LETTER TO UNITHOLDERS

M&C Business Trust Management Limited

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

4 March 2019

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 2018

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 2018, 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 2018 for the audited financial statements of CDL Hospitality Business Trust for the financial year ended 31 December 2018.

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 2018

DIRECTORS' STATEMENT

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 2018.

In our opinion:

(a) the financial statements set out on pages 7 to 24 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2018 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**"), Singapore Financial Reporting Standards (International) and International 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:

Chan Soon Hee, Eric (Appointed on 22 June 2018)
Vincent Yeo Wee Eng
Ronald Seah Lim Siang
Foo Say Mui (Bill)
Kenny Kim
Cheah Sui Ling

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, 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	**At end of the year**
Related Corporations		
Millennium & Copthorne Hotels New Zealand Limited		
Ordinary Shares		
Vincent Yeo Wee Eng	151,000	–
Preference Shares		
Vincent Yeo Wee Eng	75,500	–
Hong Leong Finance Limited		
Ordinary Shares		
Vincent Yeo Wee Eng	100,000	100,000

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.

DIRECTORS' STATEMENT

AUDITORS

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

On behalf of the Board of Directors

Chan Soon Hee, Eric
Director

Vincent Yeo Wee Eng
Director

4 March 2019

INDEPENDENT AUDITORS' REPORT

MEMBER 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 2018, 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 24.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("**the Act**"), Singapore Financial Reporting Standards (International) ("**SFRS(I)**") and International Financial Reporting Standards ("**IFRS**") so as to give a true and fair view of the financial position of the Company as at 31 December 2018 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 is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

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

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

Responsibilities of management and directors for the financial statements

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

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
4 March 2019

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 $	2017 $	1 January 2017 $
Current assets				
Trade and other receivables	4	346,867	352,354	460,923
Other investment	5	651,398	577,080	–
Cash at bank		467,468	42,580	328,884
		1,465,733	972,014	789,807
Total assets		1,465,733	972,014	789,807
Equity				
Share capital	6	2	2	2
Fair value reserve		33,625	104,627	–
Accumulated profit		1,204,537	625,249	374,192
Total equity		1,238,164	729,878	374,194
Non-current liabilities				
Deferred tax liabilities		4,594	21,429	–
Current liabilities				
Other payables	7	145,485	197,754	381,909
Current tax payable		77,490	22,953	33,704
		222,975	220,707	415,613
Total liabilities		227,569	242,136	415,613
Total equity and liabilities		1,465,733	972,014	789,807

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

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	2018 $	2017 $
Revenue	8	642,721	325,133
Professional fees		(20,084)	(65,058)
Other expenses		(4,639)	(6,210)
Finance income		31,479	15,145
Finance costs		(4,521)	–
Net finance income	9	26,958	15,145
Profit before tax		644,956	269,010
Tax expense	10	(65,668)	(17,953)
Profit for the year		579,288	251,057
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net change in fair value of equity instruments at FVOCI		(85,191)	–
Tax on other comprehensive income		14,189	–
		(71,002)	–
Items that are or may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		–	126,056
Tax on other comprehensive income		–	(21,429)
		–	104,627
Other comprehensive income for the year, net of tax		(71,002)	104,627
Total comprehensive income for the year		508,286	355,684

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital $	Fair value reserve $	Accumulated profit $	Total $
At 1 January 2017	2	–	374,192	374,194
Total comprehensive income for the year:				
Profit for the year	–	–	251,057	251,057
Other comprehensive income:				
Net change in fair value of available-for-sale financial assets	–	126,056	–	126,056
Tax on other comprehensive income	–	(21,429)	–	(21,429)
Total other comprehensive income	–	104,627	–	104,627
Total comprehensive income for the year	–	104,627	251,057	355,684
At 31 December 2017	2	104,627	625,249	729,878
At 1 January 2018	2	104,627	625,249	729,878
Total comprehensive income for the year:				
Profit for the year	–	–	579,288	579,288
Other comprehensive income:				
Net change in fair value of equity instruments at FVOCI	–	(85,191)	–	(85,191)
Tax on other comprehensive income	–	14,189	–	14,189
Total other comprehensive income	–	(71,002)	–	(71,002)
Total comprehensive income for the year	–	(71,002)	579,288	508,286
At 31 December 2018	2	33,625	1,204,537	1,238,164

STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Profit before tax		644,956	269,010
Adjustment for:			
Interest income	9	(10)	–
Distribution income	9	(31,469)	(13,466)
Management fee received/receivable in stapled securities		(330,784)	(28,218)
		282,693	227,326
Changes in:			
Trade and other receivables		174,532	(241,574)
Other payables		(52,269)	(184,155)
Cash generated from/(used in) operations		404,956	(198,403)
Tax paid		(13,777)	(28,704)
Net cash generated from/(used in) operating activities		391,179	(227,107)
Cash flows from investing activities			
Purchase of available-for-sale equity securities		–	(73,281)
Interest received		10	–
Capital distribution received		2,230	618
Distribution income received		31,469	13,466
Net cash generated from/(used in) investing activities		33,709	(59,197)
Net increase/(decrease) in cash at bank		424,888	(286,304)
Cash at bank at beginning of the year		42,580	328,884
Cash at bank at end of the year		467,468	42,580

Significant non-cash transaction

During the year, the Company received stapled securities in CDL Hospitality Trusts amounting to $161,739 (2017: $378,361) as settlement for the management fee earned.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 4 March 2019.

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 9 Raffles Place, #12-01 Republic Plaza, Singapore 048619.

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 ("**HBT**"), 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 HBT. CDLHT is listed on Singapore Exchange Securities Trading Limited ("**SGX-ST**").

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 Singapore Financial Reporting Standards (International) ("**SFRS(I)**") and International Financial Reporting Standards ("**IFRS**"). SFRS(I), issued by the Accounting Standards Council ("**ASC**"), comprises standards and interpretations that are equivalent to IFRS as issued by the International Accounting Standards Board. All references to SFRS(I) and IFRS are subsequently referred to as SFRS(I) in these financial statements.

These are the Company's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First Time Adoption of Singapore Financial Reporting Standards (International)* has been applied. In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore ("**FRSs**"). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* have affected the reported financial position, financial performance and cash flows is provided in Note 2.5.

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 SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2.5 Changes in accounting policies

As stated in Note 2.1, these are the first financial statements of the Company prepared in accordance with SFRS(I). The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2017 and the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Company's date of transition), subject to mandatory exceptions and optional exemptions under SFRS(I) 1. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements of Company.

2 BASIS OF PREPARATION (CONT'D)

2.5 Changes in accounting policies (cont'd)

In addition to the adoption of new framework, the Company also concurrently applied the following SFRS(I)s, interpretations and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first time adopters* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideratio*n.

The application of the above standards and interpretations do not have a material effect on the financial statements, except for SFRS(I) 9.

SFRS(I) 9 *Financial instruments*

SFRS(I) 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new expected credit loss (ECL) model and a new general hedge accounting model.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been applied by the Company retrospectively, except as described below.

- The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of SFRS(I) 9, but rather those of FRS 39 *Financial Instruments: Recognition and Measurement*.
- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

The impact upon adoption of SFRS(I) 9 is described below.

Classification and measurement of financial assets and financial liabilities

SFRS(I) 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held to maturity, loans and receivables and available for sale.

SFRS(I) 9 largely retains the existing requirements in FRS 39 for the classification and measurement of financial liabilities. The adoption of SFRS(I) 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

For an explanation of how the Company classifies and measures financial instruments and accounts for related gains and losses under SFRS(I) 9, see Note 3.2.

Trade and other receivables and cash at bank that were classified as loans and receivables under FRS 39 have been classified at amortised cost under SFRS(I) 9 as at 1 January 2018. The Company's equity securities which were classified as available for sale under FRS 39 have been classified as at FVOCI under SFRS(I) 9 as at 1 January 2018. These equity securities represent an investment that the Company intends to hold for the long term for strategic purposes. As permitted by SFRS(I) 9, the Company has designated this investment at the date of initial application as measured at FVOCI. Unlike FRS 39, the accumulated fair value reserve related to this investment will never be reclassified to profit or loss.

There is no significant change to the measurement basis arising from the measurement model under SFRS(I) 9.

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.

3.2 Financial instruments

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 Company 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 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.

Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

Non-derivative financial assets are classified as measured at amortised cost or fair value through other comprehensive income ("**FVOCI**") – equity investment.

Financial assets are not reclassified subsequent to their initial recognition unless the Company 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.

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 Company 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Financial instruments (Cont'd)

Classification and subsequent measurement (Cont'd)

Non-derivative financial assets – Policy applicable from 1 January 2018 (Cont'd)

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Non-derivative financial assets – Policy applicable before 1 January 2018

The Company classified non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables

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

Loans and receivables comprised cash at bank and trade and other receivables (excluding prepayment).

Available-for-sale financial assets

The Company's investment in stapled securities were classified as available-for-sale financial assets. Available-for-sale financial assets were recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, it was measured at fair value and changes therein, other than impairment losses, were recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment was derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Available-for-sale financial assets comprised investment in equity securities.

Non-derivative financial liabilities

Non-derivative financial liabilities are classified into the other financial liabilities category. Such financial liabilities are initially measured at fair value less 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.

Derecognition

Financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Financial instruments (Cont'd)

Derecognition (Cont'd)

Financial liabilities

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

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances that are subject to an insignificant risk of changes in their fair values, and are used by the Company in the management of its short-term commitments.

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.

3.3 Impairment

Non-derivative financial assets - Policy applicable from 1 January 2018

The Company recognises loss allowances for expected credit loss (ECL) on financial assets measured at amortised cost.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECL: these are ECL that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Company applies the simplified approach to provide for ECL for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL.

General approach

The Company applies the general approach to provide for ECL on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Impairment (Cont'd)

Non-derivative financial assets - Policy applicable from 1 January 2018 (Cont'd)

General approach (Cont'd)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company 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 Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECL.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to 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 ECL is the maximum contractual period over which the Company 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 Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company 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 Company's procedures for recovery of amounts due.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Impairment (Cont'd)

Non-derivative financial assets - Policy applicable before 1 January 2018

A financial asset not carried at fair value through profit or loss was assessed at the end of each reporting period to determine whether there was any objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets were impaired included default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Company considered evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables were assessed for specific impairment. All individually significant receivables found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Loans and receivables that were not individually significant were collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Company used historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions were such that the actual losses were likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost was 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 were recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continued to be recognised. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on investment in stapled securities classified as available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that was reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss recognised previously in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security was recognised in other comprehensive income.

3.4 Revenue recognition

Management fee

Management fee is derived from the management of a business trust and is determined based on total gross assets under management and net property income of the business trust being managed. For the period before 1 May 2018, management fee 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Revenue recognition (Cont'd)

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 Finance income and finance costs

Finance income comprises distribution income and net foreign currency gains that are recognised in profit or loss. Distribution income is recognised in profit or loss when the Company's right to receive payment is established.

Finance costs comprise net foreign currency losses and is recognised in the profit or loss.

Foreign currency gains and losses are reported on a net basis.

3.6 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.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, are therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets.*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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.

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 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements.

The following are the relevant new SFRS(I)s, amendments to and interpretations of SFRS(I)s effective for annual periods beginning on or after 1 January 2019.

Applicable to 2019 financial statements

- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)

The adoption of these new accounting standards, amendments to and interpretations to SFRS(I)s when they become effective are not expected to have any significant impact on the Company's financial statements.

4 TRADE AND OTHER RECEIVABLES

	2018 $	**2017 $**
Amount due from related entities (trade)	344,353	350,643
Prepayment	2,514	1,711
	346,867	352,354

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

5 OTHER INVESTMENT

	2018 $	**2017 $**
Available-for-sale equity securities	–	577,080
Equity securities at FVOCI	651,398	–
	651,398	577,080

Both the available-for sale equity securities and the equity securities at FVOCI relate to stapled securities held in CDLHT which are received as settlement for management fee earned.

As at 31 December 2018, the Company has 446,163 (2017: 343,500) stapled securities with a fair value of $1.46 (2017: $1.68) per stapled security.

6 SHARE CAPITAL

	2018 Number of shares	**2017 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.

6 SHARE CAPITAL (CONT'D)

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

	2018 **$**	**2017** **$**
Amount owing to immediate holding company (non-trade)	54,274	54,274
Amount owing to related corporations (non-trade)	–	48,209
Accrued operating expenses	91,211	95,271
	145,485	197,754

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

8 REVENUE

	2018 **$**	**2017** **$**
Management fee	413,480	35,273
Trustee fee	229,241	196,108
Acquisition fee	–	93,752
	642,721	325,133

Revenue is derived from a related entity.

The Company generates fee income from providing property fund management services and it is recognised when services are provided. Payment is due on delivery of the services.

NOTES TO THE FINANCIAL STATEMENTS

9 NET FINANCE INCOME

	2018 $	2017 $
Finance income		
Distribution income from:		
- available-for-sale assets	–	13,466
- equity investments at FVOCI	31,469	–
Interest income	10	–
Net foreign exchange gains	–	1,679
	31,479	15,145
Finance costs		
Net foreign exchange losses	(4,521)	–
Net finance income	26,958	15,145

10 TAX EXPENSE

	2018 $	2017 $
Current tax expense		
Current year	72,870	17,953
Overprovision in respect of prior year	(4,556)	–
	68,314	17,953
Deferred tax expense		
Origination and reversal of temporary differences	(2,646)	–
	65,668	17,953
Reconciliation of effective tax rate		
Profit before tax	644,956	269,010
Tax calculated using Singapore tax rate of 17%	109,643	45,732
Tax incentives	(10,000)	(4,488)
Tax exempt income	(25,925)	(23,291)
Income not subject to tax	(3,494)	–
Overprovision in respect of prior year	(4,556)	–
	65,668	17,953

11 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.

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.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, will affect the Company's comprehensive 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 on risk.

Equity price risk

The Company is exposed to equity price changes arising from its investment in quoted equity securities. These securities are quoted on the SGX-ST and are classified as equity instruments at FVOCI. The Company does not hedge against this risk exposure.

Sensitivity analysis

Changes in the underlying equity prices of the equity securities at the reporting date would increase/(decrease) equity (before any tax effects) by the amounts shown below. This analysis assumes that all other variables remain constant.

	Equity	
	2018	**2017**
	$	**$**
10% increase	65,140	57,708
10% decrease	(65,140)	(57,708)

11 FINANCIAL RISK MANAGEMENT (CONT'D)

Accounting classifications and fair values

The carrying values and fair values of financial assets and liabilities, including their levels in the fair value hierarchy are set out below. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value			
	Note	Amortised cost $	FVOCI – equity instruments $	Other financial liabilities $	Total $	Level 1 $	Level 2 $	Level 3 $	Total $
31 December 2018									
Financial assets measured at fair value									
Other investment	5	–	651,398	–	651,398	651,398	–	–	651,398
Financial assets not measured at fair value									
Trade and other receivables^	4	344,353	–	–	344,353				
Cash at bank		467,468	–	–	467,468				
		811,821	–	–	811,821				
Financial liabilities not measured at fair value									
Other payables	7	–	(145,485)	–	(145,485)				

		Carrying amount				Fair value			
	Note	Loans and receivables $	Available-for-sale financial assets $	Other financial liabilities $	Total $	Level 1 $	Level 2 $	Level 3 $	Total $
31 December 2017									
Financial assets measured at fair value									
Other investment	5	–	577,080	–	577,080	577,080	–	–	577,080
Financial assets not measured at fair value									
Trade and other receivables^	4	350,643	–	–	350,643				
Cash at bank		42,580	–	–	42,580				
		393,223	–	–	393,223				
Financial liabilities not measured at fair value									
Other payables	7	–	(197,754)	–	(197,754)				

^ excluding prepayment

11 FINANCIAL RISK MANAGEMENT (CONT'D)

Estimating fair values

Investment in equity securities

The fair values of the equity securities at FVOCI and the available-for-sale investment are determined by reference to its quoted bid price at the reporting date.

12 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

	Transaction value	
	2018	2017
	$	$
Secretarial fee paid/payable to a related corporation	54,977	48,628

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