

## LETTER TO UNITHOLDERS

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### **M&C Business Trust Management Limited**

Company registration number: 200607118H  
(Incorporated in the Republic of Singapore)

10 March 2017

To: Holders of Stapled Securities in CDL Hospitality Trusts

Dear Sir / Madam

#### **AUDITED FINANCIAL STATEMENTS OF M&C BUSINESS TRUST MANAGEMENT LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

We are pleased to enclose for your information a copy of the audited financial statements of M&C Business Trust Management Limited for the financial year ended 31 December 2016, pursuant to Section 78(1)(b) of the Business Trusts Act, Chapter 31A of Singapore.

Please note that the enclosed audited financial statements are not in respect of CDL Hospitality Business Trust, but in respect of M&C Business Trust Management Limited, which is the trustee-manager of CDL Hospitality Business Trust. The enclosed set of audited financial statements is independent of the financial statements of CDL Hospitality Trusts and does not have any impact on the distributable income of the holders of stapled securities in CDL Hospitality Trusts.

Please refer to the Annual Report 2016 for the audited financial statements of CDL Hospitality Business Trust for the financial year ended 31 December 2016.

**For and on behalf of the Board of Directors**  
**M&C Business Trust Management Limited**

**Vincent Yeo Wee Eng**  
Director

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**M&C BUSINESS TRUST  
MANAGEMENT LIMITED**

Company registration number: 200607118H

Annual Report  
Year ended 31 December 2016

## DIRECTORS' STATEMENT

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The Directors are pleased to present their statement to the member of the Company together with the audited financial statements for the financial year ended 31 December 2016.

In our opinion:

- (a) the financial statements set out on pages 7 to 18 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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:

Wong Hong Ren  
Vincent Yeo Wee Eng  
Jenny Lim Yin Nee  
Ronald Seah Lim Siang  
Foo Say Mui (Bill)  
Kenny Kim

(Appointed on 11 May 2016)  
(Appointed on 25 January 2017)

### DIRECTORS' INTERESTS

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, shares options, warrants and/or debentures of the Company, or of related corporations either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

## DIRECTORS' STATEMENT

### DIRECTORS' INTERESTS (CONT'D)

According to the register kept by the Company under Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children below 18 years of age) in shares and/or share options in related corporations are as follows:

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year/ date of appointment	At end of the year
<b>Intermediate Holding Companies</b>		
<b>Millennium &amp; Copthorne Hotels plc Ordinary Shares of £0.30 each</b>		
Wong Hong Ren	311,986	311,986
<b>Conditional awards of performance shares</b>		
Wong Hong Ren	175,834 <sup>(1)</sup>	–
	173,796 <sup>(2)</sup>	173,796 <sup>(2)</sup>
<sup>(1)</sup> Vesting date – 11.09.2016		
<sup>(2)</sup> Vesting date – 04.04.2017		
<b>City Developments Limited Ordinary Shares</b>		
Wong Hong Ren	4,950	4,950
<b>Related Corporations</b>		
<b>Millennium &amp; Copthorne Hotels New Zealand Limited Ordinary Shares</b>		
Wong Hong Ren	604,000	604,000
Vincent Yeo Wee Eng	151,000	151,000
<b>Preference Shares</b>		
Wong Hong Ren	302,000	302,000
Vincent Yeo Wee Eng	75,500	75,500

## DIRECTORS' STATEMENT

### DIRECTORS' INTERESTS (CONT'D)

	Holdings in which the director, his spouse and children 18 years of age have a direct interest	
	At beginning of the year/ date of appointment	At end of the year
<b>Related Corporations (cont'd)</b>		
<b>Hong Leong Finance Limited Ordinary Shares</b>		
Wong Hong Ren	100,000	100,000
Vincent Yeo Wee Eng	100,000	100,000
<b>Hong Leong Asia Ltd. Ordinary Shares</b>		
Wong Hong Ren	150,000	150,000

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.

### SHARE OPTIONS

During the financial year, there were:

- (i) no options granted by the Company to any person to take up unissued shares of the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

### AUDITORS

The auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

**Wong Hong Ren**  
Director

**Vincent Yeo Wee Eng**  
Director

10 March 2017

# INDEPENDENT AUDITORS' REPORT

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## Members of the Company M&C Business Trust Management Limited

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### *Opinion*

We have audited the financial statements of M&C Business Trust Management Limited ("**the Company**"), which comprise the statement of financial position as at 31 December 2016, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 18.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Financial Reporting Standards in Singapore ("**FRSs**") so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

#### *Basis for opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the Company 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.

#### *Other information*

Management is responsible for the other information. The other information comprises the Directors' statement.

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

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

## INDEPENDENT AUDITORS' REPORT

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### *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 Company'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 Company'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 Company 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.

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.

### **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 have been properly kept in accordance with the provisions of the Act.

#### **KPMG LLP**

Public Accountants and  
Chartered Accountants

#### **Singapore**

10 March 2017



## STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 \$	2015 \$
<b>Non-current asset</b>			
Deferred tax asset	4	–	2,341
<b>Current assets</b>			
Cash at bank		328,884	24,023
Trade and other receivables	5	460,923	211,801
		789,807	235,824
<b>Total assets</b>		789,807	238,165
<b>Equity</b>			
Share capital	6	2	2
Accumulated profits/(losses)		374,192	(71,941)
<b>Total equity</b>		374,194	(71,939)
<b>Current liabilities</b>			
Other payables	7	381,909	310,104
Current tax payable		33,704	–
<b>Total liabilities</b>		415,613	310,104
<b>Total equity and liabilities</b>		789,807	238,165

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

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	2016 \$	2015 \$
Revenue	8	571,228	169,216
Other operating expenses	9	(89,050)	(135,466)
Other income		–	306
<b>Profit before tax</b>	10	482,178	34,056
Tax (expense)/credit	11	(36,045)	2,341
<b>Profit and total comprehensive income for the year</b>		446,133	36,397

## STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Share capital \$	Accumulated profits/ (losses) \$	Total \$
<b>At 1 January 2015</b>	2	(108,338)	(108,336)
Total comprehensive income for the year:			
Profit for the year	–	36,397	36,397
<b>At 31 December 2015</b>	2	(71,941)	(71,939)
<b>At 1 January 2016</b>	2	(71,941)	(71,939)
Total comprehensive income for the year:			
Profit for the year	–	446,133	446,133
<b>At 31 December 2016</b>	2	374,192	374,194

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

## STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Profit before tax	482,178	34,056
Changes in:		
Trade and other receivables	(249,122)	(188,150)
Other payables	71,805	168,111
<b>Net cash from operating activities</b>	<b>304,861</b>	<b>14,017</b>
<b>Net increase in cash at bank</b>	<b>304,861</b>	<b>14,017</b>
<b>Cash at bank at beginning of the year</b>	<b>24,023</b>	<b>10,006</b>
<b>Cash at bank at end of the year</b>	<b>328,884</b>	<b>24,023</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

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These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 10 March 2017.

## 1 DOMICILE AND ACTIVITIES

M&C Business Trust Management Limited (the "**Company**") is incorporated in the Republic of Singapore and has its registered office at 36 Robinson Road, #04-01 City House, Singapore 068877.

The principal activities of the Company are those relating to the provision of property fund management services. The Company is the trustee-manager for CDL Hospitality Business Trust, a business trust which is part of CDL Hospitality Trusts ("**CDLHT**"), a stapled group comprising CDL Hospitality Real Estate Investment Trust, a real estate investment trust and CDL Hospitality Business Trust. CDLHT is listed on Singapore Exchange Securities Trading Limited.

The immediate holding company is M&C REIT Management Limited. The directors consider the ultimate holding company to be Hong Leong Investment Holdings Pte. Ltd. Both companies are incorporated in the Republic of Singapore.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("**FRS**").

### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

### 2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars which is the Company's functional currency.

### 2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRS 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.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by the Company consistently to all periods presented in these financial statements.

### 3.1 Foreign currencies

Transactions in foreign currencies are translated into Singapore dollars at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Singapore dollars at exchange rate ruling at that date. Foreign exchange differences arising from translation are recognised in profit or loss.

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## NOTES TO THE FINANCIAL STATEMENTS

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

#### 3.2 Financial instruments

##### ***Non-derivative financial assets***

The Company initially recognises loans and receivables, and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: loans and receivables.

##### ***Loans and receivables***

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash at bank and trade and other receivables (excludes prepayment).

##### ***Non-derivative financial liabilities***

All financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise other payables.

##### ***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### 3.3 Impairment

##### ***Non-derivative financial assets***

A financial asset is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy or economic conditions that correlate with defaults.

##### ***Loans and receivables***

The Company considers evidence of impairment for loans and receivables at a specific asset level. All individually significant loans and receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### 3.4 Revenue recognition

##### ***Management fee***

Management fee is derived from the management of a business trust and is determined based on profit before interest, tax and management fee expense of the business trust being managed. The fee is recognised when the service is rendered.

##### ***Trustee fee***

Trustee fee is determined based on total deposited property of the business trust and is recognised when the service is rendered.

##### ***Acquisition fee***

Acquisition fee relates to fees earned in relation to the acquisition or investment by the business trust managed by the Company. The fee is determined based on a percentage of the value of the asset or investment acquired and is recognised when the service has been rendered.

#### 3.5 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### 3.5 Tax (cont'd)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income 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.

A deferred tax asset is recognised for unused tax losses, 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 utilised. 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.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

#### 3.6 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Company has not early applied the following new or amended standards in preparing these statements. None of these are expected to have a significant effect on the financial statements of the Company.

### 4 DEFERRED TAX ASSET

Movement in temporary differences during the year:

	Balance as at 1/1/2015 \$	Recognised in profit or loss \$	Balance as at 31/12/2015 \$	Recognised in profit or loss \$	Balance as at 31/12/2016 \$
Tax losses carried forward	–	2,341	2,341	(2,341)	–

### 5 TRADE AND OTHER RECEIVABLES

	2016 \$	2015 \$
Amount due from related entity (trade)	456,793	207,521
Prepayment	4,130	4,280
	<u>460,923</u>	<u>211,801</u>

Amount due from related entity is unsecured, interest-free and is repayable on demand. There is no allowance for doubtful debts arising from the outstanding balance.



## NOTES TO THE FINANCIAL STATEMENTS

### 6 SHARE CAPITAL

	2016 Number of shares	2015 Number of shares
Fully paid ordinary shares, with no par value: At 1 January and 31 December	2	2

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

#### **Capital management policy**

The Company's primary objective when managing capital is to safeguard the Company's ability to continue as a going concern. As the Company is a wholly-owned subsidiary of M&C REIT Management Limited, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the capital management objectives of M&C REIT Management Limited.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

### 7 OTHER PAYABLES

	2016 \$	2015 \$
Amount owing to immediate holding company (non-trade)	289,578	168,261
Amount owing to related corporations (non-trade)	–	68,243
Accrued operating expenses	92,331	73,600
	<u>381,909</u>	<u>310,104</u>

The amount owing to immediate holding company and related corporations are unsecured, interest-free and repayable on demand.

### 8 REVENUE

	2016 \$	2015 \$
Management fee	437,679	–
Trustee fee	133,549	36,899
Acquisition fee	–	132,317
	<u>571,228</u>	<u>169,216</u>

Revenue is derived from related corporations.

### 9 OTHER OPERATING EXPENSES

Other operating expenses comprise mainly secretarial and other professional fees.

## NOTES TO THE FINANCIAL STATEMENTS

### 10 PROFIT BEFORE TAX

	2016 \$	2015 \$
Profit before tax includes the following:		
Net foreign exchange (losses)/gains	(17,045)	306

### 11 TAX EXPENSE/(CREDIT)

	2016 \$	2015 \$
<b>Current tax expense</b>		
Current year	33,704	–
<b>Deferred tax expense/(credit)</b>		
Origination and reversal of temporary differences	2,341	–
Recognition of tax effect of previously unrecognised tax losses	–	(2,341)
	36,045	(2,341)
<b>Reconciliation of effective tax rate</b>		
Profit before tax	482,178	34,056
Tax calculated using Singapore tax rate of 17%	81,970	5,789
Utilisation of previously unrecognised tax losses	–	(5,789)
Recognition of tax effect of previously unrecognised tax losses	–	(2,341)
Tax incentives	(20,000)	–
Tax exempt income	(25,925)	–
	36,045	(2,341)

### 12 FINANCIAL RISK MANAGEMENT

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Exposure to credit and liquidity risks arises in the normal course of the Company's business. These risks are limited by the Company's financial management policies and practices described below.

## NOTES TO THE FINANCIAL STATEMENTS

### 12 FINANCIAL RISK MANAGEMENT (CONT'D)

#### **Credit risk**

At the reporting date, the amount due from related entity represents a significant portion of the Company's financial assets. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

#### **Liquidity risk**

The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer terms.

The total contractual undiscounted cash flows of the Company's non-derivative financial liabilities are the same as their carrying amounts and are due within one year.

#### **Accounting classifications and fair values**

The carrying amounts of financial assets and financial liabilities are as follows:

	<b>Loans and receivables \$</b>	<b>Other financial liabilities \$</b>	<b>Total \$</b>
<b>2016</b>			
<b>Financial assets not measured at fair value</b>			
Cash at bank	328,884	–	328,884
Trade and other receivables <sup>^</sup>	456,793	–	456,793
	<u>785,677</u>	<u>–</u>	<u>785,677</u>
<b>Financial liabilities not measured at fair value</b>			
Other payables	–	(381,909)	(381,909)
<b>2015</b>			
<b>Financial assets not measured at fair value</b>			
Cash at bank	24,023	–	24,023
Trade and other receivables <sup>^</sup>	207,521	–	207,521
	<u>231,544</u>	<u>–</u>	<u>231,544</u>
<b>Financial liabilities not measured at fair value</b>			
Other payables	–	(310,104)	(310,104)

<sup>^</sup> excluding prepayment

Fair value information of financial assets and financial liabilities not measured at fair value has not been presented as their carrying amount is a reasonable approximation of their fair value.

## NOTES TO THE FINANCIAL STATEMENTS

### 13 RELATED PARTIES

In addition to the transactions disclosed elsewhere in the financial statements, there were the following significant related party transactions during the financial year:

#### ***Transactions with key management personnel***

The Company's directors are employees of either the immediate holding company or a related corporation and no consideration is paid to these companies for the services rendered by the directors.

#### ***Other related party transactions***

	<b>Transaction value</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Secretarial fee paid/payable to a related corporation	42,479	55,841
Accounting fee paid/payable to a related corporation	–	8,041
Liabilities paid on behalf by immediate holding company	121,317	99,734