

LETTER TO UNITHOLDERS

M&C Business Trust Management Limited

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

26 March 2024

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 2023

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 2023, pursuant to Section 78(1)(b) of the Business Trusts Act 2004 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 2023 for the audited financial statements of CDL Hospitality Business Trust for the financial year ended 31 December 2023.

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 2023

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 2023.

In our opinion:

- (a) the financial statements set out on pages 9 to 23 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2023 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 Companies Act 1967 (the "**Act**"), Singapore Financial Reporting Standards (International) and IFRS Accounting Standards as issued by the International Accounting Standards Board; 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
Vincent Yeo Wee Eng
Foo Say Mui (Bill)
Kenny Kim
Cheah Sui Ling
Kwek Eik Sheng

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of 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, debentures, warrants or share options in the Company or its 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
Penultimate Holding Company		
City Developments Limited		
Ordinary Shares		
Kwek Eik Sheng	35,461	35,461
Preference Shares		
Kwek Eik Sheng	50,000	50,000
Ultimate Holding Company		
Hong Leong Investment Holdings Pte. Ltd.		
Ordinary Shares		
Kwek Eik Sheng	1,016	1,016
Related Corporations		
Hong Leong Finance Limited		
Ordinary Shares		
Vincent Yeo Wee Eng	100,000	100,000
Kwek Eik Sheng	529,518	529,518
Hong Leong Holdings Limited		
Ordinary Shares		
Kwek Eik Sheng	175,500	175,500
Euroform (S) Pte. Limited		
Ordinary Shares		
Kwek Eik Sheng	25,000	25,000
Hong Realty (Private) Limited		
Ordinary Shares		
Kwek Eik Sheng	130	130

DIRECTORS' STATEMENT

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

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 option.

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

26 March 2024

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 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information, as set out on pages 9 to 23.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "**Act**"), Singapore Financial Reporting Standards (International) ("**SFRS(I)**") and IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**") so as to give a true and fair view of the financial position of the Company as at 31 December 2023 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 Accounting Standards, 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
26 March 2024

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 \$	2022 \$
Non-current assets			
Deferred tax assets	10	48,270	–
Current assets			
Trade and other receivables	4	942,928	788,022
Other investment	5	3,242,991	2,729,204
Cash at bank		1,757,139	1,382,448
		5,943,058	4,899,674
Total assets		5,991,328	4,899,674
Equity			
Share capital	6	2	2
Fair value reserve		(244,216)	18,225
Accumulated profits		5,918,820	4,564,783
Total equity		5,674,606	4,583,010
Non-current liabilities			
Deferred tax liabilities	10	–	8,581
Current liabilities			
Other payables	7	118,282	113,394
Current tax payable		198,440	194,689
		316,722	308,083
Total liabilities		316,722	316,664
Total equity and liabilities		5,991,328	4,899,674

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

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	Note	2023 \$	2022 \$
Revenue	8	1,492,742	1,287,255
Professional fees		(64,391)	(52,759)
Other expenses		(6,824)	(8,137)
Finance income		140,168	71,414
Finance costs		–	(15,872)
Net finance income	9	140,168	55,542
Profit before tax		1,561,695	1,281,901
Tax expense	10	(207,658)	(203,906)
Profit for the year		1,354,037	1,077,995
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net change in fair value of equity instruments at FVOCI		(319,292)	159,445
Tax on other comprehensive income		56,851	(31,960)
		(262,441)	127,485
Other comprehensive income for the year, net of tax		(262,441)	127,485
Total comprehensive income for the year		1,091,596	1,205,480

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Share capital	Fair value reserve	Accumulated profits	Total
	\$	\$	\$	\$
At 1 January 2022	2	(109,260)	3,486,788	3,377,530
Total comprehensive income for the year:				
Profit for the year	–	–	1,077,995	1,077,995
Other comprehensive income:				
Net change in fair value of equity instruments at FVOCI	–	159,445	–	159,445
Tax on other comprehensive income	–	(31,960)	–	(31,960)
Total other comprehensive income	–	127,485	–	127,485
Total comprehensive income for the year	–	127,485	1,077,995	1,205,480
At 31 December 2022	2	18,225	4,564,783	4,583,010
At 1 January 2023	2	18,225	4,564,783	4,583,010
Total comprehensive income for the year:				
Profit for the year	–	–	1,354,037	1,354,037
Other comprehensive income:				
Net change in fair value of equity instruments at FVOCI	–	(319,292)	–	(319,292)
Tax on other comprehensive income	–	56,851	–	56,851
Total other comprehensive income	–	(262,441)	–	(262,441)
Total comprehensive income for the year	–	(262,441)	1,354,037	1,091,596
At 31 December 2023	2	(244,216)	5,918,820	5,674,606

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

STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Profit before tax		1,561,695	1,281,901
Adjustment for:			
Distribution income	9	(135,726)	(71,414)
Management fee received/receivable in stapled securities		(950,444)	(812,168)
		475,525	398,319
Changes in:			
- Trade and other receivables		(54,470)	(74,106)
- Other payables		4,888	(4,320)
Cash generated from operations		425,943	319,893
Tax paid		(203,907)	(172,038)
Net cash from operating activities		222,036	147,855
Cash flows from investing activities			
Capital distribution received		16,929	23,412
Distribution income received		135,726	71,414
Net cash from investing activities		152,655	94,826
Net increase in cash at bank		374,691	242,681
Cash at bank at beginning of the year		1,382,448	1,139,767
Cash at bank at end of the year		1,757,139	1,382,448

Significant non-cash transaction

During the year, the Company received 720,643 (2022: 615,154) stapled securities in CDL Hospitality Trusts amounting to \$850,008 (2022: \$737,765) 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 26 March 2024.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board (“**IFRS Accounting Standards**”). All references to SFRS(I) and IFRS Accounting Standards are subsequently referred to as SFRS(I) in these financial statements.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise disclosed in the notes below.

2.3 Functional and presentation currency

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

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.

Measurement of fair values

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy in the valuations should be classified.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

Measurement of fair values (cont'd)

When measuring the fair value of an asset or a liability, the Company 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 data).

If the inputs used to measure the fair value of an asset or a liability might be categorised in 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 Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2.5 Changes in material accounting policies

New standards and amendments

The Company has applied the following SFRS(I) and amendments to SFRS(I) for the first time for the annual period beginning on 1 January 2023:

- SFRS(I) 17: *Insurance Contracts*
- Amendments to SFRS(I) 1-12: *Deferred tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*

The application of these amendments to standards did not have a material effect on the financial statements.

Material accounting policy information

The Company adopted *Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies* for the first time in 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

3 MATERIAL ACCOUNTING POLICIES

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

NOTES TO THE FINANCIAL STATEMENTS

3 MATERIAL ACCOUNTING POLICIES (CONT'D)

3.1 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 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.

Classification and subsequent measurement

Non-derivative financial assets

Non-derivative financial assets are classified as measured at: amortised cost; FVOCI – equity investment; or FVTPL.

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.

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. Distribution income is 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.

NOTES TO THE FINANCIAL STATEMENTS

3 MATERIAL ACCOUNTING POLICIES (CONT'D)

3.1 Financial instruments (cont'd)

Classification and subsequent measurement (cont'd)

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.

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 either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
 - 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.

Transferred assets are not derecognised when the Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

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.

3.2 Impairment

Non-derivative financial assets

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.

NOTES TO THE FINANCIAL STATEMENTS

3 MATERIAL ACCOUNTING POLICIES (CONT'D)

3.3 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. 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.

3.4 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, and 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, measured 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.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. 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 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.

3.5 New standards and interpretations not adopted

A number of new accounting standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Company has not early adopted the new or amended accounting standards in preparing these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3 MATERIAL ACCOUNTING POLICIES (CONT'D)

3.5 New standards and interpretations not adopted (cont'd)

The following amendments to SFRS(I)s are not expected to have a significant impact on the Company's statement of financial position.

- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*
- Amendments to SFRS(I) 1-7 and SFRS(I) 7: *Supplier Finance Arrangements*
- Amendments to SFRS(I) 16: *Lease Liability in a Sale and Leaseback*
- Amendments to SFRS(I) 1-21: *Lack of Exchangeability*

4 TRADE AND OTHER RECEIVABLES

	2023	2022
	\$	\$
Amounts due from related entities (trade)	939,554	784,680
Prepayment	3,374	3,342
	942,928	788,022

There is no allowance for doubtful debts on the amounts due from related entities as the ECL is negligible.

5 OTHER INVESTMENT

	2023	2022
	\$	\$
Equity securities at FVOCI	3,242,991	2,729,204

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 2023, the Company has 2,921,614 (2022: 2,200,971) stapled securities with a fair value of \$1.11 (2022: \$1.24) per stapled security, which is determined by reference to quoted bid price at the reporting date.

6 SHARE CAPITAL

	Number of shares	
	2023	2022
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.

NOTES TO THE FINANCIAL STATEMENTS

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

	2023	2022
	\$	\$
Amount owing to immediate holding company (non-trade)	54,274	54,274
Accrued operating expenses	64,008	59,120
	118,282	113,394

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

8 REVENUE

	2023	2022
	\$	\$
Management fee	1,188,055	1,015,210
Trustee fee	304,687	272,045
	1,492,742	1,287,255

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.

9 FINANCE INCOME AND FINANCE COSTS

	2023	2022
	\$	\$
Finance income		
Distribution income from equity investments at FVOCI	135,726	71,414
Net foreign exchange gain	4,442	–
	140,168	71,414
Finance costs		
Net foreign exchange loss	–	(15,872)
Net finance income	140,168	55,542

NOTES TO THE FINANCIAL STATEMENTS

10 TAX EXPENSE

	2023	2022
	\$	\$
Current tax expense		
Current year	207,658	203,906
Reconciliation of effective tax rate		
Profit before tax	1,561,695	1,281,901
Tax calculated using Singapore tax rate of 17% (2022: 17%)	265,488	217,923
Corporate income tax rebate	(40,000)	–
Tax exempt income	(17,425)	(17,425)
Income not subject to tax	(13,180)	(6,528)
Non-deductible expenses	12,775	9,936
	207,658	203,906

Deferred tax assets/(liabilities)

Movements in deferred tax during the year are as follows:

	At 1 January 2022	Recognised in other comprehensive income	At 31 December 2022	Recognised in other comprehensive income	At 31 December 2023
	\$	\$	\$	\$	\$
Other investment	23,379	(31,960)	(8,581)	56,851	48,270

NOTES TO THE FINANCIAL STATEMENTS

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, liquidity and market 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 amounts due from related entities and equity securities at FVOCI represent 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	
	2023	2022
	\$	\$
10% increase	324,299	272,920
10% decrease	(324,299)	(272,920)

NOTES TO THE FINANCIAL STATEMENTS

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.

	Note	Carrying amount			Fair value					
		Amortised	FVOCI	Other	Level 1	Level 2	Level 3	Total		
		cost	- equity	financial						
			instruments	liabilities	Total					
		\$	\$	\$	\$	\$	\$	\$	\$	
31 December 2023										
Financial assets measured at fair value										
Other investment	5	-	3,242,991	-	3,242,991	3,242,991	-	-	3,242,991	
Financial assets not measured at fair value										
Trade and other receivables [^]	4	939,554	-	-	939,554					
Cash at bank		1,757,139	-	-	1,757,139					
		<u>2,696,693</u>	-	-	<u>2,696,693</u>					
Financial liabilities not measured at fair value										
Other payables	7	-	-	(118,282)	(118,282)					

[^] excluding prepayment

NOTES TO THE FINANCIAL STATEMENTS

11 FINANCIAL RISK MANAGEMENT (CONT'D)

Accounting classifications and fair values (cont'd)

	Note	Carrying amount			Fair value				
		Amortised cost	FVOCI – equity instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		\$	\$	\$	\$	\$	\$	\$	\$
31 December 2022									
Financial assets measured at fair value									
Other investment	5	–	2,729,204	–	2,729,204	2,729,204	–	–	2,729,204
Financial assets not measured at fair value									
Trade and other receivables [^]	4	784,680	–	–	784,680				
Cash at bank		1,382,448	–	–	1,382,448				
		<u>2,167,128</u>	–	–	<u>2,167,128</u>				
Financial liabilities not measured at fair value									
Other payables	7	–	–	(113,394)	(113,394)				

[^] excluding prepayment

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

	2023	2022
	\$	\$
Secretarial fee paid/payable to a related corporation	43,190	40,610