an affiliated company	500	500	–	–
– non-controlling interests	83,499	36,423	–	–
Loans to associates	33,755	23,083	–	–
Loans to joint ventures	87,197	31,596	–	–
Loans to a related corporation	5,571	23,554	–	–
Interest receivables	17,938	6,705	109,880	83,836
Other receivables	43,674	44,335	1,994	2,283
Deposits	9,558	4,070	3,759	280
	322,837	202,406	186,775	148,891
Prepayments	17,683	12,435	79	60
	340,520	214,841	186,854	148,951
Non-current	9,573	4,211	–	–
Current	330,947	210,630	186,854	148,951
	340,520	214,841	186,854	148,951

* 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% (2018: 4.35% – 9.00%) per annum and are repayable on demand.

Loans to joint ventures and related corporations are unsecured, interest-free and repayable on demand. In 2018, loans to a related corporation of $22.0 million bore interest rate of 5.00% per annum.

There is no allowance for impairment losses 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 market risks related to trade and other receivables are disclosed in note 26.

11 DEVELOPMENT PROPERTIES

	Group	
	2019	2018
	$'000	$'000
Development properties, at cost	1,094,073	1,088,059

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.

During the year, borrowing costs capitalised in development properties amounted to $4.7 million (2018: $3.9 million). These borrowing costs were incurred at interest rates ranging from 4.19% – 5.15% (2018: 4.55% – 5.15%) per annum.

Development properties of the Group recognised as cost of sales, excluding foreseeable losses amounted to $8.7 million (2018: Nil).

Transfer to investment properties

In 2018, the Group transferred Tongzhou Plot 14-1 & 14-2 from development properties to investment properties under development (see note 6).

Security

As at 31 December 2019, development properties with a total carrying amount of $720.7 million (2018: $708.0 million) were pledged as security for loans and borrowings (see note 13) and junior bonds (see note 14).

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Cash at bank and in hand	77,841	68,194	785	4,582
Short-term deposits	41,967	8,662	–	–
Cash and cash equivalents in the statements of financial position	119,808	76,856	785	4,582

Cash and cash equivalents amounting to $42.8 million (2018: $36.9 million) are charged or assigned by way of security for credit facilities granted to the Group (see note 13).

13 LOANS AND BORROWINGS

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Non-current liabilities				
Bank loans (secured)	1,335,189	1,184,266	–	36,741
Bank loans (unsecured)	214,786	313,664	–	–
Medium term notes (unsecured)	119,914	398,562	119,914	298,777
Retail bonds (unsecured)	–	279,610	–	279,610
	1,669,889	2,176,102	119,914	615,128
Current liabilities				
Bank loans (secured)	105,895	226,493	–	–
Bank loans (unsecured)	633,391	410,518	–	–
Medium term notes (unsecured)	279,541	124,949	179,613	–
Retail bonds (unsecured)	279,902	–	279,902	–
	1,298,729	761,960	459,515	–

NOTES TO THE FINANCIAL STATEMENTS

13 LOANS AND BORROWINGS (continued)

The Group and the Company's exposure to liquidity and market risks related to loans and borrowings are disclosed in note 26.

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 2019					
Bank loans (secured)	RMB	5.15 – 5.39	2020 – 2032	181,849	181,355
Bank loans (secured)	SGD	2.91 – 4.09	2020 – 2022	1,264,651	1,259,729
Bank loans (unsecured)	SGD	3.60 – 5.06	2020 – 2022	849,414	848,177
Medium term notes (unsecured)(1)	SGD	3.85	2020	100,000	99,928
Medium term notes (unsecured)(1)	SGD	3.90	2021	120,000	119,914
Medium term notes (unsecured)(1)	SGD	5.95	2020	180,000	179,613
Retail bonds (unsecured)	SGD	4.55	2020	280,000	279,902
				2,975,914	2,968,618
Company					
31 December 2019					
Medium term notes (unsecured)(1)	SGD	3.90	2021	120,000	119,914
Medium term notes (unsecured)(1)	SGD	5.95	2020	180,000	179,613
Retail bonds (unsecured)	SGD	4.55	2020	280,000	279,902
				580,000	579,429
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

(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.

13 LOANS AND BORROWINGS (continued)

Security

As at 31 December 2019, the bank loans are secured on the following:

- Legal mortgage over certain property, plant and equipment (see note 5), the investment properties and land use rights of the investment properties under development (see note 6) and development properties (see note 11);
- First fixed charge over the bank accounts and other assets of certain subsidiaries (see note 12);
- 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 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

			Non-cash changes			
	1 January 2019 $'000	Financing cash flows $'000	Interest expense $'000	Foreign exchange movement $'000	Other changes $'000	31 December 2019 $'000
Loans and borrowings	2,938,062	29,818[1]	6,904	(6,166)	–	2,968,618
Interest payables	24,049	(125,444)	133,786	(390)	–	32,001
Non-trade amounts due to a joint venture	81,302	41,407	–	(2,235)	–	120,474
Non-trade amounts due to non-controlling interests	93,067	(28,822)	–	(1,942)	–	62,303
Non-trade amounts due to an affiliated company	109,599	–	–	(3,207)	–	106,392
Non-trade amounts due to a third party	29,890	(29,716)	–	(174)	–	–
Lease liabilities	1,579	(733)	48	–	–	894

(1) Net proceeds from loans and borrowings, repayment of loans and borrowings, and payment of transaction costs related to loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

14 JUNIOR BONDS

	Group	
	2019 $'000	2018 $'000
Junior bonds (secured)	30,000	30,000

The junior bonds were issued by certain subsidiaries of the Group (the "Subsidiaries").

Terms and debt repayment schedule

Group	Currency	Nominal interest rate %	Year of maturity	Face value 2019 $'000	Face value 2018 $'000	Carrying amount 2019 $'000	Carrying amount 2018 $'000
Junior bonds (secured)	SGD	Lower of 10% per annum and excess fund*	2025 (2018: 2020)	30,000	30,000	30,000	30,000

* 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 6);

(ii) an assignment of the insurance policy relating to an investment 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.

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.

15 SHARE-BASED PAYMENT ARRANGEMENTS (continued)

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). 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 totaled 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 31/12/2019 '000	Aggregate options granted since the commencement of the scheme to 31/12/2019 '000	Aggregate options exercised since the commencement of the scheme to 31/12/2019 '000	Aggregate options outstanding as at 31/12/2019 '000
Pua Seck Guan	5,100	20,400	–	20,400

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 2019, the total number of outstanding options under the grant was 72,465,500 (2018: 56,540,000).

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 1/1/2019 '000	No. of options granted during the year '000	No. of options lapsed/ cancelled '000	No. of options exercised '000	As at 31/12/2019 '000	Exercise price per share $	Exercise period
15/5/2015	9,790	–	(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	19,990	–	(380)	–	19,610	0.88	13/5/2018 – 12/5/2022
22/3/2018	21,660	–	(740)	–	20,920	0.87	23/3/2019 – 22/3/2023
25/2/2019	–	27,720	(884)	–	26,836	0.68	26/2/2020 – 25/2/2024
Total	56,540	27,720	(11,794)	–	72,466		

The number of outstanding options represents 4.36% (2018: 3.40%) of the total number of shares issued (excluding treasury shares) as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

15 SHARE-BASED PAYMENT ARRANGEMENTS (continued)

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 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	2019	2018	2017	2015
Fair value at grant date ($)	0.134	0.128	0.168	0.226 – 0.247
Share price at grant date ($)	0.685	0.865	0.880	0.960 – 1.090
Exercise price ($)	0.680	0.870	0.880	0.950 – 1.070
Expected volatility (%)	18.73	19.16	19.46	27.2 – 27.5
Expected life (years)	5.0	5.0	5.0	5.0
Expected dividend yield (%)	0.62	1.13	0.60	1.50
Risk-free interest rate (%)	2.00	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 2019 $	Number of options 2019 '000	Weighted average exercise price per share 2018 $	Number of options 2018 '000
Outstanding at the beginning of the year	0.92	56,540	0.95	38,330
Granted during the year	0.68	27,720	0.87	23,740
Lapsed/cancelled during the year	0.97	(11,794)	0.93	(5,530)
Outstanding at end of the year	0.82	72,466	0.92	56,540
Exercisable at end of the year	0.95	20,135	0.97	16,165

The options outstanding at 31 December 2019 have a weighted-average exercise price of $0.82 (2018: $0.92) per share and a weighted-average contractual life of 3.1 (2018: 3.2) years.

16 TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade payables	10,006	8,477	–	–
Accrued development expenditures	56,373	75,387	–	–
Accrued operating expenses	19,541	16,166	3,779	3,523
Interest payables	32,001	24,049	8,072	8,115
Other payables	60,872	63,756	74	518
Security deposits	16,037	14,453	–	–
Non-trade amounts due to:				
– joint ventures	120,474	81,302	–	–
– an associate	6	6	–	–
– subsidiaries	–	–	922	598
– a related corporation	39,636	40,620	–	–
– an affiliated company	106,392	109,599	–	–
– non-controlling interests	62,303	93,067	–	–
– a third party	–	29,890	–	–
	523,641	556,772	12,847	12,754
Advance rental received	2,833	2,631	–	–
	526,474	559,403	12,847	12,754
Non-current	152,097	84,171	–	–
Current	374,377	475,232	12,847	12,754
	526,474	559,403	12,847	12,754

Non-trade amounts due to joint ventures consist of the following:

(i) Loan of $119.5 million (2018: $51.4 million), which are unsecured, interest-free and repayable more than 12 months, except for an interest bearing amount of $23.2 million (2018: $51.4 million), which bears interest rate of 4.57% – 6.00% (2018: 0.01%) per annum; and

(ii) The remaining amount of $1 million (2018: $29.9 million), which are unsecured, interest-free and repayable on demand, except for an interest bearing amount of $29.9 million in 2018, which bore interest rate of 0.01% per annum.

Non-trade amounts due to an associate, subsidiaries and a related corporation 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.

Non-trade amounts due to non-controlling interests consist of the following:

(i) Loan of $22.5 million (2018: $23.2 million) which is unsecured, interest-free and repayable on demand. As at 31 December 2019, the non-controlling shareholders had undertaken not to demand settlement of the amounts for the next twelve months;

(ii) Loan of $6.2 million (2018: $6.2 million) which is unsecured, interest-free and repayable on demand;

(iii) Loan of $28.3 million (2018 $58.6 million) which is unsecured, bears interest rate at 5.15% per annum and repayable on demand; and

(iv) The remaining amount of $5.3 million (2018: $5.1 million) which is unsecured, interest-free and repayable on demand.

In 2018, non-trade amount due to a third party was unsecured, bore interest rate at 9.00% per annum and repayable in 2019. The amount was fully repaid in 2019.

Included in other payables are:

(i) Additional investment of $8.6 million (2018: $21.6 million) in Renshoutang (see note 7); and

(ii) Retention sums of $17.1 million (2018: $13.4 million).

The Group and the Company's exposures to liquidity and market risks relating to trade and other payables are disclosed in note 26.

NOTES TO THE FINANCIAL STATEMENTS

17 DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Movements in deferred tax liabilities during the year are as follows:

	Balance as at 1/1/2018 $'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	81,373	77,185	1,753	(4,145)	156,166

	Balance as at 1/1/2019 $'000	Recognised in profit or loss (note 24) $'000	Acquisition of subsidiaries (note 28) $'000	Foreign exchange differences $'000	Balance as at 31/12/2019 $'000
Group					
Investment properties	156,166	10,405	–	(4,835)	161,736

Unrecognised deferred tax liabilities

At 31 December 2019, a deferred tax liability of $2.1 million (2018: $1.5 million) for temporary differences of $41.5 million (2018: $30.9 million) related to investments in subsidiaries 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 2019 $'000	Group 2018 $'000
Tax losses	36,712	23,081

Tax losses with expiry dates are as follows:

	Group 2019 $'000	Group 2018 $'000
Within 5 years	9,842	11,883

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	
	2019 Number of shares '000	2018 Number of shares '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)	(3,435)
In issue at end of the year, excluding treasury shares	1,661,709	1,661,709

(a) All issued ordinary shares (excluding treasury shares) are fully paid, with no par value. All shares rank equally with regards 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.

(c) Movement in the Company's treasury shares was as follows:

	Ordinary shares	
	2019 Number of shares '000	2018 Number of shares '000
Company		
At beginning of the year	3,435	1,169
Purchase of treasury shares	–	2,266
At end of the year	3,435	3,435

19 RESERVES

Other reserves

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Capital reserve	440,441	440,441	–	–
Fair value reserve	–	11,179	–	10,825
Equity compensation reserve	12,512	9,005	12,609	9,124
Statutory reserve	2,729	2,102	–	–
Reserve for own shares	(2,977)	(2,977)	(2,977)	(2,977)
	452,705	459,750	9,632	16,972

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.

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).

19 RESERVES (continued)

Other reserves (continued)

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 2019, the Group held 3,435,000 (2018: 3,435,000) 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.

Dividends

The Board of Directors of the Company has proposed a tax-exempt ordinary dividend of 0.2 Singapore cents per share in respect of the financial year ended 31 December 2019. This would translate to a payout of approximately $3.3 million based on the number of issued shares (excluding treasury shares) as at 31 December 2019. 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 2019.

For the financial year ended 31 December 2018, a tax-exempt ordinary dividend of 0.4 Singapore cent per share was approved at the annual general meeting held on 25 April 2019. The said dividends of $6.6 million were paid in May 2019.

20 NON-CONTROLLING INTERESTS

The following subsidiaries have non-controlling interests ("NCI") that are material to the Group:

Name of subsidiaries	Country of incorporation	Ownership interests held by NCI	
		2019 %	2018 %
Chengdu Ruifeng Real Estate Development Co., Ltd. ("Chengdu Ruifeng")	PRC	20.0	20.0
Xi'an Perennial Cheng Tou West Real Estate Co., Ltd. ("Xi'an West")	PRC	49.0	49.0
Xi'an Perennial Cheng Tou East Real Estate Co., Ltd. ("Xi'an East")	PRC	34.3	34.3(1)
Perennial (CHIJMES) Pte. Ltd. and its subsidiaries ("Perennial CHIJMES")	Singapore	48.4	48.4
Perennial Tongzhou Development Pte. Ltd. and its subsidiaries ("Perennial Tongzhou Development")	Singapore	47.4	47.4
Perennial Hengqin Investment Group Pte. Ltd. ("Perennial Hengqin")	Singapore	33.3	33.3
Perennial UW Pte. Ltd. ("Perennial UW")	Singapore	27.8	27.8

(1) In 2018, the Group acquired additional 14.7% equity interest in Xi'an East from a non-controlling shareholder.

20 NON-CONTROLLING INTERESTS (continued)

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 2019									
Revenue	14,943	–	–	14,509	–	–	–		
Profit/(Loss) after tax	8,696	7,724	(267)	252	5,193	1,972	(23,778)		
OCI	(13,066)	(11,008)	(5,421)	–	(36,544)	(2,763)	–		
Total comprehensive income	(4,370)	(3,284)	(5,688)	252	(31,351)	(791)	(23,778)		
Attributable to NCI:									
– Profit/(Loss) after tax	1,739	3,785	(92)	122	1,877	649	(6,605)	150	1,625
– OCI	(3,098)	(5,394)	(1,859)	–	(21,926)	(921)	–	(2,306)	(35,504)
Total comprehensive income	(1,359)	(1,609)	(1,951)	122	(20,049)	(272)	(6,605)	(2,156)	(33,879)
Non-current assets	766,517	246,128	64	335,568	1,455,628	164,256	–		
Current assets	35,623	169,019	181,022	7,832	522,803	54	202,710		
Non-current liabilities	(194,165)	(23,103)	–	(259,825)	(518,157)	(22,469)	–		
Current liabilities	(92,325)	(17,065)	(1,275)	(4,916)	(240,900)	(44,942)	(7)		
Net assets	515,650	374,979	179,811	78,659	1,219,374	96,899	202,703		
Net assets attributable to NCI	103,130	183,740	61,675	38,060	730,828	32,300	56,306	13,128	1,219,167
Cash flows from operating activities	(9,870)	(7,263)	(1,551)	9,744	(10,173)	(8)	(7)		
Cash flows from investing activities	(3,648)	(4,027)	33	(1,492)	(21,289)	–	4,563		
Cash flows from financing activities	13,302	15,454	69	(8,335)	34,005	–	(4,563)		
Net increase/(decrease) in cash and cash equivalents	(216)	4,164	(1,449)	(83)	2,543	(8)	(7)		
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	513,977	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)	(282,904)	(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)		

NOTES TO THE FINANCIAL STATEMENTS

21 REVENUE

	Group 2019 $'000	Group 2018 $'000
Revenue from sale of development properties	9,716	–
Revenue from hotel operations	18,991	1,501
Revenue from real estate management services	18,971	14,256
	47,678	15,757
Property rental and related income	76,543	62,504
	124,221	78,261

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by timing of revenue recognition.

	Group					
	2019			2018		
	Point in time $'000	Over time $'000	Total $'000	Point in time $'000	Over time $'000	Total $'000
Revenue from sale of development properties	9,716	–	9,716	–	–	–
Revenue from hotel operations	18,991	–	18,991	1,501	–	1,501
Revenue from real estate management services	4,414	14,557	18,971	3,327	10,929	14,256
	33,121	14,557	47,678	4,828	10,929	15,757

22 OTHER INCOME

	Group 2019 $'000	Group 2018 $'000
Change in fair value of investment properties	48,242	309,077
Re-measurement to fair value of pre-existing equity interest in a subsidiary	–	13,884
Others	3,651	4,487
	51,893	327,448

23 NET FINANCE COSTS

	Group 2019 $'000	Group 2018 $'000
Interest income on loans to associates and joint ventures	4,674	4,884
Interest income on junior bonds of associates	10,614	5,178
Interest income on bank deposits	439	2,449
Finance income	15,727	12,511
Interest expense on financial liabilities measured at amortised cost	140,738	123,947
Less: Borrowing costs capitalised in:		
– investment properties	(11,574)	(23,142)
– development properties	(4,732)	(3,894)
Finance costs	124,432	96,911
Net finance costs recognised in profit or loss	108,705	84,400

24 TAX EXPENSE

	Note	Group 2019 $'000	Group 2018 $'000
Current tax expense			
Current year		11,945	4,992
Changes in estimates related to prior years		(528)	125
		11,417	5,117
Deferred tax expense			
Origination and reversal of temporary differences		10,563	77,185
Changes in estimates related to prior years		(158)	–
	17	10,405	77,185
Total tax expense		21,822	82,302

Reconciliation of effective tax rate

	Group 2019 $'000	Group 2018 $'000
Profit before tax	27,279	291,807
Less: Share of results of associates and joint ventures, net of tax	(80,919)	(56,279)
	(53,640)	235,528
Tax using Singapore tax rate of 17% (2018: 17%)	(9,119)	40,040
Effect of tax rates in foreign jurisdictions	13,161	25,327
Non-deductible expenses	23,964	15,060
Tax exempt income	(7,938)	(2,777)
Current year losses for which no deferred tax asset was recognised	2,317	5,029
Changes in estimates related to prior years	(686)	125
Others	123	(502)
	21,822	82,302

25 PROFIT FOR THE YEAR

The following items have been included in arriving at profit for the year:

	Group 2019 $'000	Group 2018 $'000
Audit fees paid/payable to:		
– auditors of the Company	774	716
– other auditors	55	66
Direct operating expenses arising from rental of investment properties	42,595	33,718
Depreciation and amortisation expense	16,450	7,288
Employee benefits expense (see below)	43,029	33,209
Loss on disposal of associates	15,233	–
Employee benefits expense		
Salaries, bonuses and other costs	35,593	27,446
Contributions to defined contribution plans	3,951	2,834
Equity-settled share-based payment transactions	3,485	2,929
	43,029	33,209

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 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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
By geographical areas				
Singapore	58,421	46,722	186,775	148,891
PRC	194,730	136,960	–	–
Malaysia	67,149	14,329	–	–
Others	2,537	4,395	–	–
	322,837	202,406	186,775	148,891
By type of counterparty				
Related parties	230,928	137,293	181,013	146,327
Non-related parties	91,909	65,113	5,762	2,564
	322,837	202,406	186,775	148,891

As at 31 December 2019, the Group's most significant counterparties, two associates, two joint ventures and three non-controlling interests (2018: an associate, two joint ventures, a non-controlling interests and a related corporation), account for $205.4 million (2018: $114.9 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.

26 FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Expected credit loss assessment

Trade receivables

The Group uses an allowance matrix to measure the ECLs of trade receivables.

Loss rates are based on 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 historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECLs for trade receivables:

	Group		Company	
	Gross carrying amount $'000	Impairment loss allowance $'000	Gross carrying amount $'000	Impairment loss allowance $'000
2019				
Current (not past due)	23,707	–	137	–
1 – 30 days past due	2,495	–	–	–
31 – 60 days past due	491	–	–	–
61 – 90 days past due	695	(194)	21,787	–
	27,388	(194)	21,924	–
2018				
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	–

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	
	2019 $'000	2018 $'000
Balance at 1 January	58	663
Impairment loss recognised	169	–
Amounts written off	(33)	(605)
Balance at 31 December	194	58

Other receivables

The Group assesses on a forward-looking basis for 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 counterparties has not increased.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Expected credit loss assessment (continued)

Amounts due from subsidiaries, associates, joint ventures, related corporation, affiliated company and non-controlling interests

These balances are amounts lent to related parties to satisfy short term funding requirements. The Group and the Company use an approach that is based on an assessment of qualitative and quantitative factors that are indicative of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections, if available, and applying experienced credit judgement). There is no significant increase in credit risk for these exposures. Therefore impairment on these balances has been measured on the 12 month expected credit loss basis; and the amount of the allowance is insignificant.

Guarantees

At the reporting date, the Company has issued a guarantee to certain banks in respect of credit facilities granted to subsidiaries, an associate and a joint venture (see note 30). These guarantees are subject to the impairment assessment under SFRS(I) 9. The Company has assessed that these subsidiaries, associate and joint venture have strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses from these guarantees. The Company's assessment is based on qualitative and quantitative factors that are indicative of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections, if available, and applying experienced credit judgement).

Cash and cash equivalents

The Group and Company held cash and cash equivalents of $119.8 million and $0.8 million respectively at 31 December 2019 (2018: $76.9 million and $4.6 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 regards to its investment properties under development, development properties and investments in joint ventures (see note 34).

As at 31 December 2019, the Group has approximately $133.0 million available bank facilities. The Group had put in place a $2 billion multicurrency debt issuance programme established on 22 January 2015 (see note 13). As at 31 December 2019, 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, refinance its existing borrowing obligations or divest its assets as part of its capital recycling strategy.

26 FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

		Cash flows			
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	2 to 5 years $'000	More than 5 years $'000
Group					
31 December 2019					
Non-derivative financial liabilities					
Loans and borrowings	2,968,618	(3,159,846)	(1,388,612)	(1,634,235)	(136,999)
Junior bonds	30,000	(36,575)	(1,300)	(5,204)	(30,071)
Lease liabilities	894	(916)	(733)	(183)	–
Trade and other payables[(1)]	523,641	(531,773)	(379,673)	(150,654)	(1,446)
	3,523,153	(3,729,110)	(1,770,318)	(1,790,276)	(168,516)
31 December 2018					
Non-derivative financial liabilities					
Loans and borrowings	2,938,062	(3,163,564)	(812,899)	(2,325,303)	(25,362)
Junior bonds	30,000	(31,283)	(1,219)	(30,064)	–
Trade and other payables[(1)]	556,772	(556,966)	(548,231)	(6,996)	(1,739)
	3,524,834	(3,751,813)	(1,362,349)	(2,362,363)	(27,101)

(1) Excludes advanced rental received.

		Cash flows		
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	2 to 5 years $'000
Company				
31 December 2019				
Non-derivative financial liabilities				
Loans and borrowings	579,429	(596,107)	(475,940)	(120,167)
Trade and other payables	12,847	(12,847)	(12,847)	–
	592,276	(608,954)	(488,787)	(120,167)
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)

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 facilities and debt securities drawn by its subsidiaries, an associate and a joint venture of $1,303.1 million (2018: $1,323.4 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. See note 30 for further information.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL INSTRUMENTS (continued)

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.

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:

	USD $'000	RMB $'000	MYR $'000
Group			
31 December 2019			
Cash and cash equivalents	13,656	29	–
Trade and other receivables	11,684	3,507	67,159
Trade and other payables	(7,793)	(41,285)	–
	17,547	(37,749)	67,159
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

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	
	2019 $'000	2018 $'000
USD (5% strengthening)	877	560
RMB (5% strengthening)	(1,887)	(1,948)
MYR (5% strengthening)	3,358	719
USD (5% weakening)	(877)	(560)
RMB (5% weakening)	1,887	1,948
MYR (5% weakening)	(3,358)	(719)

26 FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

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.

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		Company Nominal amount	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
Fixed rate instruments					
Cash and cash equivalents	12	41,967	8,662	–	–
Loans and borrowings	13	(680,000)	(805,000)	(580,000)	(580,000)
Lease liabilities	33	(894)	–	–	–
		(638,927)	(796,338)	(580,000)	(580,000)
Variable rate instruments					
Loans to subsidiaries	32	–	–	498,137	485,641
Interest in associates – Junior bonds	7	118,620	118,620	–	–
Cash and cash equivalents	12	77,841	68,194	785	4,582
Loans and borrowings	13	(2,295,914)	(2,143,459)	–	(37,291)
Junior bonds	14	(30,000)	(30,000)	–	–
		(2,129,453)	(1,986,645)	498,922	452,932

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 $2.1 million (2018: $2.0 million) and $0.5 million (2018: $0.5 million) for the Group and the Company respectively. 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. 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 in 2018. If the prices of the investments were to increase/decrease by 10% at 31 December 2018, fair value reserve would increase/decrease by approximately $7.3 million.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL INSTRUMENTS (continued)

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.

Following the adoption of SFRS(I) 16 Leases, the recognition of right-of-use assets and lease liabilities on 1 January 2019 (see note 3.5) has no significant impact to the net debt to adjusted equity of the Group.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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. For the current year, the fair value disclosure of lease liabilities is not required.

		Carrying amount			Fair value			
Group	Note	Amortised cost $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2019								
Financial assets not measured at fair value								
Loans to associates and joint ventures	7	175,870	–	175,870				
Interest in associates								
– Junior bonds	7	118,620	–	118,620				
– Redeemable preference shares	7	28,682	–	28,682				
Trade and other receivables[1]	10	322,837	–	322,837				
Cash and cash equivalents	12	119,808	–	119,808				
		765,817	–	765,817				
Financial liabilities not measured at fair value								
Loans and borrowings								
– Secured and unsecured bank loans	13	–	(2,289,261)	(2,289,261)				
– Medium term notes	13	–	(399,455)	(399,455)	–	(388,531)	–	(388,531)
– Retail bonds	13	–	(279,902)	(279,902)	(278,029)	–	–	(278,029)
Junior bonds	14	–	(30,000)	(30,000)	–	–	(30,000)	(30,000)
Lease liabilities	33	–	(894)	(894)				
Trade and other payables[2]	16	–	(507,604)	(507,604)				
Security deposits	16	–	(16,037)	(16,037)	–	–	(13,578)	(13,578)
		–	(3,523,153)	(3,523,153)				

26 FINANCIAL INSTRUMENTS (continued)

Accounting classifications and fair values (continued)

Group	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	9	–	72,510	–	72,510	72,510	–	–	72,510
Financial assets not measured at fair value									
Loans to associates and joint ventures	7	88,585	–	–	88,585				
Interest in associates									
– Junior bonds	7	118,620	–	–	118,620				
– Redeemable preference shares	7	28,682	–	–	28,682				
Trade and other receivables[1]	10	202,406	–	–	202,406				
Cash and cash equivalents	12	76,856	–	–	76,856				
		515,149	–	–	515,149				
Financial liabilities not measured at fair value									
Loans and borrowings									
– Secured and unsecured bank loans	13	–	–	(2,134,941)	(2,134,941)				
– Medium term notes	13	–	–	(523,511)	(523,511)	–	(516,655)	–	(516,655)
– Retail bonds	13	–	–	(279,610)	(279,610)	(275,052)	–	–	(275,052)
Junior bonds	14	–	–	(30,000)	(30,000)	–	–	(30,000)	(30,000)
Trade and other payables[2]	16	–	–	(542,319)	(542,319)				
Security deposits	16	–	–	(14,453)	(14,453)	–	–	(12,870)	(12,870)
		–	–	(3,524,834)	(3,524,834)				

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

26 FINANCIAL INSTRUMENTS (continued)

Accounting classifications and fair values (continued)

Company	Note	Carrying amount: Amortised cost $'000	Carrying amount: Other financial liabilities $'000	Carrying amount: Total $'000	Fair value: Level 1 $'000	Fair value: Level 2 $'000	Fair value: Level 3 $'000	Fair value: Total $'000
31 December 2019								
Financial assets not measured at fair value								
Loans to subsidiaries	32	1,815,343	–	1,815,343				
Trade and other receivables(1)	10	186,775	–	186,775				
Cash and cash equivalents	12	785	–	785				
		2,002,903	–	2,002,903				
Financial liabilities not measured at fair value								
Loans and borrowings								
– Medium term notes	13	–	(299,527)	(299,527)	–	(290,838)	–	(290,838)
– Retail bonds	13	–	(279,902)	(279,902)	(278,029)	–	–	(278,029)
Trade and other payables	16	–	(12,847)	(12,847)				
		–	(592,276)	(592,276)				

Company	Note	Carrying amount: Amortised cost $'000	Carrying amount: FVOCI – equity instruments $'000	Carrying amount: Other financial liabilities $'000	Carrying amount: Total $'000	Fair value: Level 1 $'000	Fair value: Level 2 $'000	Fair value: Level 3 $'000	Fair value: Total $'000
31 December 2018									
Financial assets measured at fair value									
Other financial assets	9	–	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)	10	148,891	–	–	148,891				
Cash and cash equivalents	12	4,582	–	–	4,582				
		1,956,320	–	–	1,956,320				
Financial liabilities not measured at fair value									
Loans and borrowings									
– Secured bank loans	13	–	–	(36,741)	(36,741)				
– Medium term notes	13	–	–	(298,777)	(298,777)	–	(294,815)	–	(294,815)
– Retail bonds	13	–	–	(279,610)	(279,610)	(275,052)	–	–	(275,052)
Trade and other payables	16	–	–	(12,754)	(12,754)				
		–	–	(627,882)	(627,882)				

(1) Excludes prepayments
(2) Excludes security deposit and advanced rental received

26 FINANCIAL INSTRUMENTS (continued)

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 and junior bonds	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 is 3.96% (2018: 2.73% – 3.76 %).

(ii) Transfers between the levels

There were no transfers between the levels during the year.

27 EARNINGS PER SHARE

	Group	
	2019	2018
Earnings per share (cents)		
Basic	0.23	4.70
Diluted	0.23	4.70

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	
	2019 $'000	2018 $'000
Profit for the year attributable to owners of the Company	3,832	78,055

Weighted-average number of ordinary shares

	Group	
	2019 Number of shares '000	2018 Number of shares '000
Weighted-average number of ordinary shares in issue during the year	1,661,709	1,662,312
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	1,661,709	1,662,312

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 2019, 72,465,500 (2018: 56,540,000) share options were excluded from the diluted weighted-average number of ordinary shares calculation as their effect would have been anti-dilutive.

28 ACQUISITION 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

In 2018, 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	5	8,195
Investment properties	6	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% 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.

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.

Information about reportable segments

	Singapore $'000	China $'000	Management businesses $'000	Corporate and others $'000	Eliminations $'000	Total $'000
31 December 2019						
Revenue:						
Sales to external customers	56,225	50,902	17,022	72	–	124,221
Inter-segment	–	–	14,775	12,040	(26,815)	–
Total revenue	56,225	50,902	31,797	12,112	(26,815)	124,221
Results:						
Segment results	(14,184)	77,900	14,668	(5,864)	(17,455)	55,065
Share of results of associates and joint ventures, net of tax	22,105	59,208	–	(394)	–	80,919
Net finance cost	(39,943)	(61,062)	234	(9,395)	1,461	(108,705)
Profit before tax						27,279
Tax expense						(21,822)
Profit for the year						5,457
Assets and liabilities:						
Segment assets	1,473,433	3,707,990	290,241	4,511,319	(4,688,015)	5,294,968
Associates and joint ventures	364,978	1,867,842	–	21,649	–	2,254,469
Unallocated assets						5,642
Total assets						7,555,079
Segment liabilities	1,712,281	3,161,818	350,707	765,677	(3,409,839)	2,580,644
Unallocated liabilities						1,122,834
Total liabilities						3,703,478
Capital expenditure	23,685	87,393	210	20	–	111,308

NOTES TO THE FINANCIAL STATEMENTS

29 OPERATING SEGMENTS (continued)

Information about reportable segments (continued)

	Singapore $'000	China $'000	Management businesses $'000	Corporate and others $'000	Eliminations $'000	Total $'000
31 December 2018						
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

The Group initially applied SFRS(I)16 on 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases (see note 3.5). As a result, the Group recognised $1,466,000 of right-of-use assets and $1,579,000 of liabilities from those lease contracts. The assets and liabilities are included in the Management Businesses segments as at 31 December 2019. The Group has applied SFRS(I) 16 using the modified retrospective approach, under which comparative information is not restated (see note 3.5).

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 debt securities drawn by subsidiaries, an associate and a joint venture. The maximum exposure of the Company is $1,303.1 million (2018: $1,323.4 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	
	2019 $'000	2018 $'000
Within one year	827,367	744,327
Between one and five years	475,755	579,112
	1,303,122	1,323,439

31 RELATED PARTIES

Key management personnel remuneration

Key management personnel compensation comprised:

	Group	
	2019 $'000	2018 $'000
Salaries, bonuses and other costs	4,176	4,755
Contributions to defined contribution plans	97	94
Share-based payments	1,617	925
Directors' fees	420	420
	6,310	6,194

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	
	2019 $'000	2018 $'000
Associates and joint ventures		
Acquisition fee	1,030	1,274
Divestment fee income	1,271	171
Leasing fee income	2,048	1,886
Property and asset management fee income	10,649	10,051
Project management fee income	192	684

32 SUBSIDIARIES

	Company	
	2019 $'000	2018 $'000
Equity investments, at cost	834,752	834,504
Loans to subsidiaries:		
– Interest-bearing	498,137	485,641
– Interest-free	1,317,206	1,317,206
	2,650,095	2,637,351

The loans are unsecured, bear interest rates ranging from 3.02% – 6.51% (2018: 2.13% – 6.51%) per annum and are not expected to be repaid within the next twelve months from 31 December 2019.

As at 31 December 2019, the shares in certain subsidiaries were pledged as security for loans and borrowings (see note 13).

NOTES TO THE FINANCIAL STATEMENTS

32 SUBSIDIARIES (continued)

Name of subsidiaries	Country of incorporation	Ownership interests 2019 %	Ownership interests 2018 %
Directly held by the Company			
Perennial Treasury Pte. Ltd.[1]	Singapore	100.0	100.0
Perennial China Retail Trust[1][4]	Singapore	100.0	100.0
Perennial China Investment Holdings Pte. Ltd[1]	Singapore	100.0	100.0
Perennial Singapore Investment Holdings Pte. Ltd.[1]	Singapore	100.0	100.0
Perennial Management Investment Holdings Pte. Ltd.[1]	Singapore	100.0	100.0
Perennial EM Holdings Pte. Ltd.[1]	Singapore	100.0	100.0
Perennial Healthcare Pte. Ltd.[1]	Singapore	100.0	100.0
Directly or indirectly held by Perennial China Retail Trust			
Perennial China Retail Pte. Ltd.[1]	Singapore	100.0	100.0
Shenyang Retail 1 (BVI) Limited[2]	British Virgin Islands ("BVI")	100.0	100.0
Shenyang Retail 2 (BVI) Limited[2]	BVI	100.0	100.0
Perennial (Chengdu) Industries Co., Ltd.[1]	PRC	100.0	100.0
Perennial Foshan Retail Co., Ltd.[1]	PRC	100.0	100.0
Chengdu Ruifeng Real Estate Development Co., Ltd.[1]	PRC	80.0	80.0
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
Xi'an Perennial Cheng Tou West Real Estate Co., Ltd.[1]	PRC	51.0	51.0
Perennial Xi'an Development Holding 2 Pte. Ltd.[1]	Singapore	100.0	100.0
Xi'an Perennial Cheng Tou East Real Estate Co., Ltd.[1]	PRC	65.7	65.7
Perennial Hengqin Investment Pte. Ltd.[1]	Singapore	100.0	100.0
Perennial Hengqin Investment Group Pte. Ltd.[1]	Singapore	66.7	66.7
Perennial Tongzhou Development Pte. Ltd.[1][5]	Singapore	52.6	52.6
Perennial Mei Rong Jia 1 Real Estate (Beijing) Company Limited[1]	PRC	76.0	76.0
Perennial Mei Rong Jia 2 Real Estate (Beijing) Company Limited[1]	PRC	76.0	76.0
Perennial Mei Rong Jia 3 Real Estate (Beijing) Company Limited[1]	PRC	76.0	76.0
Perennial Chenghua C Pte. Ltd.[1]	Singapore	100.0	100.0
Perennial Chenghua D Pte. Ltd.[1]	Singapore	100.0	100.0
PRE 2 Investments Pte. Ltd.[1]	Singapore	100.0	100.0
Guangdong Pengxiang Management Co., Ltd.[2]	PRC	70.0	70.0
Peng Xi (Beijing) Eldercare Co. Ltd.[2]	PRC	100.0	100.0

32 SUBSIDIARIES (continued)

Name of subsidiaries	Country of incorporation	Ownership interests 2019 %	Ownership interests 2018 %
Directly or indirectly held by Perennial Singapore Investment Holdings Pte. Ltd.			
Perennial (CHIJMES) Pte. Ltd.[1]	Singapore	51.6	51.6
PRE 8 Investments Pte. Ltd.[1]	Singapore	51.6	51.6
Perennial (Capitol) Pte. Ltd.[1]	Singapore	100.0	100.0
New Capitol Pte. Ltd.[1]	Singapore	100.0	100.0
Capitol Singapore[1]	Singapore	100.0	100.0
Perennial TYN Investment Pte. Ltd.[1]	Singapore	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	100.0
Directly or indirectly held by Perennial Management Investment Holdings Pte. Ltd.			
Perennial Real Estate Pte. Ltd.[1]	Singapore	100.0	100.0
Perennial China Retail Trust Management Pte. Ltd.[1]	Singapore	100.0	100.0
Perennial (Singapore) Asset Management Pte. Ltd.[1]	Singapore	100.0	100.0
Perennial (Singapore) Retail Management Pte. Ltd.[1]	Singapore	100.0	100.0
Perennial (China) Retail Management Pte. Ltd.[1]	Singapore	100.0	100.0
Perennial (Shanghai) Retail Management Co., Ltd.[3]	PRC	100.0	100.0
Perennial Qiaojian (Guangzhou) Management Co., Ltd.[2]	PRC	70.0	70.0
Perennial Healthcare Real Estate Management Pte. Ltd.[1]	Singapore	90.0	100.0
Directly or indirectly held by Perennial EM Holdings Pte. Ltd.			
Skillplus Investments Ltd.[2]	BVI	55.0	55.0
Perennial Ghana Development Ltd.[3]	Ghana	100.0	100.0
Perennial Penang Pte. Ltd.[1]	Singapore	100.0	100.0
Perennial SL Pte. Ltd.[1]	Singapore	100.0	100.0
Perennial BSL Pte. Ltd.[1]	Singapore	100.0	100.0
Perennial MTP Pte. Ltd.[1]	Singapore	100.0	–
Perennial CBL Pte. Ltd.[1]	Singapore	100.0	–
Directly or indirectly held by Perennial Healthcare Pte. Ltd.			
Chengdu Penghong Management Co., Ltd.[2]	PRC	100.0	100.0
Chengdu Pengyi Management Co., Ltd.[3]	PRC	100.0	100.0
Perennial (Shanghai) Health Management Co., Ltd.[2]	PRC	100.0	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 year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

33 LEASES

Leases as lessee (SFRS(I) 16)

The Group leases office premises. The leases typically run for a period of 3 years, with an option to renew the lease after that date. Lease payments are renegotiated at renewal to reflect market rentals. Previously, the leases were classified as operating leases under SFRS(I) 1-17.

The Group also leases certain equipment, which are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 5).

	Land and buildings $'000
Group	
At 1 January 2018 and 31 December 2018	–
Recognition of right-of-use assets on initial application of SFRS(I) 16	1,466
Adjusted balance at 1 January 2019	1,466
Depreciation charge for the year	(652)
At 31 December 2018	814

Lease liabilities

	Group	
	2019 $'000	2018 $'000
Non-current liabilities		
Lease liabilities	182	–
Current liabilities		
Lease liabilities	712	–
	894	–

Terms and debt repayment schedule

Terms and conditions of outstanding lease liabilities are as follows:

Group	Currency	Nominal interest rate per annum %	Year of maturity	Face value		Carrying amount	
				2019 $'000	2018 $'000	2019 $'000	2018 $'000
Lease liabilities	SGD	3.78	2021	916	–	894	–

The Group's exposures to liquidity and interest rate risks related to lease liabilities are disclosed in note 26.

33 LEASES (continued)

Amounts recognised in consolidated statement of profit or loss

	$'000
2019 – Leases under SFRS(I) 16	
Interest on lease liabilities	48
Expenses relating to short-term leases and leases of low-value assets	486
2018 – Operating leases under SFRS(I) 1-17	
Lease expense	847

Amounts recognised in consolidated statement of cash flows

	2019 $'000
Total cash outflow for leases	733

Extension options

The property leases contain extension options exercisable by the Group. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $2.1 million.

Leases as lessor

The Group leases out its investment properties consisting of its owned commercial properties (see note 6). All leases are classified as operating leases from a lessor perspective.

Operating lease

The Group leases out its investment properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 6 sets out information about the operating leases of investment property.

Rental income from investment property recognised by the Group during 2019 was $76,543,000 (2018: $62,504,000).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	$'000
2019 – Operating leases under SFRS(I) 16	
Less than one year	64,972
One to two years	53,120
Two to three years	41,576
Three to four years	33,744
Four to five years	31,338
More than five years	150,023
Total	374,773
2018 – Operating leases under SFRS(I) 1-17	
Less than one year	51,304
Between one and five years	131,866
More than five years	170,599
Total	353,769

NOTES TO THE FINANCIAL STATEMENTS

34 COMMITMENTS

At the reporting date, the Group has the following commitments in respect of:

		Group 2019 $'000	Group 2018 $'000
(a)	capital and development expenditures contracted but not provided for	930,448	825,091
(b)	capital contributions in joint ventures	235,095	257,634
		1,165,543	1,082,725

As at 31 December 2018, the Group had a call option to acquire a 20% equity interest in Aroland Holdings Limited. The call option which was exercisable upon confirmation of the execution of redevelopment plans by its owners had expired on 31 July 2019.

35 EVENTS OCCURRING AFTER THE REPORTING DATE

(i) On 31 January 2020, the Group entered into a joint venture to invest in a mixed-used development in Colombo, Sri Lanka. Total expected capital contribution by the Group for the joint venture is USD17.5 million (approximately $23.6 million).

(ii) On 26 February 2020, the Group entered into a sale and purchase agreement for the acquisition of an additional 14.7% shares in Xi'an Perennial Cheng Tou West Real Estate Co., Ltd for a consideration of RMB190 million (approximately $36.7 million).

(iii) On 4 March 2020, the Group granted options to employees of the Group to subscribe for a total of 19,010,500 shares at $0.50 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.

(iv) On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the Group's 31 December 2019 financial statements, the COVID-19 outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Group cannot reasonably estimate the impact these events will have on the Group's financial position, results of operations or cash flows in the future.

(v) On 16 April 2020, the Group has entered a sale and purchase agreement to dispose its 30% equity interests in Perennial Somerset Investors Pte. Ltd. and its subsidiaries ("Perennial Somerset") for a total cash consideration of $155.1 million.

(vi) In 2018, TYN Investment Pte. Ltd. ("TYN Investment"), a subsidiary of a joint venture of the Company, was served with a writ of summons by Griffin Real Estate Investment Holdings Pte. Ltd. (In Liquidation) ("GREIH") for wrongful receipt of S$14.3 million from GREIH prior to TYN Investment being acquired by the Company, through a joint venture, TYN Investment Group Pte. Ltd. ("TYN Group"). TYN Group is owned in equal proportions by Perennial TYN Investment Pte. Ltd., a subsidiary of the Company and Charles Quay International Pte. Ltd.

In 2019, TYN Group commenced a claim for conspiracy against GREIH and Mr Ong Siew Kwee, a former director of both TYN Investment and GREIH, in connection with TYN Group's acquisition of TYN Investment (the "Acquisition") from ERC Holdings Pte. Ltd. ("ERC Holdings"), the former holding company of TYN Investment. TYN Group also commenced arbitration proceedings against ERC Holdings in connection with the Acquisition.

On 9 April 2020, GREIH, TYN Group and TYN Investment agreed to an amicable resolution of the claims between them on terms that: (i) TYN Investment is to pay GREIH an agreed sum; (ii) GREIH is to discontinue its claim against TYN Investment; (iii) TYN Group is to discontinue its claim against GREIH and (iv) parties are to maintain confidentiality of the settlement terms.

On 6 May 2020, TYN Investment has made payment to GREIH of the agreed sum.

(vii) On 6 May 2020, Perennial Shenton Investors Pte. Ltd. ("PSI"), an associate of the Group entered into a share purchase agreement to dispose its 50% equity interest in its subsidiary, Perennial Shenton Holdings Pte. Ltd. ("PSH") to an external party. Concurrently, PSI also entered into another share purchase agreement to dispose its remaining 50% equity interest in PSH to PRE 13 Pte. Ltd. ("PRE 13"), which the Group will reinvest 20% equity interest in it. Arising from these transactions, the Group will hold an effective interest of 10% in PSH and the net proceeds shared by the Group after the reinvestment into PRE 13 will be approximately $137.6 million.

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				
Name of Interested Person	Nature of Relationship		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
Wilmar International Limited ("WIL") and its associates	Controlling shareholder and its associates	Entry into joint venture with Pyramid Lanka (Private) Limited	1,490	–
		Purchase of information technology ("IT") services relating to eldercare management software development from Wilmar (Shanghai) IT Services Co., Ltd.	890	–
		Purchase of IT services, including IT support services and business applications such as employee expense management system, from WIL	86	–

(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

	Eugene Paul Lai Chin Look	Chua Phuay Hee
Date of Appointment	27 October 2014	27 October 2014
Date of last re-appointment (if applicable)	28 April 2017	28 April 2017
Age	56	66
Country of principal residence	Singapore	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 Lai 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 Chua 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
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Non-Executive Director, Chairman of Remuneration Committee, Member of Audit and Risk Committee and Nomination Committee	Independent Non-Executive Director and Member of Audit and Risk Committee
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 • MCS (cum laude), Biblical Graduate School of Theology, Singapore	• Master of Science (Actuarial Science), Northeastern University, United States of America • Bachelor of Science in Mathematics (First Class Honours), Nanyang University, Singapore
Working experience and occupation(s) during the past 10 years	**2007 to Present** Managing Director and Co-Managing Partner of Southern Capital Group	**2006 to 2011** Executive Director for Finance, Risk Management, IT and Corporate Services of Wilmar International Limited
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
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	No	No
Conflict of interest (including any competing business)	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
Other Principal Commitments* Including Directorships * "Principal Commitments" has the same meaning as defined in the Code of Corporate Governance 2018.	**Past (for the last 5 years)** • Director of AIMS AMP Capital Industrial REIT Management Limited (presently known as AIMS APAC REIT Management Limited, manager of AIMS AMP Capital Industrial Real Estate Investment Trust (presently known as AIMS APAC REIT) **Present** • Managing Director and Co-Managing Partner of Southern Capital Group	**Past (for the last 5 years)** • Director of Armada Holdings Limited (presently known as Great Wall Pan Asia Holdings Limited) listed on the Stock Exchange of Hong Kong • Director of Industrial Bank Co., Ltd. listed on Shanghai Stock Exchange **Present** • Director of Frasers Hospitality Asset Management Pte Ltd, manager of Frasers Hospitality Real Estate Investment Trust • Director of Frasers Hospitality Trust Management Pte Ltd, manager of Frasers Hospitality Business Trust • Director of Temasek Life Sciences Laboratory Limited • Director of Lu International (Singapore) Financial Asset Exchange Pte Ltd • Director of Yihai Kerry Arawana Oils, Grains & Foods Co., Ltd

DIRECTORS SEEKING RE-ELECTION

	Eugene Paul Lai Chin Look	Chua Phuay Hee
Information Required Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other office of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

STATISTICS OF SHAREHOLDINGS

As at 4 May 2020

Number of Shares (excluding treasury shares)	:	1,661,709,368
Number of Shareholders	:	5,874
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	554	9.43	21,432	0.00
100 – 1,000	679	11.56	334,648	0.02
1,001 – 10,000	2,762	47.02	12,470,460	0.75
10,001 – 1,000,000	1,849	31.48	89,342,343	5.38
1,000,001 and above	30	0.51	1,559,540,485	93.85
Total	5,874	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	235,082,204	14.15
3	DB Nominees (Singapore) Pte Ltd	202,129,336	12.16
4	United Overseas Bank Nominees (Private) Limited	135,800,586	8.17
5	DBS Nominees (Private) Limited	124,214,204	7.48
6	HSBC (Singapore) Nominees Pte Ltd	121,721,091	7.33
7	Raffles Nominees (Pte.) Limited	116,448,651	7.01
8	DBSN Services Pte. Ltd.	101,758,100	6.12
9	OCBC Securities Private Limited	64,512,350	3.88
10	PSG Holdings Pte Ltd**	33,323,170	2.01
11	BNP Paribas Nominees Singapore Pte. Ltd.	30,499,423	1.84
12	Longhlin Asia Limited	11,747,349	0.71
13	DBS Vickers Securities (Singapore) Pte Ltd	8,840,358	0.53
14	Pua Seck Guan***	7,423,668	0.45
15	Hong Lee Holdings (Pte) Ltd	5,873,412	0.35
16	Toh Tiong Wah	4,039,972	0.24
17	Asdew Acquisitions Pte Ltd	3,464,797	0.21
18	S Nallakaruppan	2,857,219	0.17
19	Phillip Securities Pte Ltd	2,223,951	0.13
20	Maybank Kim Eng Securities Pte. Ltd.	2,138,838	0.13
	Total	1,547,127,553	93.11

* Based on 1,661,709,368 Shares (excluding Shares held as treasury shares) as at 4 May 2020.
** 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 May 2020, approximately 17.42% 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 May 2020

INTEREST OF SUBSTANTIAL SHAREHOLDERS

(Recorded in the Register of Substantial Shareholders)

Substantial Shareholders	Direct Interest No. of Shares	Deemed Interest No. of Shares	Total Interest No. of Shares	%
Mr Kuok Khoon Hong[(1)]	–	607,031,816	607,031,816	36.53
HPRY Holdings Limited[(2)]	–	465,301,134	465,301,134	28.00
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.	33,323,170	80,071,100	113,394,270	6.82
Mr Pua Seck Guan[(5)]	7,423,668	165,503,926	172,927,594	10.41

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 Seventeenth Annual General Meeting of Perennial Real Estate Holdings Limited (the "**Company**") will be convened and held by way of electronic means on Friday, 26 June 2020 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 2019 together with the Auditors' Report thereon. — Resolution 1

2. To declare a first and final tax-exempt (one-tier) dividend of 0.2 Singapore cents per ordinary share in respect of the financial year ended 31 December 2019 (FY2018: 0.4 Singapore cents). — Resolution 2

3. To re-elect the following directors of the Company (the "**Directors**") 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 Eugene Paul Lai Chin Look — Resolution 3a

   (b) Mr Chua Phuay Hee — Resolution 3b

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 for the financial year ended 31 December 2019 (FY2018: S$420,000). — Resolution 5

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:

6. **General authority to 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 Constitution of the Company and the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), authority be and is hereby given to the Directors to:

   (a) (i) issue shares 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, debentures 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 Instrument made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of 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) (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) (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), at the time this Resolution is passed, after adjusting for:

    (i) new Shares arising from the conversion or exercise of any convertible securities;

    (ii) new Shares arising from the exercise of share options or vesting of share awards which were issued and 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 Manual of the SGX-ST; and

    (iii) 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 Manual 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 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 issue shares under the Perennial Employee Share Option Scheme** Resolution 7

That authority be and is hereby given to the Directors to 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 existing number of new Shares issued and/or to be 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.

NOTICE OF ANNUAL GENERAL MEETING

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 through the SGX-ST's trading system and/or any other stock exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**"); and/or

(b) off-market purchase(s) ("**Off-Market Purchase(s)**") (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) 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 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 or, as the case may be, Other Exchange, 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; and

(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 or, as the case may be, Other Exchange, 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 Manual of the SGX-ST, for any corporate action that occurs during the relevant five-day period and the date on which the Market Purchase(s) or, as the case may be, the date on which the offer pursuant to the Off-Market Purchase(s), is made;

"**date of the making of the offer**" means the date on which the Company makes 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), 105% of the Average Closing Price of the Shares; and

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; and

(4) the Directors 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 ANNUAL GENERAL MEETING

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 Tuesday, 7 July 2020 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 2019.

Duly completed transfers of ordinary shares received by the Company's Share 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 Tuesday, 7 July 2020 will be registered to determine Shareholders' entitlements to the Dividend. Shareholders (being Depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with the ordinary Shares of the Company at 5.00 p.m. on Tuesday, 7 July 2020 will be entitled to the Dividend.

The Dividend, if approved at the AGM to be held on Friday, 26 June 2020, will be paid on Tuesday, 21 July 2020.

By Order of the Board
Wong Chuen Shya
Company Secretary

3 June 2020
Singapore

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. The AGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM will be sent to members and this Notice of AGM will be made available on the Company's website at the URL http://www.perennialrealestate.com.sg/ and the SGX website at the URL https://www.sgx.com/securities/company-announcements.

2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person**. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out below. Any reference to a time of day is made by reference to Singapore time.

3. Members will be able to observe and/or listen to the AGM proceedings through a live audio-visual webcast or live audio-only stream via their mobile phones, tablets or computers. In order to do so, members must pre-register at the Company's pre-registration website at the URL https://www.meetings.vision/perennial-agm-registration from now till 2.30 p.m. on 23 June 2020 to enable the Company to verify their status as members of the Company.

   Following the verification, authenticated members will receive an email, which will contain user ID and password details as well as instructions on how to access the live audio-visual webcast and live audio-only stream of the AGM proceedings, by 10 a.m. on 25 June 2020. Members who do not receive an email by 10 a.m. on 25 June 2020 but have registered by 2.30 p.m. on 23 June 2020 deadline should contact the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at agm.teame@boardroomlimited.com, alternatively call +65 6536 5355 during Mondays to Fridays, 9 a.m. to 4 p.m. (excluding public holidays).

4. Members may also submit questions related to the resolutions to be tabled for approval at the AGM to the Chairman of the Meeting, in advance of the AGM. In order to do so, their questions must be submitted in the following manner by 2.30 p.m. on 23 June 2020:

   (a) if submitted electronically, be submitted:

      (i) via the Company's pre-registration website at the URL https://www.meetings.vision/perennial-agm-registration; or

      (ii) via email to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at agm.teame@boardroomlimited.com; or

   (b) if submitted by post, be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

5. Members who submit questions via email or by post to the Company's Share Registrar must provide the following information:

   (1) the member's full name;

   (2) the member's address; and

   (3) the manner in which the member holds shares in the Company (e.g., via CDP, scrip, CPF or SRS).

   The Company's Board Chairman, Mr Kuok Khoon Hong, will conduct the proceedings of the AGM. The Company will address substantial and relevant questions submitted by shareholders during the AGM. The Company will publish the minutes of the AGM on its website and on SGXNET, and the minutes will include the responses to the substantial and relevant questions which are addressed during the AGM.

   Members will not be able to ask questions at the AGM live during the webcast or audio-stream, and therefore it is important for members who wish to ask questions to submit their questions in advance of the AGM.

6. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. The Proxy Form is available on the Company's website and on the SGX website at the URLs http://www.perennialrealestate.com.sg/ and https://www.sgx.com/securities/company-announcements, respectively.

   In appointing the Chairman of the Meeting as proxy, a member must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

7. The Proxy Form appointing the Chairman of the Meeting as proxy must be submitted to the Company c/o the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, in the following manner:

   (a) if submitted by post, be lodged at the office of the Company's Share Registrar at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

   (b) if submitted electronically, be submitted via email to the Company's Share Registrar at agm.teame@boardroomlimited.com,

   in either case, by 2.30 p.m. on 23 June 2020, being 72 hours before the time fixed for the AGM.

   A member who wishes to submit a Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the COVID-19 restriction orders in Singapore and the related safe distancing measures which may make it difficult for members to submit completed Proxy Forms by post, members are strongly encouraged to submit completed Proxy Forms electronically via email.

8. Persons who hold shares in the Company through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50), including CPF and SRS investors, and who wish to participate in the AGM by (a) observing and/or listening to the AGM proceedings through live audio-visual webcast or live audio-only stream; (b) submitting questions in advance of the AGM; and/or (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the AGM, should contact the relevant intermediary (which would include, in the case of CPF and SRS investors, their respective CPF Agent Banks or SRS Operators) through which they hold such shares as soon as possible in order to make the necessary arrangements for them to participate in the AGM.

   In addition, CPF and SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 17 June 2020, being seven working days before the date of the AGM.

9. The Chairman of the Meeting, as proxy, need not be a member of the Company.

10. The Company's Annual Report 2019 and the appendix to this Notice of AGM dated 3 June 2020 (in relation to the proposed renewal of the share purchase mandate) have been published on the Company's website at the URL http://www.perennialrealestate.com.sg/.

11. Due to the constantly evolving COVID-19 situation in Singapore, the Company may be required to change the arrangements for the AGM at short notice. Members should check the Company's website at the URL http://www.perennialrealestate.com.sg/ for the latest updates on the status of the AGM.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. **Ordinary Resolutions 3a and 3b**

   Mr Eugene Paul Lai Chin Look, if re-elected, will remain as Lead Independent Non-Executive Director and Chairman of Remuneration Committee and a Member of the Audit & Risk Committee and Nomination Committee. Mr Eugene Paul Lai Chin Look is considered as an Independent Non-Executive Director of the Company.

   Mr Chua Phuay Hee, if re-elected, will remain as a Member of the Audit & Risk Committee. Mr Chua Phuay Hee is considered as an Independent Non-Executive Director of the Company.

   Please refer to the "Directors Seeking Re-election" section of the Company's Annual Report 2019 for information relating to Mr Eugene Paul Lai Chin Look and Mr Chua Phuay Hee as set out in Appendix 7.4.1 of the Listing Manual of the SGX-ST.

2. **Ordinary Resolution 6**

   Ordinary Resolution 6 proposed above, if passed, will empower the Directors, from the date of the AGM until 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 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, and with a sub-limit of 20% for issues other than on a *pro rata* basis.

3. **Ordinary Resolution 7**

   Ordinary Resolution 7 proposed above, if passed, will empower the Directors to 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**

   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 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 June 2020 (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, the price at which such Shares were purchased or acquired and, whether the Shares purchased or acquired are held in treasury or cancelled.

   Based on the total number of issued ordinary Shares as at 4 May 2020 (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$0.4683 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$38,908,925.

   The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed renewal of the Share Buyback Mandate based on the Audited Financial Statements of the Company and its subsidiaries for the financial year ended 31 December 2019, based on certain assumptions, are set out in the Appendix and are for illustration purposes only. Please refer to the Appendix for more details.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy:

By submitting an instrument appointing the Chairman of the Meeting to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy 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 or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

PERENNIAL 鹏瑞利

PERENNIAL REAL ESTATE HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
Company Registration Number: 200210338M

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT:

1. The AGM (as defined below) is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM will be sent to members and this Notice of AGM will be made available on the Company's website at the URL http://www.perennialrealestate.com.sg/ and the SGX website at the URL https://www.sgx.com/securities/company-announcements.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company's announcement dated 3 June 2020. This announcement may be accessed at the Company's website at the URL http://www.perennialrealestate.com.sg/, and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.
3. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**
4. If a CPF or SRS investor wishes to appoint the Chairman of the Meeting as proxy, he/she should approach his/her respective CPF Agent Banks or SRS Operators to submit his/her votes by 5.00 p.m. on 17 June 2020, being seven working days before the date of the AGM.
5. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 June 2020.
6. **Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.**

*I/We, ____
(Full Name(s) and (i) last 4 characters of NRIC Number(s)/Passport Number(s) or (ii) Company Registration Number)

of ____ (Address)

being a Member/Members of Perennial Real Estate Holdings Limited (the "**Company**"), hereby appoint the Chairman of the Meeting, as my/our proxy to attend, speak and vote for me/us on my/our behalf at the annual general meeting ("**AGM**") of the Company to be convened and held by way of electronic means on Friday, 26 June 2020 at 2.30 p.m. and at any adjournment thereof. I/We direct the Chairman of the Meeting as my/our proxy to vote for or against, or to abstain from voting on, the resolutions to be proposed at the AGM as indicated hereunder.

No.	Resolutions relating to:	For*	Against*	Abstain*
ORDINARY BUSINESS				
1	Adoption of the Directors' Statement, Audited Financial Statements for the financial year ended 31 December 2019 and the Auditors' Report thereon			
2	Approval of a final dividend			
3a	Re-election of Director: Mr Eugene Paul Lai Chin Look			
3b	Re-election of Director: Mr Chua Phuay Hee			
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	Renewal of the Share Buyback Mandate			

* Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes "For" or "Against" a resolution, please tick (✓) in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please tick (✓) in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in the "Abstain" box in respect of that resolution. ***In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.***

Dated this ____________ day of ____________________________ 2020

Total Number of Shares held (Note 1)

____
Signature(s)/Common Seal of Members

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person.** If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. This Proxy Form may be accessed at the Company's website at the URL http://www.perennialrealestate.com.sg/, and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements. In appointing the Chairman of the Meeting as proxy, a member must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
2. CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 17 June 2020, being seven working days before the date of the AGM.
3. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. A member should insert the total number of shares held. If the member has shares entered against his/her/its name in the Depository Register (maintained by The Central Depository (Pte) Limited), he/she/it should insert that number of shares. If the member has shares registered in his/her/its name in the Register of Members (maintained by or on behalf of the Company), he/she/it should insert that number of shares. If the member has shares entered against his/her/its name in the Depository Register as well as shares registered in his/her/its name in the Register of Members, he/she/it should insert the aggregate number of shares. If no number is inserted, the Proxy Form appointing the Chairman of the Meeting as proxy will be deemed to relate to all the shares held by the member.
5. The Proxy Form appointing the Chairman of the Meeting as proxy must be submitted to the Company c/o the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., in the following manner:

   (a) if submitted by post, be lodged at the office of the Company's Share Registrar at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623; or

   (b) if submitted electronically, be submitted via email to the Company's Share Registrar at agm.teame@boardroomlimited.com,

   in either case, by 2.30 p.m. on 23 June 2020, being 72 hours before the time fixed for the AGM.

   A member who wishes to submit a Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the COVID-19 restriction orders in Singapore which may make it difficult for members to submit completed Proxy Forms by post, members are strongly encouraged to submit completed Proxy Forms electronically via email.

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6. The Proxy Form appointing the Chairman of the Meeting as proxy must be executed under the hand of the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form appointing the Chairman of the Meeting as proxy 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 the Proxy Form appointing the Chairman of the Meeting as proxy is signed on behalf of the appointor by an attorney, the power of attorney or other authority under which it is signed (if applicable) or a duly certified copy thereof must (failing previous registration with the Company), if the Proxy Form appointing the Chairman of the Meeting as proxy is submitted by post, be lodged with the Proxy Form or, if the Proxy Form appointing the Chairman of the Meeting as proxy is submitted electronically via email, be emailed with the Proxy Form, failing which the Proxy Form may be treated as invalid.
8. Any reference to a time of day is made by reference to Singapore time.
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 AGM, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 June 2020.

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PERENNIAL

Please 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 Wong Chuen Shya
Mr Teh Kim Xi, Kenneth

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

Bangkok Bank Public Company Limited
China Construction Bank Corporation
DBS Bank Ltd
Hong Leong Finance Limited
Industrial and Commercial Bank of China Limited
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
Shanghai Pudong Development Bank Co., Ltd.
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 鵬瑞利

Perennial Real Estate Holdings Limited
8 Shenton Way
#36-01, AXA Tower
Singapore 068811
Tel : (65) 6602 6800
Fax : (65) 6602 6801
info@perennialrealestate.com.sg

www.perennialrealestate.com.sg

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