**CIRCULAR DATED 17 JULY 2020**

**THIS CIRCULAR IS ISSUED BY PERENNIAL REAL ESTATE HOLDINGS LIMITED (THE "COMPANY"). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF PRICEWATERHOUSECOOPERS CORPORATE FINANCE PTE LTD (AS THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS) TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

If you have sold or transferred all your Shares (as defined herein) held through CDP (as defined herein), you need not forward this Circular to the purchaser or the transferee, as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.

PERENNIAL 鵬瑞利

# PERENNIAL REAL ESTATE HOLDINGS LIMITED

(Company Registration No.: 200210338M)
(Incorporated in Singapore)

## CIRCULAR TO SHAREHOLDERS

in relation to the

## VOLUNTARY CONDITIONAL CASH OFFER

by

| | | |
|---|---|---|
| **UNITED OVERSEAS BANK LIMITED**<br>(Company Registration No.: 193500026Z)<br>(Incorporated in Singapore) | and | **DBS BANK LTD.**<br>(Company Registration No.: 196800306E)<br>(Incorporated in Singapore) |

for and on behalf of

## PRIMERO INVESTMENT HOLDINGS PTE. LTD.

(Company Registration No.: 202014091W)
(Incorporated in Singapore)

to acquire all the issued and paid-up ordinary shares in the capital of the Company

*Independent Financial Adviser to the Independent Directors of the Company*

## PRICEWATERHOUSECOOPERS CORPORATE FINANCE PTE LTD

(Company Registration No.: 197501605H)
(Incorporated in Singapore)

**SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES MUST BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 3 AUGUST 2020 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR (AS DEFINED HEREIN).**

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## DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

**GENERAL**

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| *"Accepting Shareholder"* | : | A Shareholder who tenders his Shares in acceptance of the Offer |
| *"Board"* | : | Board of Directors of the Company |
| *"Business Day"* | : | A day (other than Saturday, a Sunday or a gazetted public holiday) on which commercial banks are open for business in Singapore |
| *"Circular"* | : | This circular to Shareholders dated 17 July 2020 in relation to the Offer enclosing, *inter alia*, the IFA Letter |
| *"Closing Date"* | : | 5.30 p.m. (Singapore time) on 3 August 2020 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, such date being the last day for the lodgement of acceptances of the Offer |
| *"Code"* | : | The Singapore Code on Take-overs and Mergers |
| *"Companies Act"* | : | The Companies Act, Chapter 50 of Singapore |
| *"Company Securities"* | : | (a) Shares;<br>(b) securities which carry voting rights in the Company; or<br>(c) convertible securities, warrants, options and derivatives in respect of the Shares or securities which carry voting rights in the Company |
| *"Consortium Members"* | : | HPRY, WCA, V3, PSGH and HOPU |
| *"Constitution"* | : | The constitution of the Company |
| *"CPF Agent Banks"* | : | Agent banks included under the CPFIS |
| *"CPFIS"* | : | Central Provident Fund Investment Scheme |
| *"CPFIS Investors"* | : | Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS |
| *"Despatch Date"* | : | 3 July 2020, being the date of despatch of the Offer Document |

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| *"Directors"* | : | The directors of the Company as at the Latest Practicable Date, namely, KKH, RS, Mr. Eugene Paul Lai Chin Look, Mr. Ooi Eng Peng, Mr. Lee Suan Hiang, Mr. Chua Phuay Hee and PSG, and "*Director*" means any one of them |
| *"Distributions"* | : | All dividends, rights, other distributions and/or return of capital |
| *"Encumbrances"* | : | Any claim, charge, pledge, mortgage, lien, option, equity, power of sale, declaration of trust, hypothecation, retention of title, right of pre-emption, right of first refusal, moratorium or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing |
| *"ESOS"* | : | The share option scheme of the Company known as "Perennial Employee Share Option Scheme 2014", which was adopted on 10 October 2014 |
| *"Exercisable Options"* | : | Options that will be exercisable into Shares subject to the Offer becoming unconditional |
| *"FAA"* | : | Form of Acceptance and Authorisation for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with CDP |
| *"FAT"* | : | Form of Acceptance and Transfer for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Shares are registered in their own names in the Register and are not deposited with CDP |
| *"Final Day Rule"* | : | Shall have the meaning ascribed to it in **Section 2.4(d)** of this Circular |
| *"Final Dividend"* | : | The final cash dividend of 0.20 cents per Share in respect of FY2019 |
| *"FY"* | : | Financial year ended or ending on (as the case may be) 31 December of a particular year as stated |
| *"FY2019 Results"* | : | The audited consolidated financial results of the Group in respect of FY2019 which were released by the Company on SGXNET on 3 June 2020, which are reproduced in **Appendix IV** of this Circular |
| *"IFA Letter"* | : | The letter dated 17 July 2020 from the IFA to the Independent Directors in respect of the Offer and the Options Proposal, as set out in **Appendix I** to this Circular |

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| *"Independent Directors"* | : | The Directors who are considered to be independent for the purposes of the Offer under the Code, namely, Mr. Eugene Paul Lai Chin Look, Mr. Ooi Eng Peng, Mr. Lee Suan Hiang and Mr. Chua Phuay Hee |
| *"Interested Person"* | : | As defined in the Note on Rule 24.6 of the Code and read with the Note on Rule 23.12 of the Code, an interested person, in relation to a company, is:<br><br>(a) a director, chief executive officer, or Substantial Shareholder of the company;<br><br>(b) the immediate family of a director, the chief executive officer, or a Substantial Shareholder (being an individual) of the company;<br><br>(c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a Substantial Shareholder (being an individual) and his immediate family is a beneficiary;<br><br>(d) any company in which a director, the chief executive officer or a Substantial Shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;<br><br>(e) any company that is the subsidiary, holding company or fellow subsidiary of the Substantial Shareholder (being a company); or<br><br>(f) any company in which a Substantial Shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more |
| *"KKH"* | : | Mr. Kuok Khoon Hong |
| *"Latest Practicable Date"* | : | 8 July 2020, being the latest practicable date prior to the printing of this Circular, save that where parts of the Offer Document (including the letter from the Financial Advisers to the Shareholders in the Offer Document) and/or the Options Proposal Letter are reproduced, references to the "Latest Practicable Date" in such reproduction shall mean the Offer Document LPD |
| *"Listing Manual"* | : | The listing manual of the SGX-ST |
| *"Market Day"* | : | A day on which the SGX-ST is open for trading of securities |

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| *"Minimum Acceptance Condition"* | : | Shall have the meaning ascribed to it in **Section 2.2** of this Circular |
| *"Non-Independent Perennial Directors"* | : | KKH, RS and PSG |
| *"Offer"* | : | The voluntary conditional cash offer by the Financial Advisers, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and/or the FAT, as such offer may be amended, extended and revised from time to time by or on behalf of the Offeror |
| *"Offer Announcement"* | : | The announcement issued by the Financial Advisers, for and on behalf of the Offeror, on the Offer Announcement Date in relation to the voluntary conditional cash offer for all the Offer Shares |
| *"Offer Announcement Date"* | : | 12 June 2020, being the date of the Offer Announcement |
| *"Offer Document"* | : | The offer document dated 3 July 2020, including the FAA and the FAT, issued by the Financial Advisers, for and on behalf of the Offeror, in respect of the Offer, and any other document(s) which may be issued for and on behalf of the Offeror to amend, revise, supplement or update the document(s) from time to time |
| *"Offer Document LPD"* | : | 29 June 2020, stated in the Offer Document to be the latest practicable date prior to the printing of the Offer Document |
| *"Offer Price"* | : | S$0.95 in cash for each Offer Share |
| *"Offer Shares"* | : | Shall have the meaning ascribed to it in **Section 2.1(a)** of this Circular |
| *"Offer Unconditional Date"* | : | The date of which the Offer has become or is declared unconditional in all respects in accordance with its terms |
| *"Offeror Securities"* | : | (a) securities which carry voting rights in the Offeror; or (b) convertible securities, warrants, options or derivatives in respect of securities which carry voting rights in the Offeror |
| *"Optionholder"* | : | Holder of the Options |
| *"Options"* | : | Options granted to subscribe for new Shares under the ESOS |

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| *"Options Proposal"* | : | The proposal made in relation to the Options by the Financial Advisers, for and on behalf of the Offeror, to the Optionholders, on the terms set out in the Options Proposal Letter |
| *"Options Proposal Acceptance Letter"* | : | Options Proposal Acceptance Letter, which forms part of the terms of the Options Proposal and the Options Proposal Letter and which is issued to Optionholders |
| *"Options Proposal Letter"* | : | The options proposal letter dated 3 July 2020, including the Options Proposal Acceptance Letter, issued by the Financial Advisers, for and on behalf of the Offeror, in respect of the Options Proposal, and any other document(s) which may be issued for and on behalf of the Offeror to amend, revise, supplement or update the document(s) from time to time |
| *"Overseas Shareholders"* | : | Shall have the meaning ascribed to it in **Section 14** of this Circular |
| *"PSG"* | : | Mr. Pua Seck Guan |
| *"PSG Options"* | : | The 20,400,000 Options held by PSG outstanding as at the Offer Announcement Date which are exercisable into 20,400,000 new Shares |
| *"Register"* | : | The register of holders of Shares, as maintained by the Share Registrar |
| *"RS"* | : | Mr. Ron Sim Chye Hock |
| *"Rule 22.6 Period"* | : | Shall have the meaning ascribed to it in **Section 2.4(c)** of this Circular |
| *"Securities Account"* | : | A securities account maintained by a Depositor with CDP but does not include a securities sub-account |
| *"SFA"* | : | The Securities and Futures Act, Chapter 289 of Singapore |
| *"SGXNET"* | : | Singapore Exchange Network, a system network used by listed companies when sending information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST |
| *"Shareholders"* | : | Holders of Shares (other than CDP) as indicated on the Register and Depositors who have Shares entered against their names in the Depository Register |

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| *"Shares"* | : | Issued and paid-up ordinary shares in the capital of the Company |
| *"Shut-Off Notice"* | : | Shall have the meaning ascribed to it in **Section 2.4(c)** of this Circular |
| *"SRS"* | : | Supplementary Retirement Scheme |
| *"SRS Agent Banks"* | : | Agent banks included under the SRS |
| *"SRS Investors"* | : | Investors who have purchased Shares using their SRS contributions pursuant to the SRS |
| *"Subject Properties"* | : | The following properties of the Group as more particularly described in **Appendix V** to this Circular:<br>(a) Capitol Singapore (Retail Component);<br>(b) Perennial International Health and Medical Hub;<br>(c) CHIJMES;<br>(d) Perennial Qingyang Mall;<br>(e) Perennial Jihua Mall;<br>(f) Xi'an North High Speed Railway Integrated Development Plot 4 (Non-Hotel);<br>(g) Beijing Tongzhou Integrated Development (Phase 1 – Plot 14-1 and 14-2);<br>(h) Chengdu East High Speed Railway Integrated Development Plot D2;<br>(i) Shenyang Longemont Integrated Development;<br>(j) Eden Residences Capitol;<br>(k) Beijing Tongzhou Integrated Development (Phase 1 – Plot 13);<br>(l) Xi'an North High Speed Railway Integrated Development Plot 4 (Hotel);<br>(m) Beijing Tongzhou Integrated Development (Phase 2 – Plot 10, 11, 12); and<br>(n) The Capitol Kempinski Hotel Singapore |

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| *"Substantial Shareholder"* | : | A person who has an interest in not less than five per cent. (5%) of the total number of issued voting Shares |
| *"Valuation Reports and/or Certificates"* | : | The valuation reports and/or certificates issued in respect of the Subject Properties in connection with the Offer as set out in **Appendix V** of this Circular |

*Units and currencies*

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| *"S$" and "cents"* | : | Singapore dollars and cents, respectively, being the lawful currency of Singapore |
| *"%" or "per cent."* | : | Percentage or per centum |

**COMPANIES/ORGANISATIONS**

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|---|---|---|
| *"Auditor"* | : | KPMG LLP |
| *"CDP"* | : | The Central Depository (Pte) Limited |
| *"Company" or "Offeree"* | : | Perennial Real Estate Holdings Limited |
| *"CPF"* | : | Central Provident Fund |
| *"DBS"* | : | DBS Bank Ltd. |
| *"Financial Advisers"* | : | UOB and DBS |
| *"Group"* | : | The Company, its subsidiaries and associated companies |
| *"HOPU"* | : | Beaufort Investment Global Company Limited |
| *"HPRY"* | : | HPRY Holdings Limited |
| *"IFA" or "PWC"* | : | PricewaterhouseCoopers Corporate Finance Pte. Ltd., the independent financial adviser to the Independent Directors in respect of the Offer |
| *"Offeror"* | : | Primero Investment Holdings Pte. Ltd. |
| *"SGX-ST"* | : | Singapore Exchange Securities Trading Limited |
| *"Share Registrar"* | : | Boardroom Corporate & Advisory Services Pte. Ltd., located at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 |
| *"SIC"* | : | The Securities Industry Council of Singapore |

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| *"UOB"* | : | United Overseas Bank Limited |
| *"V3"* | : | V3 Asset Pte. Ltd. |
| *"WCA"* | : | WCA Pte. Ltd. |
| *"Wilmar"* | : | Wilmar International Limited |

**Acting in Concert.** Unless otherwise defined, the term "**acting in concert**" shall have the same meaning as ascribed to it in the Code.

**Announcements and Notices.** References to the making of an announcement or the giving of notice by the Company shall include the release of an announcement by the Company or its agents, for and on behalf of the Company, to the press or the delivery of or transmission by telephone, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified to the SGX-ST simultaneously.

**Capitalised Terms in Extracts.** Statements which are reproduced in their entirety from the Offer Document, the Options Proposal Letter, the IFA Letter, the Valuation Reports and/or Certificates and the Constitution are set out in this Circular within quotes and italics, and capitalised terms used within these reproduced statements shall bear the same meanings as attributed to them in the Offer Document, the Options Proposal Letter, the IFA Letter, the Valuation Reports and/or Certificates and the Constitution respectively.

**Depository Related Terms.** The terms "**Depositor**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

**Subsidiary and Related Corporation.** References to "**subsidiary**" and "**related corporation**" shall have the meanings ascribed to them respectively in Sections 5 and 6 of the Companies Act respectively.

**Shareholders.** References to "**you**", "**your**" and "**yours**" in this Circular are, as the context so determines, to the Shareholders.

**Headings.** The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

**Expressions.** Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing one gender shall, where applicable, include any or all other genders. References to persons shall, where applicable, include corporations.

**Statutes.** Any reference in this Circular to any enactment or statutory provision is a reference to that enactment as for the time being amended or re-enacted, unless the context otherwise requires. Any word defined under the Companies Act, the SFA, the Listing Manual or the Code or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA, the Listing Manual or the Code or any modification thereof, as the case may be, unless the context otherwise requires.

**Time and Date.** Any reference to a time of day and date in this Circular is made by reference to Singapore time and date, unless otherwise stated.

**Rounding.** Any discrepancies in figures included in this Circular between the amounts shown and the total thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

**Total number of Shares and Percentage as at the Latest Practicable Date.** In this Circular, the total number of Shares is a reference to a total of 1,661,709,368 Shares in issue as at the Latest Practicable Date (excluding treasury shares) based on a search conducted at ACRA, unless the context otherwise requires. Unless otherwise specified, all references to the percentage shareholding in the capital of the Company in this Circular are based on 1,661,709,368 Shares in issue as at the Latest Practicable Date (excluding treasury shares) based on a search conducted at ACRA. As at the Latest Practicable Date, the Company has 3,435,000 treasury shares held in the share capital of the Company.

## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "aim", "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "potential", "strategy", "forecast", "possible", "probable" and similar expressions or future or conditional verbs such as "if", "will", "would", "should", "could", "may" or "might". These statements reflect the Company's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information as at the Latest Practicable Date. Such forward-looking statements are not guarantees of future results, performance, events or achievements and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those described in such forward-looking statements. Given the risks and uncertainties involved, Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA guarantees any future performance or event, or undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

# PERENNIAL REAL ESTATE HOLDINGS LIMITED

(Company Registration No.: 200210338M)
(Incorporated in Singapore)

**Board of Directors:**

Mr. Kuok Khoon Hong (Chairman and Non-Independent Non-Executive Director)
Mr. Ron Sim Chye Hock (Vice-Chairman and Non-Independent Non-Executive Director)
Mr. Eugene Paul Lai Chin Look (Lead Independent Non-Executive Director)
Mr. Ooi Eng Peng (Independent Non-Executive Director)
Mr. Lee Suan Hiang (Independent Non-Executive Director)
Mr. Chua Phuay Hee (Independent Non-Executive Director)
Mr. Pua Seck Guan (Chief Executive Officer and Executive Director)

**Registered Office:**

8 Shenton Way
#36-01 AXA Tower
Singapore 068811

17 July 2020

To: The Shareholders of Perennial Real Estate Holdings Limited

Dear Sir/Madam

**VOLUNTARY CONDITIONAL CASH OFFER BY THE FINANCIAL ADVISERS, FOR AND ON BEHALF OF THE OFFEROR, FOR THE OFFER SHARES**

## 1. INTRODUCTION

### 1.1. Offer Announcement

On the Offer Announcement Date, the Financial Advisers announced, for and on behalf of the Offeror, that the Offeror intends to make a voluntary conditional cash offer for all the Shares, including all the Shares already owned, controlled or agreed to be acquired by the parties acting or deemed to be acting in concert with the Offeror in relation to the Offer, but excluding Shares held in treasury.

A copy of the Offer Announcement is available on the website of the SGX-ST at www.sgx.com.

### 1.2. Offer Document and Options Proposal Letter

Shareholders should have by now received a copy of the Offer Document, as announced by the Financial Advisers, for and on behalf of the Offeror, which was despatched on 3 July 2020, setting out the formal offer by the Financial Advisers, for and on behalf of the Offeror, to acquire all the Shares, excluding Shares held in treasury. The principal terms and conditions of the Offer are set out in Section 2 of the Offer Document.

The Options Proposal Letter containing the Options Proposal to the Optionholders was also despatched to Optionholders on 3 July 2020.

A copy of the Offer Document and the Options Proposal Letter are available on the website of the SGX-ST at www.sgx.com.

1.3. **Independent Financial Adviser**

The Company has appointed PWC as the independent financial adviser to advise the Independent Directors in respect of the Offer and the Options Proposal.

1.4. **Purpose of Circular**

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Company, the Offer, the Options Proposal, the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors with regard to the Offer and the Options Proposal.

**Shareholders and Optionholders should read the Offer Document, the Options Proposal Letter, this Circular and the IFA Letter set out in Appendix I to this Circular carefully and consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer and the Options Proposal before deciding whether or not to accept the Offer and/or the Options Proposal.**

**If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.**

**2. THE OFFER**

Based on the information set out in the Offer Document:

2.1. **Terms of the Offer**

The Financial Advisers have, for and on behalf of the Offeror, made the Offer for all the Offer Shares, on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, on the following basis:

(a) **Offer Shares**

The Offeror is making the Offer to acquire:

(i) all Shares (excluding Shares held in treasury); and

(ii) all new Shares unconditionally allotted and issued and all Shares held in treasury that are transferred (as the case may be) prior to or on the Closing Date pursuant to the valid exercise of any Options granted prior to the Closing Date,

in each case including any Shares owned, controlled or agreed to be acquired by parties acting in concert or deemed to be acting in concert with the Offeror in relation to the Offer (all such Shares, "**Offer Shares**").

(b) **Offer Price**

**The consideration for each Offer Share acquired pursuant to the Offer is $0.95 in cash.**

The Offer Price is final and the Offeror will not increase the Offer Price.

(c) **No Encumbrances**

The Offer Shares will be acquired:

(i) fully paid;

(ii) free from all Encumbrances; and

(iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date, save as stated below.

(d) **Adjustments for Distributions**

Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company on or after the Offer Announcement Date.

Accordingly, save for the Final Dividend, in the event any Distribution is or has been declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by the amount of such Distribution where the Offeror is not entitled to receive such Distribution.

On 26 June 2020, Shareholders approved the declaration of the Final Dividend in respect of FY2019. The record date for determining the entitlements of Shareholders to the Final Dividend was 7 July 2020, 5.00 p.m..

The Offeror does not intend to reduce the Offer Price by the amount of the Final Dividend. Accordingly, in the event the Offer becomes unconditional in all respects in accordance with its terms and the Offeror receives the Final Dividend in respect of any Offer Shares validly tendered by an Accepting Shareholder in accordance with the Offer, the Offeror will pay an amount equal to the Final Dividend in respect of such Offer Shares to such Accepting Shareholder within 14 days of receipt by the Offeror of the Final Dividend from the Company. Shareholders who receive the Final Dividend from the Company will not be entitled to receive any additional amount from the Offeror under the Offer or otherwise in respect of any Offer Shares tendered by them in acceptance of the Offer.

2.2. **Minimum Acceptance Condition**

The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it before or during the Offer, will result in the Offeror and parties acting in concert with it holding such number of Shares carrying not less than 90% of the voting rights attributable to all the Shares in issue (excluding Shares held in treasury) as at the Closing Date (including any voting rights attributable to Shares unconditionally issued or to be issued pursuant to the valid exercise of Options prior to the final closing date of the Offer) (the "**Minimum Acceptance Condition**").

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the Closing Date, unless at any time prior to the Closing Date, the Offeror has received valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it before or during the Offer, will result in the Offeror and parties acting in concert with it holding such number of Shares carrying not less than 90% of the maximum potential issued share capital of the Company. For this purpose, and further to the announcement by the Offeror dated 13 July 2020, the "**maximum potential issued share capital of the Company**" means the total number of Shares which would be in issue had all Shares under the Exercisable Options been issued, other than (i) those in respect of which the Options Proposal is accepted and (ii) the 12,750,000 Exercisable Options in respect of which PSG has irrevocably undertaken to accept the Options Proposal.

Save for the Minimum Acceptance Condition, the Offer is unconditional in all other respects.

2.3. **Warranty**

A Shareholder who tenders his Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably warrant that he sells such Shares as or on behalf of the beneficial owner(s) thereof (i) fully paid, (ii) free from any Encumbrances, and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all Distributions declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date, save as stated in Section 2.4 of the Offer Document.

2.4. **Duration of the Offer**

(a) **First Closing Date**

The Offer is open for acceptances by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation thereunder. **Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 3 August 2020 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.**

(b) **Subsequent Closing Date(s)**

The Offeror is not obliged to extend the Offer if the Minimum Acceptance Condition is not fulfilled by the Closing Date. However, if the Offer is extended and:

(i) is not unconditional as to acceptances as at the date of such extension, the announcement of the extension must state the next Closing Date; or

(ii) is unconditional as to acceptances as at the date of such extension, the announcement of the extension need not state the next Closing Date but may state that the Offer will remain open until further notice. In such a case, the Offeror must give Shareholders at least 14 days' prior notice in writing before it may close the Offer.

(c) **Offer to Remain Open for 14 Days After Being Declared Unconditional as to Acceptances**

In order to give Shareholders who have not accepted the Offer the opportunity to accept the Offer after the Offer has become or is declared unconditional as to acceptances, the Offer will remain open for a period (the "**Rule 22.6 Period**") of not less than 14 days after the date on which it would otherwise have closed.

This requirement does not apply if, before the Offer has become or is declared unconditional as to acceptances, the Offeror has given Shareholders at least 14 days' notice in writing (the "**Shut-Off Notice**") that the Offer will not be open for acceptance beyond a specified Closing Date, provided that:

(i) the Offeror may not give a Shut-Off Notice in a competitive situation; and

(ii) the Offeror may not enforce a Shut-Off Notice, if already given, in a competitive situation.

For these purposes, the SIC would normally regard a "competitive situation" to have arisen if a competing offer for the Company has been announced.

If a declaration that the Offer is unconditional is confirmed in accordance with paragraph 3.1 of Appendix 1 to the Offer Document, the Rule 22.6 Period will run from the date of such confirmation or the date on which the Offer would otherwise have closed, whichever is later.

(d) **Final Day Rule**

The Offer (whether revised or not) will not be capable:

(i) of becoming or being declared unconditional as to acceptances after 5.30 p.m. (Singapore time) on the 60th day after the Despatch Date; or

(ii) of being kept open after 5.30 p.m. (Singapore time) on the 60th-day after the Despatch Date unless the Offer has previously become or been declared to be unconditional as to acceptances,

provided that the Offeror may extend the Offer beyond such 60-day period with the SIC's prior consent (the "**Final Day Rule**").

Except with the SIC's consent, all conditions must be fulfilled or the Offer must lapse within 21 days of the first Closing Date or of the date the Offer becomes or is declared unconditional as to acceptances, whichever is the later.

(e) **Revision**

Pursuant to Rule 20.1 of the Code, the terms of the Offer, if revised, will remain open for acceptance for a period of at least 14 days from the date of dispatch of the written notification of the revision to Shareholders. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders, including the Shareholders who had previously accepted the Offer.

2.5. **Details of the Offer**

Further details on (a) the settlement of the consideration for the Offer, (b) the requirements relating to the announcement of the level of acceptances of the Offer, and (c) the right of withdrawal of acceptances of the Offer are set out in paragraphs 2 to 4 of Appendix 1 to the Offer Document.

2.6. **Procedures for Acceptance**

The procedures for acceptance of the Offer are set out in Appendix 2 to the Offer Document and the accompanying FAA and/or FAT (as the case may be).

**3. OPTIONS PROPOSAL**

The Financial Advisers, for and on behalf of the Offeror, have made the Options Proposal, details of which have been extracted from Section 4 of the Offer Document, as well as paragraph 5 of the Options Proposal Letter and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"***4. OPTIONS PROPOSAL***

***4.1*** ***Options.*** *As at the Latest Practicable Date, based on the information available to the Offeror, there are 90,874,000 outstanding Options issued under the Option Scheme which are exercisable into 90,874,000 Shares. Under the rules of the Option Scheme, the outstanding Options are personal to the holders of the outstanding Options ("****Optionholders****") and are not transferable. In view of this restriction, the Offeror will not make an offer to acquire the outstanding Options. For the avoidance of doubt, the Offer will be extended to all Shares unconditionally allotted and issued and/or transferred (as the case may be) prior to or on the Closing Date pursuant to the valid exercise of any Options.*

***4.2*** ***Options Proposal.*** *The Financial Advisers, for and on behalf of the Offeror, have made a proposal (the "****Options Proposal****") to all Optionholders on the following terms. Subject to:*

*4.2.1 the Offer becoming or being declared to be unconditional in all respects in accordance with its terms; and*

*4.2.2 the Options continuing to be exercisable into Shares,* *the Offeror will pay an Optionholder a cash amount (as set out in **Section 4.3** of this Letter to Shareholders) (the "**Option Price**") in consideration of each such Optionholder agreeing:*

*(i) not to exercise all or any of the Options held by him in respect of which he has accepted the Options Proposal (the "**Relevant Options**") into Shares; and*

*(ii) not to exercise all or any of his rights as holder of the Relevant Options,*

*in each case from the date of acceptance of the Options Proposal to the dates of expiry of the respective Relevant Options. Further, if the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, the Relevant Options of an Optionholder who accepts the Options Proposal will be cancelled or deemed to be cancelled upon receipt by the Registrar, on behalf of the Offeror, of his valid acceptance of the Options Proposal (whether or not such Relevant Options have been surrendered by the Optionholder). If the Offer lapses or is withdrawn, the Options Proposal will lapse accordingly. Further, if the Relevant Options cease to be exercisable into Shares, the Options Proposal in relation to such Relevant Options that cease to be exercisable into Shares will also lapse.*

***4.3** **Option Price.** The Option Price is calculated on a "see-through" basis. In other words, the Option Price for an Option will be the amount by which the Offer Price exceeds the exercise price of that Option. If, however, the exercise price of any Option is equal to or more than the Offer Price, the consideration payable for such Option will be zero. To illustrate, if the exercise price per Share in respect of an Option is S$0.88, the Option Price for that Option shall be S$0.07, being the Offer Price of S$0.95 less S$0.88.*

***4.4** **Offer and Options Proposal are Mutually Exclusive.** For the avoidance of doubt, whilst the Options Proposal is conditional upon the Offer becoming or being declared to be unconditional in all respects in accordance with its terms, the Offer will not be conditional upon acceptances received in relation to the Options Proposal. The Offer and the Options Proposal are separate and mutually exclusive, such that the Options Proposal does not form part of the Offer, and vice versa. Without prejudice to the foregoing, if Optionholders exercise their Options in order to accept the Offer in respect of the Shares allotted and issued and/or transferred (as the case may be) pursuant to such exercise, they may not accept the Options Proposal in respect of such Options. Conversely, if Optionholders wish to accept the Options Proposal in respect of their Options, they may not exercise those Options to accept the Offer in respect of the Shares allotted and issued and/or transferred (as the case may be) pursuant to such exercise.*

***4.5** **Separate Letter.** A separate letter setting out further details of the Options Proposal made by the Financial Advisers, for and on behalf of the Offeror, to the Optionholders will be despatched to the Optionholders on the Despatch Date."*

The full extract of paragraph 5 of the Options Proposal Letter is set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Options Proposal Letter and/or Offer Document.

"***5. THE OPTIONS PROPOSAL***

***5.1*** ***Options Proposal.*** *In addition to extending the Offer to all Shares unconditionally allotted and issued and/or transferred (as the case may be) prior to or on the Closing Date pursuant to the valid exercise of the outstanding Options, the Financial Advisers, for and on behalf of the Offeror, hereby make the Options Proposal to each Optionholder on the following terms:*

Subject to:

***5.1.1*** *the Offer becoming or being declared to be unconditional in all respects in accordance with its terms; and*

***5.1.2*** *the relevant outstanding Options continuing to be exercisable into Shares,*

*the Offeror will pay an Optionholder a cash amount (as determined in* ***paragraph 5.2*** *below) (the "****Option Price****") in consideration of each such Optionholder agreeing:*

*(i) not to exercise all or any of the outstanding Options held by him in respect of which he has accepted the Options Proposal (the "****Relevant Options****") into Shares; and*

*(ii) not to exercise all or any of his rights as holder of the Relevant Options,*

*in each case from the date of acceptance of the Options Proposal to the dates of expiry of the respective Relevant Options. Further, if the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, the Relevant Options of an Optionholder who accepts the Options Proposal will be cancelled or deemed to be cancelled upon receipt by the Registrar, on behalf of the Offeror, of his valid acceptance of the Options Proposal (whether or not such Relevant Options have been surrendered by the Optionholder). If the Offer lapses or is withdrawn, the Options Proposal will lapse accordingly. Further, if the Relevant Options cease to be exercisable into Shares, the Options Proposal in relation to such Relevant Options that cease to be exercisable into Shares will also lapse.*

***5.2*** ***Option Price.*** *The Option Price is calculated on a "see-through" basis. In other words, the Option Price for an Option will be the amount by which the Offer Price exceeds the exercise price of that Option. If, however, the exercise price of any Option is equal to or more than the Offer Price, the consideration payable for each Option will be zero. To illustrate, if the exercise price per Share in respect of an Option is S$0.88, the Option Price for that Option shall be S$0.07, being the Offer Price of S$0.95 less S$0.88.*

***5.3*** ***Offer and Options Proposal are Mutually Exclusive.*** *For the avoidance of doubt, whilst the Options Proposal is conditional upon the Offer becoming or being declared to be unconditional in all respects in accordance with its terms, the Offer will not be conditional upon acceptances received in relation to the Options Proposal. The Offer and the Options Proposal are separate and mutually exclusive, such that the Options Proposal does not form part of the Offer, and vice versa. Without prejudice to the foregoing, if Optionholders exercise their Options* *in order to accept the Offer in respect of Shares allotted and issued and/or transferred (as the case may be) pursuant to such exercise, they may not accept the Options Proposal in respect of such Options. Conversely, if Optionholders wish to accept the Options Proposal in respect of their Options, they may not exercise those Options to accept the Offer in respect of the Shares allotted and issued and/or transferred (as the case may be) pursuant to such exercise.*

***5.4*** ***Duration of the Options Proposal.*** *The Options Proposal shall remain open for acceptance until* ***5.30 p.m. (Singapore time) on the Closing Date****.*

***5.5*** ***Acceptances Irrevocable.*** *Acceptances of the Options Proposal shall be irrevocable."*

## 4. INFORMATION ON THE OFFEROR AND THE CONSORTIUM MEMBERS

### 4.1. Information on the Offeror and the Consortium Members

The information on the Offeror and the Consortium Members set out in italics below has been extracted from Section 7 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

***"7. INFORMATION ON THE CONSORTIUM AND THE OFFEROR***

***7.1*** ***Consortium and Consortium Members.*** *The Offer is undertaken by a consortium comprising:*

***7.1.1*** *HPRY Holdings Limited ("****HPRY****"), a company wholly owned by Mr Kuok Khoon Hong ("****KKH****");*

***7.1.2*** *WCA Pte. Ltd. ("****WCA****"), a wholly-owned subsidiary of Wilmar International Limited ("****Wilmar****");*

***7.1.3*** *V3 Asset Pte. Ltd. ("****V3****"), a company wholly owned by Mr Ron Sim Chye Hock ("****RS");***

***7.1.4*** *PSG Holdings Pte. Ltd. ("****PSGH****"), a company wholly owned by Mr Pua Seck Guan ("****PSG****"); and*

***7.1.5*** *Beaufort Investment Global Company Limited ("****HOPU****"), an entity managed or advised by HOPU Fund Management Company Limited or its affiliates,*

*(each, a "****Consortium Member****" and collectively, the "****Consortium****"). The Consortium has established the Offeror for the purposes of carrying out the Offer.*

***7.2*** ***The Offeror.*** *The Offeror is an investment holding company incorporated in Singapore on 20 May 2020. The Offeror has not carried on any business since its incorporation, except to enter into certain agreements in connection with the formation of the Consortium. As at the Latest Practicable Date:*

***7.2.1*** *the Offeror has an issued and paid-up share capital of S$100, consisting of 10,000 ordinary shares (each, an "**Offeror Share**"). Each Consortium Member holds and/or controls the following number of Offeror Shares representing such shareholding percentage in the Offeror as set out against its name below:*

| ***Consortium Member*** | ***Number of Offeror Shares held and/or controlled*** | ***% of Offeror Shares in Issue*** |
|---|---|---|
| *HPRY* | *3,653* | *36.53* |
| *WCA* | *2,004* | *20.04* |
| *V3* | *1,545* | *15.45* |
| *PSGH* | *1,041* | *10.41* |
| *HOPU* | *1,757* | *17.57* |

*; and*

***7.2.2*** *the directors of the Offeror are as follows:*

*(i) KKH;*

*(ii) Ms Teo La-Mei;*

*(iii) RS;*

*(iv) PSG; and*

*(v) Mr Fang Fenglei."*

4.2. **Further information on the Offeror**

Shareholders should refer to Appendix 3 to the Offer Document for further information on the Offeror.

## 5. IRREVOCABLE UNDERTAKINGS

The full text of the undertakings provided by each of the undertaking parties (the "**Irrevocable Undertakings**") has been extracted from Section 9 of the Offer Document and is set out in italics below.

***"9. CONSORTIUM ARRANGEMENTS***

*The Consortium has entered into several arrangements, including the following:*

***9.1 Irrevocable Undertakings***

| *No.* | *Party providing the Irrevocable Undertaking* | *Number of Shares held/controlled* |
|---|---|---|
| *1.* | *HPRY* | *466,575,921* |
| *2.* | *Longhlin Asia Limited* | *67,502,563* |
| *3.* | *Hong Lee Holdings (Pte) Ltd* | *45,493,398* |
| *4.* | *Pearson Investments Ltd* | *3,208,185* |
| *5.* | *Kuok Hock Swee & Sons Sdn Bhd* | *8,020,464* |
| *6.* | *KPW Investments Limited* | *5,200,000* |
| *7.* | *KMH Investments Limited* | *5,200,000* |
| *8.* | *Jaygar Holdings Limited* | *5,831,285* |
| *9.* | *WCA* | *333,028,874* |
| *10.* | *RS (together with V3)* | *256,711,699* |
| *11.* | *PSGH* | *98,394,270* |
| *12.* | *PSG(1)* | *74,533,324* |
| | *Total* | *1,369,699,983* |

***Note:***

*(1) Please note that as stated at **Section 9.1.3** below, PSG has also agreed to accept the Options Proposal in respect of his 20,400,000 Options outstanding as at the Announcement Date which are exercisable into 20,400,000 new Shares.*

*Each of the entities and individuals (collectively, the "**Undertaking Parties**") in the table set out above (the entities comprising 1 to 8 of the table collectively, the "**KKH Undertaking Group**") has given an irrevocable undertaking (collectively, the "**Irrevocable Undertakings**") in favour of the Offeror to:*

***9.1.1** accept, or (where applicable) procure the acceptance of, the Offer in respect of the Shares that are held or controlled by it/him;*

***9.1.2** defer receipt of the consideration payable for the respective Undertaking Shares that are tendered in acceptance of the Offer to a date after the close of the Offer; and*

***9.1.3*** *(in relation to PSG only) not exercise, and instead accept the Options Proposal in respect of, all his 20,400,000 Options (the "**PSG Options**") outstanding as at the Announcement Date which are exercisable into 20,400,000 new Shares, and to defer receipt of the consideration payable for the PSG Options to a date after the close of the Offer.*

*The aggregate number of Shares subject to the Irrevocable Undertakings is 1,369,699,983 Shares (the "**Undertaking Shares**") representing approximately 82.43% of the issued Shares (excluding Shares held in treasury) as at the Latest Practicable Date.*

*The Irrevocable Undertakings will terminate if the Offer lapses or is withdrawn without the Offer having become unconditional in all respects for any reason other than a breach of the obligations under each Irrevocable Undertaking.*

***9.2*** ***Rollover and Subscription.*** *Each Consortium Member (other than HOPU) agrees to subscribe, or in the case of HPRY, agrees to subscribe and procure that the members of the KKH Undertaking Group (other than HPRY) which tendered the Undertaking Shares shall subscribe, for new Offeror Shares in cash. The obligation of each Consortium Member (other than HOPU) to pay for, or in the case of HPRY, to pay for and to procure each member of the KKH Undertaking Group (other than HPRY) to pay for, the new Offeror Shares in cash will be set-off against the obligation of the Offeror to pay the Offer Price to that Consortium Member (except in the case of PSGH, the Offer Price payable to PSGH and PSG) or that member of the KKH Undertaking Group (as the case may be) for his/its Undertaking Shares tendered in acceptance of the Offer (the "**Rollover and Subscription**").*

***9.3*** ***HOPU Financing.*** *HOPU has agreed to provide shareholders' loan(s) in respect of the aggregate of the amount equivalent to the Offer Price multiplied by the total number of Offer Shares (excluding the Undertaking Shares but including any Shares unconditionally allotted and issued and/or transferred (as the case may be) prior to or on the Closing Date pursuant to the valid exercise of the Options (other than the PSG Options)) which are acquired by the Offeror during the Offer Period (the "**HOPU Financing**"), and the HOPU Financing, to the extent utilised by the Offeror, will be capitalised into Offeror Shares (the "**Capitalisation**") on or after the Closing Date.*

***9.4*** ***Board Composition.*** *Each Consortium Member shall be entitled to nominate a specified number of representatives to the board of the Offeror, subject to each Consortium Member holding not less than a specified percentage of Offeror Shares.*

***9.5*** ***Reserved Matters.*** *The Consortium Members have agreed on a list of reserved matters (including material acquisitions or disposals, material changes in business and/or changes in capital structure) which shall not be undertaken except with the consent of all Consortium Members with a specified percentage of Offeror Shares or each Consortium Member's nominated director on the board of the Offeror.*

***9.6*** ***Moratorium.*** *The Consortium Members have agreed that other than in certain prescribed circumstances, they will not transfer their Offeror Shares for one year (in the case of all Consortium Members other than PSGH) and three years (in the case of PSGH) from the date of the Rollover and Subscription, without the consent of the other Consortium Members. After the expiry of each respective moratorium period, the Consortium Members may transfer their Offeror Shares subject to certain restrictions on transfer and certain conditions being satisfied.*

***9.7 Resultant Shareholding in the Offeror.*** *Following the Rollover and Subscription and the Capitalisation, it is contemplated that each Consortium Member will have (or in the case of HPRY, HPRY together with the other members of the KKH Undertaking Group, will have) the following shareholding percentages in the Offeror assuming full acceptances of the Offer, and further assuming that (A) none of the outstanding Options is exercised into Shares; and (B) all of the outstanding Options (other than the PSG Options) are exercised into Shares:*

| ***Consortium Member*** | ***Shareholding Percentage in the Offeror*** | |
|---|---|---|
| | ***(A) Assuming no Options are exercised*** | ***(B) Assuming all outstanding Options (other than the PSG Options are exercised)*** |
| *HPRY[(1)]* | *36.53%* | *35.04%* |
| *WCA* | *20.04%* | *19.23%* |
| *V3* | *15.45%* | *14.82%* |
| *PSGH* | *10.41%* | *9.98%* |
| *HOPU* | *17.57%* | *20.93%* |

***Note:***

*(1) HPRY's shareholding percentage in the Offeror as set out in this table includes the Offeror Shares that will be held by the other members of the KKH Undertaking Group."*

## 6. RATIONALE FOR THE OFFER

The full text of the rationale for the Offer has been extracted from Section 10 of the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully.**

***"10. RATIONALE FOR THE OFFER***

*The ongoing COVID-19 pandemic has had an adverse impact on the global economy. China saw its gross domestic product ("**GDP**") decline by 6.8 per cent. in the first quarter of 2020 compared with a year earlier.[(1)] Likewise, the Ministry of Trade and Industry announced on 26 May 2020 that "the GDP growth forecast for Singapore for 2020 is downgraded to "-7.0 to -4.0 per cent", from "-4.0 to -1.0 per cent".*

*The Offeror is of the view that the Offer represents an opportunity for Shareholders to realise their investment in the Shares at a premium to historical market prices in an uncertain economic environment.*

***Note:***

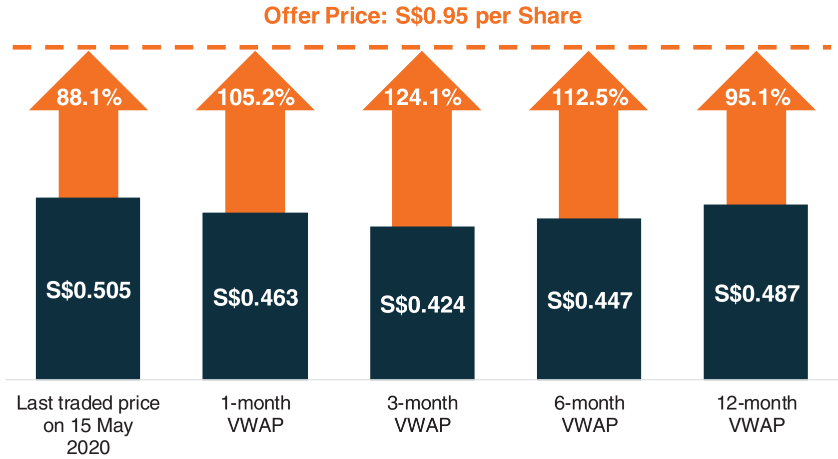
*(1) Preliminary estimates from the National Bureau of Statistics of China – 17 April 2020.*

**10.1 *Opportunity for Shareholders to realise their investment at a premium without incurring brokerage fees***

***10.1.1*** *As set out in* ***Section 12*** *below, the Offer Price represents a premium of approximately:*

*(i) 88.1 per cent. over the last traded price per Share on 15 May 2020, the Relevant Trading Date (being the last full trading day on which the Shares were traded on the SGX-ST prior to the voluntary announcement dated 18 May 2020 by the Company that certain of its substantial shareholders are reviewing the options in relation to their holdings in the Company); and*

*(ii) 95.1 per cent., 112.5 per cent., 124.1 per cent. and 105.2 per cent. over the VWAP of the Shares over the 12-, six-, three- and one-month periods, respectively, up to and including the Relevant Trading Date.*

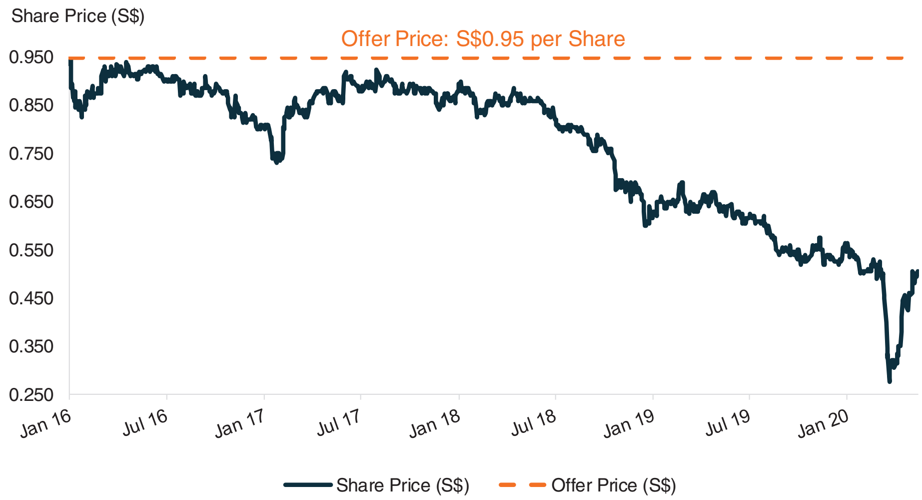



***Notes:***

*(1) S$ figures (other than the Offer Price) are based on data extracted from Bloomberg L.P. on 15 May 2020, being the Relevant Trading Date, and rounded to the nearest three decimal places.*

*(2) Premia rounded to the nearest one decimal place.*

*10.1.2 The Offer Price exceeds the highest closing price of the Shares in over four years preceding the Relevant Trading Date.*




***Notes:***

*(1) The highest closing price of the Shares since 4 January 2016 is S$0.945, as sourced from Bloomberg L.P..*

*(2) Trading data extracted from Bloomberg L.P. on 15 May 2020, being the Relevant Trading Date.*

***10.2 Opportunity for Shareholders who may otherwise find it difficult to exit their investment in the Company due to low trading liquidity***

*The historical trading liquidity of the Shares on the SGX-ST has been low. The average daily trading volume of the Shares over the 12-, six-, three- and one-month periods up to and including the Relevant Trading Date are detailed in the table below.*

| | ***One-month*** | ***Three-month*** | ***Six-month*** | ***12-month*** |
|---|---|---|---|---|
| *Average daily trading volume as a percentage (%) of total number of issued Shares* | *0.024%* | *0.018%* | *0.012%* | *0.008%* |

***Notes:***

*(1) The average daily trading volume is based on data extracted from Bloomberg L.P. as at the Relevant Trading Date and calculated using the daily total volume of Shares traded divided by the total number of issued Shares.*

*(2) The percentage figures are rounded to the nearest three decimal places.*

***10.3 Greater flexibility to raise capital in support of the Company's future growth***

*The Company will require a significant amount of capital to pursue its growth objectives in China through investments in large scale integrated development projects. The general decline in the Company's Share price has made it challenging to raise equity capital, compounded by the potential dilution to Shareholders' interests. Given this, the Company has opted not to pursue equity fundraising over the past five years.*

*HOPU and its affiliates have a strong track record of investment in China and experience in partnering with management teams to drive growth. By privatising the Company together with HOPU, the Consortium believes the Company will be able to secure a new long-term capital partner and tap on the track record and experience of HOPU and its affiliates. In addition, the Company will have greater flexibility to obtain equity funding from the Consortium and private sources, which will allow it to operate more efficiently in achieving its growth objectives.*

***10.4 Greater management flexibility***

*The Offeror is making the Offer with a view to delist the Company from the SGX-ST and exercise its rights of compulsory acquisition. The Offeror is of the view that privatising the Company will provide more flexibility in managing and optimising the use of the Company's resources and allow the Company to focus on its strategic pursuits of acquiring and developing integrated development projects next to transportation hubs, repositioning its operating assets and growing its healthcare management business.*

***10.5 Costs of maintaining listing status***

*In maintaining its listed status, the Company incurs compliance and associated costs relating to continuing listing requirements under the Listing Manual. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses and costs relating to the maintenance of a listed status and channel such resources to its business operations."*

## 7. OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

The full text of the Offeror's intentions for the Company has been extracted from Section 11 of the Offer Document and is set out in italics below. **Shareholders are advised to read the extract below carefully and note the Offeror's future plans for the Company.**

***"11. OFFEROR'S INTENTIONS FOR THE COMPANY***

*Save as disclosed above and other than in the ordinary course of business, the Offeror currently has no plans to (i) introduce any major changes to the business of the Company; (ii) re-deploy the fixed assets of the Company; or (iii) discontinue the employment of any of the existing employees of the Group. However, the board of directors of the Offeror retains the flexibility at any time to consider any options in relation to the Group which may present themselves and which it may regard to be in the interest of the Offeror."*

## 8. LISTING STATUS AND COMPULSORY ACQUISITION

The full text of the intentions of the Offeror relating to the listing status and compulsory acquisition of the Company has been extracted from Section 13 of the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully.**

***"13. LISTING STATUS AND COMPULSORY ACQUISITION***

***13.1 Listing Status and Trading Suspension.*** *Under Rule 1105 of the Listing Manual, upon announcement by the Offeror that acceptances have been received that bring the holdings of the Shares owned by the Offeror and parties acting in concert with the Offeror to above 90% of the total number of issued Shares (excluding*

*Shares held in treasury), the SGX-ST may suspend the trading of the listed securities of the Company on the SGX-ST until such time when the SGX-ST is satisfied that at least 10% of the total number of issued Shares (excluding Shares held in treasury) are held by at least 500 Shareholders who are members of the public. Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the listed securities of the Company at the close of the Offer.*

*Shareholders are advised to note that Rule 723 of the Listing Manual requires the Company to ensure that at least 10% of the total number of issued Shares (excluding Shares held in treasury) is at all times held by the public (the "**Free Float Requirement**"). In addition, under Rule 724 of the Listing Manual, if the percentage of the total number of issued Shares (excluding Shares held in treasury) held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all securities of the Company on the SGX-ST. Rule 724 of the Listing Manual further states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, for the percentage of the total number of issued Shares (excluding Shares held in treasury) held by members of the public to be raised to at least 10%, failing which the Company may be removed from the Official List of the SGX-ST.*

***In the event the Company does not meet the Free Float Requirement, the Offeror does not intend to preserve the listing status of the Company and does not intend to take any steps for any trading suspension in the securities of the Company to be lifted.***

***13.2*** ***Compulsory Acquisition Rights.*** *Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer for not less than 90% of the Shares in issue as at the close of the Offer (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer), the Offeror will be entitled to exercise the right to compulsorily acquire all the Offer Shares of the Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") on the same terms as those offered under the Offer.*

***In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.***

***13.3*** ***Dissenting Shareholders' Rights.*** *Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares (excluding Shares held in treasury) as at the close of the Offer.* ***Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.*** *Unlike Section 215(1) of the Companies Act, the 90% threshold under Section 215(3) of the Companies Act does not exclude Shares held by the Offeror, its related corporations or their respective nominees as at the date of the Offer."*

## 9. FINANCIAL EVALUATION OF THE OFFER

The full text of the financial aspects of the Offer has been extracted from Section 12 of the Offer Document and is set out in italics below.

***"12. FINANCIAL EVALUATION OF THE OFFER***

*The Offer Price represents the following premia/(discount) over the benchmark prices of the Shares:*

| ***Description*** | ***Benchmark Price*[(1)]** | ***Premium/(Discount) over Benchmark Price*** |
|---|---|---|
| *Last traded price per Share on the Last Trading Date (being 9 June 2020)* | *S$0.690* | *37.7%* |
| *Last traded price per Share on the Relevant Trading Date (being 15 May 2020)* | *S$0.505* | *88.1%* |
| *VWAP for the one-month period up to and including the Relevant Trading Date* | *S$0.463* | *105.2%* |
| *VWAP for the three-month period up to and including the Relevant Trading Date* | *S$0.424* | *124.1%* |
| *VWAP for the six-month period up to and including the Relevant Trading Date* | *S$0.447* | *112.5%* |
| *VWAP for the 12-month period up to and including the Relevant Trading Date* | *S$0.487* | *95.1%* |

***Note:***

*(1) The last traded price per Share on the Last Trading Date is based on the data extracted from Bloomberg L.P. on the Last Trading Date. All other benchmark prices set out in the above column are based on the data extracted from Bloomberg L.P. on the Relevant Trading Date, each rounded to the nearest three decimal places."*

## 10. CONFIRMATION OF FINANCIAL RESOURCES

The full text of the confirmation of financial resources by the Financial Advisers as set out in Section 14 of the Offer Document has been extracted from the Offer Document and is set out in italics below.

***"14. CONFIRMATION OF FINANCIAL RESOURCES***

*UOB and DBS, as the Financial Advisers to the Offeror in connection with the Offer, confirm that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer, excluding (i) the consideration payable for the Undertaking Shares (which consideration will be subject to the set-off referred to in* ***Section 9.2*** *above) and (ii) the consideration in relation to the PSG Options (which will be deferred as set out in* ***Section 9.1.3*** *above)."*

## 11. DISCLOSURES OF SHAREHOLDINGS, DEALINGS AND OTHER ARRANGEMENTS

The full text of information relating to the disclosure of holdings and dealings in relevant securities by the Offeror and persons acting in concert with the Offeror has been extracted from Section 15 of the Offer Document and Appendix 5 to the Offer Document and is set out in italics below.

***"15. DISCLOSURES OF HOLDINGS AND DEALINGS***

***15.1 Holdings and Dealings in Company Securities.*** *As at the Latest Practicable Date, based on the information available to the Offeror, and save as disclosed in* ***Appendix 5*** *to this Offer Document and in this Offer Document, none of the Offeror and the concert parties of the Offeror:*

***15.1.1*** *owns, controls or has agreed to acquire any Shares, securities which carry voting rights in the Company, or convertible securities, warrants, options, awards or derivatives in respect of the Shares or securities which carry voting rights in the Company (collectively, "****Company Securities****"); or*

***15.1.2*** *has dealt for value in any Company Securities during the Reference Period.*

***15.2 Other Arrangements.*** *As at the Latest Practicable Date, based on the information available to the Offeror, and save as disclosed in* ***Appendix 5*** *to this Offer Document and in this Offer Document, none of the Offeror and the concert parties of the Offeror has:*

***15.2.1*** *entered into any arrangement (whether by way of option, indemnity or otherwise) in relation to any Company Securities which might be material to the Offer, other than financing facilities taken by the Consortium Members in connection with the funding of the Offer and Options Proposal or for the purposes of discharging existing Encumbrances over the Undertaking Shares (where applicable);*

***15.2.2*** *received any irrevocable commitment to accept the Offer in respect of any Company Securities, save for the Irrevocable Undertakings;*

**15.2.3** *granted any security interest in respect of any Company Securities in favour of any other person, whether through a charge, pledge or otherwise;*

**15.2.4** *borrowed any Company Securities from any other person (excluding those which have been on-lent or sold); or*

**15.2.5** *lent any Company Securities to any other person.*

***APPENDIX 5 – DISCLOSURES***

***1. HOLDINGS OF COMPANY SECURITIES BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH THE OFFEROR***

*As at the Latest Practicable Date, based on information available to the Offeror, the interests in Company Securities owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it are as follows:*

***Shares***

| | Direct Interests | | Deemed Interests | | Total Interests | |
|---|---|---|---|---|---|---|
| Name | No. of Shares | %(1) | No. of Shares | %(1) | No. of Shares | %(1) |
| KKH | – | – | 607,031,816(2) | 36.53 | 607,031,816 | 36.53 |
| HPRY | 466,575,921(3) | 28.08 | – | – | 466,575,921 | 28.08 |
| Longhlin Asia Limited | 67,502,563(3) | 4.06 | – | – | 67,502,563 | 4.06 |
| Hong Lee Holdings (Pte) Ltd | 45,493,398(3) | 2.74 | – | – | 45,493,398 | 2.74 |
| Pearson Investments Ltd | 3,208,185(3) | 0.19 | – | – | 3,208,185 | 0.19 |
| Kuok Hock Swee & Sons Sdn Bhd | 8,020,464(3) | 0.48 | – | – | 8,020,464 | 0.48 |
| KPW Investments Limited | 5,200,000(3) | 0.31 | – | – | 5,200,000 | 0.31 |
| KMH Investments Limited | 5,200,000(3) | 0.31 | – | – | 5,200,000 | 0.31 |
| Jaygar Holdings Limited | 5,831,285(3) | 0.35 | – | – | 5,831,285 | 0.35 |
| Wilmar | – | – | 333,028,874(4) | 20.04 | 333,028,874 | 20.04 |
| WCA | 333,028,874 | 20.04 | – | – | 333,028,874 | 20.04 |
| Ms Teo La-Mei | 41,000 | n.m.(9) | – | – | 41,000 | n.m.(9) |
| V3 | –(5) | – | – | – | – | – |
| RS | 254,652,664(3)(6) | 15.32 | 2,059,035(10) | 0.12 | 256,711,699 | 15.45 |
| Mdm Teo Sway Heong | 2,059,035 | 0.12 | – | – | 2,059,035 | 0.12 |
| Ms Sim Yu Juan, Rachel | 194,361 | 0.01 | – | – | 194,361 | 0.01 |
| PSG(7) | 74,533,324(3) | 4.49 | 98,394,270(8) | 5.92 | 172,927,594 | 10.41 |
| PSGH | 98,394,270(3) | 5.92 | – | – | 98,394,270 | 5.92 |
| **Other concert parties** | | | | | | |
| Ang Bee Ling | 157,269 | 0.01 | – | – | 157,269 | 0.01 |
| Beh Hang Chwee | – | – | 3,711,965 | 0.22 | 3,711,965 | 0.22 |
| Chai Hwee Ling | 26,211 | n.m.(9) | – | – | 26,211 | n.m.(9) |

| Name | Direct Interests No. of Shares | Direct Interests %[1] | Deemed Interests No. of Shares | Deemed Interests %[1] | Total Interests No. of Shares | Total Interests %[1] |
|---|---|---|---|---|---|---|
| Chew Chuen Wei | 20,000 | n.m.[9] | – | – | 20,000 | n.m.[9] |
| Chng Yee Kwang | – | – | 100,000 | 0.01 | 100,000 | 0.01 |
| Chong Nuit Sian | 1,187,858 | 0.07 | – | – | 1,187,858 | 0.07 |
| Estate of Kuok Ming King | 1,604,092 | 0.10 | – | – | 1,604,092 | 0.10 |
| Gopalan Ranganath | 20,000 | n.m.[9] | – | – | 20,000 | n.m.[9] |
| Gu Xiao Lan | 1 | n.m.[9] | – | – | 1 | n.m.[9] |
| Hor Kok Ching | 5,053,045 | 0.30 | – | – | 5,053,045 | 0.30 |
| Jeremy Goon Kin Wai | 39,200 | n.m.[9] | – | – | 39,200 | n.m.[9] |
| Kamlesh Kumar | 2,038,554 | 0.12 | – | – | 2,038,554 | 0.12 |
| Kang Kim Choon | 1,048 | n.m.[9] | – | – | 1,048 | n.m.[9] |
| Karimundackal George Joseph | 20,000 | n.m.[9] | – | – | 20,000 | n.m.[9] |
| Kee Thuan Chai | 7,339 | n.m.[9] | – | – | 7,339 | n.m.[9] |
| Kuok Khoon Ean | – | – | 104,846 | 0.01 | 104,846 | 0.01 |
| Kwah Thiam Hock | 30,000 | n.m.[9] | – | – | 30,000 | n.m.[9] |
| Lee Keng Hua | 6,000 | n.m.[9] | – | – | 6,000 | n.m.[9] |
| Lie Hong Hwa | 75,211 | n.m.[9] | – | – | 75,211 | n.m.[9] |
| Lim Jee Shim | 125,815 | 0.01 | – | – | 125,815 | 0.01 |
| Lim Kim Tee | 7,339 | n.m.[9] | – | – | 7,339 | n.m.[9] |
| Lim Soon Huat | 104,846 | 0.01 | – | – | 104,846 | 0.01 |
| Lim Yee Mein | 20,000 | n.m.[9] | – | – | 20,000 | n.m.[9] |
| Loo Cheau Leong | 20,000 | n.m.[9] | – | – | 20,000 | n.m.[9] |
| Mah Huang Jin | 52,423 | n.m.[9] | – | – | 52,423 | n.m.[9] |
| Mu Yan Kui | 380,590 | 0.02 | – | – | 380,590 | 0.02 |
| Ng Kah Soon | 20,000 | n.m.[9] | – | – | 20,000 | n.m.[9] |
| Niu Yu Xin | 943,614 | 0.06 | – | – | 943,614 | 0.06 |
| Ong Cheng Yan | 61,000 | n.m.[9] | – | – | 61,000 | n.m.[9] |
| Pratheepan Karunagaran | 5,242 | n.m.[9] | – | – | 5,242 | n.m.[9] |
| Pua Chuey Hong | 9,960 | n.m.[9] | – | – | 9,960 | n.m.[9] |
| Pua Chuey Luan | 13,105 | n.m.[9] | – | – | 13,105 | n.m.[9] |
| Raquel Sim | 50,000 | n.m.[9] | – | – | 50,000 | n.m.[9] |
| Roy Lim Wee Hiong | 10,079 | n.m.[9] | – | – | 10,079 | n.m.[9] |
| Sheng Zhi Hong | 78,634 | n.m.[9] | – | – | 78,634 | n.m.[9] |
| Sng Miow Ching | 41,000 | n.m.[9] | – | – | 41,000 | n.m.[9] |
| Sun You Ning | 767,300 | 0.05 | – | – | 767,300 | 0.05 |
| Tetsuji Kanenari | 49,000 | n.m.[9] | – | – | 49,000 | n.m.[9] |
| Yee Chek Toong | 1,900 | n.m.[9] | – | – | 1,900 | n.m.[9] |

***Notes:***

*(1) As a percentage of the total number of Shares in issue (excluding Shares held in treasury) as at the Latest Practicable Date. For the purposes of the table above, all percentage figures are rounded to the nearest two decimal places.*

*(2) KKH's deemed interest arises through the 607,031,816 Shares in aggregate held by HPRY, Longhlin Asia Limited, Hong Lee Holdings (Pte) Ltd, Pearson Investments Ltd, Kuok Hock Swee & Sons Sdn Bhd, KPW Investments Limited, KMH Investments Limited and Jaygar Holdings Limited.*

*(3) Includes Shares held through nominees.*

*(4) Wilmar's deemed interest arises through 333,028,874 Shares held by WCA, its wholly-owned subsidiary.*

*(5) As at the Latest Practicable Date, V3 does not hold any Shares. Subsequent to the Latest Practicable Date, V3 will be acquiring the 256,711,699 Shares that are held by RS and Mdm Teo Sway Heong and tendering such Shares in acceptance of the Offer in accordance with the Irrevocable Undertaking provided by RS (together with V3) (the "**V3 Transfer**"). The V3 Transfer is expected to take place on or around 3 July 2020.*

*(6) In respect of these Shares, 248,740,784 Shares have been charged to certain financial institutions to secure credit facilities granted to RS.*

*(7) PSG is also the holder of 20,400,000 Options as at the Latest Practicable Date which are exercisable into 20,400,000 new Shares.*

*(8) PSG's deemed interest arises through the 98,394,270 Shares held by PSGH, PSG's wholly-owned special purpose vehicle.*

*(9) "n.m." means not meaningful.*

*(10) RS' deemed interest arises through the 2,059,035 Shares held by Mdm Teo Sway Heong, his spouse.*

### *Options*

| Name of Optionholder | Number of Options | Date of Grant | Exercise period | Exercise price per Share (S$) |
|---|---|---|---|---|
| PSG | 5,100,000 | 8/10/2015 | 9/10/2016 to 8/10/2020 | 0.95 |
| | 5,100,000 | 12/5/2017 | 13/5/2018 to 12/5/2022 | 0.88 |
| | 5,100,000 | 22/3/2018 | 23/3/2019 to 22/3/2023 | 0.87 |
| | 5,100,000 | 25/2/2019 | 26/2/2020 to 25/2/2024 | 0.68 |
| Roy Lim Wee Hiong | 600,000 | 12/5/2017 | 13/5/2018 to 12/5/2022 | 0.88 |
| | 650,000 | 22/3/2018 | 23/3/2019 to 22/3/2023 | 0.87 |
| | 750,000 | 25/2/2019 | 26/2/2020 to 25/2/2024 | 0.68 |
| | 750,000 | 4/3/2020 | 5/3/2021 to 4/3/2025 | 0.50 |

## 2. DEALINGS IN COMPANY SECURITIES BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH THE OFFEROR

*The details of the dealings in Company Securities by the Offeror and parties acting in concert with it during the Reference Period are set out below:*

| Name | Date | No. of Shares Bought | No. of Shares Sold | Counter-party to Dealing | Transaction Price per Share (S$) |
|---|---|---|---|---|---|
| PSG | 14 May 2020 | 15,000,000 | – | PSGH | Free-of-payment |
| Soong Hee Wong | 19 May 2020 | – | 30,000 | – | 0.645 |

| *Name* | *Date* | *No. of Shares Bought* | *No. of Shares Sold* | *Counter-party to Dealing* | *Transaction Price per Share (S$)* |
|---|---|---|---|---|---|
| *Hor Kok Ching* | *19 May 2020* | *–* | *35,200* | *–* | *0.615* |
| *Hor Kok Ching* | *19 May 2020* | *–* | *14,700* | *–* | *0.61* |
| *Hor Kok Ching* | *22 May 2020* | *–* | *32,000* | *–* | *0.655* |
| *Hor Kok Ching* | *22 May 2020* | *–* | *10,000* | *–* | *0.665* |
| *Beh Hang Chwee* | *22 May 2020* | *–* | *524,230* | *–* | *0.6582* |
| *HPRY* | *29 May 2020* | *1,174,787* | *–* | *Mdm Yong Lee Lee* | *0.675* |
| *HPRY* | *29 May 2020* | *100,000* | *–* | *Langton Enterprise Ltd* | *0.675"* |

## 12. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER AND OPTIONS PROPOSAL

### 12.1. General

**Shareholders and Optionholders should read and carefully consider the recommendation of the Independent Directors as set out in Section 12.4 below and the advice of the IFA to the Independent Directors dated 17 July 2020, which is set out in Appendix I to this Circular, before deciding whether to accept or reject the Offer and/or the Options Proposal (as the case may be).**

### 12.2. Independence of Directors

Each of the Non-Independent Perennial Directors, KKH, RS and PSG, is a director of the Offeror and accordingly would face an irreconcilable conflict of interest in making any recommendation on the Offer to the Shareholder.

The SIC has ruled that the Non-Independent Perennial Directors are exempted from assuming responsibility for any recommendations on the Offer that the Board may make to Shareholders.

Notwithstanding such exemption, each of the Non-Independent Perennial Directors will still assume responsibility for the accuracy of facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Offer.

Each of the Independent Directors, Mr. Eugene Paul Lai Chin Look, Mr. Ooi Eng Peng, Mr. Lee Suan Hiang and Mr. Chua Phuay Hee, considers himself to be independent for the purposes of making a recommendation to the Shareholders in relation to the Offer and Options Proposal.

12.3. **Advice of the IFA to the Independent Directors**

(a) **IFA**

PWC has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer and the Options Proposal. Shareholders should consider carefully the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors before deciding whether to accept or reject the Offer and/or the Options Proposal. PWC's advice is set out in its letter dated 17 July 2020, which is set out in **Appendix I** to this Circular.

Shareholders should note that the opinion of the IFA as set out in the IFA Letter is based upon prevailing market, economic, industry, monetary and other conditions (if applicable) and the information made available to them as of the Latest Practicable Date, being 8 July 2020. Shareholders should take note of any announcement relevant to their consideration of the Offer, which may be released by the Company and/or the Offeror after the Latest Practicable Date.

(b) **Factors taken into consideration by the IFA**

In arriving at its recommendation, the IFA has taken into account several key considerations, set forth in paragraph 12 of the IFA Letter. Shareholders should read paragraph 12 of the IFA Letter in conjunction with, and in the context of, the full text of the IFA Letter.

(c) **Advice of the IFA**

After having regard to the considerations set out in the IFA Letter, an extract of the summary which is set out in italics below, and based on the circumstances of the Company and the information as at the Latest Practicable Date, the IFA has made certain recommendations to the Independent Directors. Shareholders should read the extract below in conjunction with, and in the context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated.

***"14. OUR RECOMMENDATION TO THE INDEPENDENT DIRECTORS ON THE OFFER AND THE OPTIONS PROPOSAL***

*In arriving at our recommendation in respect of the Offer and the Options Proposal to the Independent Directors, we have taken into account a range of factors which we consider, based on available information, to be pertinent and have significant bearing on our assessment of the Offer. Accordingly, it is important that this IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.*

***14.1 The Offer***

*Based on our analysis including the qualifications made therein, we are of the opinion that, on balance, the financial terms of the Offer are **FAIR AND REASONABLE**.*

*In arriving at our opinion in respect of the Offer, we have considered the following principal factors:*

***Factors in favour of the Offer:***

***(a) The premiums implied by the Offer Price.***

*i. The Offer Price is at a respective premium of 88.1%, 37.7% and 0.5% to the closing price of S$0.505, S$0.69 and S$0.945 per Share as at the Relevant Trading Date, the Last Trading Day and the Latest Practicable Date;*

*ii. The Offer Price represents a premium of approximately 105.2%, 124.2%, 112.7%, 95.2% and 59.1% above the VWAP of the Shares for the 1-month, 3-month, 6-month, 12-month and 24-month periods prior to the Relevant Trading Date, respectively;*

*iii. The Offer Price represents a premium of approximately 46.4%, 70.1%, 71.4%, 70.4% and 56.4% above the VWAP of the Shares for the 1-month, 3-month, 6-month, 12-month and 24-month periods prior to the Last Trading Day, respectively;*

***(b) Discounts implied by the Offer Price to NAV, ex-cash NAV and RNAV, as compared to the historical discounts implied by the Share price.***

*i. While the discounts as implied by the Offer Price to the audited NAV per Share as at 31 December 2019 is 40.0% and of 41.6% to the Adjusted NAV per Share, the discounts are below the range of discounts at which the Shares had traded at over the 2-year period up to and including the Last Trading Day;*

*ii. While the discount as implied by the Offer Price is 41.7% to the RNAV per Share as at 31 December 2019 and 43.5% to the Adjusted RNAV per Share, the discounts are below the range of discounts at which the Shares had traded at over the 2-year period up to and including the Last Trading Day;*

*iii. While the discount as implied by the ex-cash Offer Price is 41.9% to the ex-cash NAV per Share as at 31 December 2019 and 45.9% to the Adjusted ex-cash NAV per Share, the discounts are below the range of discounts at which the Shares had traded at over the 2-year period up to and including the Last Trading Day;*

***(c) Comparison of asset-based valuation metrics of the Company implied by the Offer Price against those of Comparable Companies.** We have used the following valuation multiples and compared them to those of Comparable Companies.*

*i. The P/NAV multiple of 0.60x as at 31 December 2019 and Adjusted P/NAV multiple of 0.58x implied by the Offer Price are within the range of the corresponding P/NAV multiples of the Comparable Companies from 0.26x to 0.65x as at Offer Announcement Date and 0.33x to 0.83x as at 31 December 2019, and are higher than median and mean P/NAV multiple of the Comparable Companies as at both the Offer Announcement Date and 31 December 2019;*

ii. *The ex-cash P/NAV multiple of 0.58x as at 31 December 2019 is higher than the range of the corresponding ex-cash P/NAV multiples of the Comparable Companies and the Adjusted ex-cash P/NAV multiple of 0.54x implied by the Offer Price is within the range of the corresponding ex-cash P/NAV multiples of the Comparable Companies from 0.16x to 0.57x as at Offer Announcement Date. The ex-cash P/NAV multiple as at 31 December 2019 and Adjusted ex-cash P/NAV multiple are within the range of the corresponding ex-cash P/NAV multiples of the Comparable Companies from 0.24x to 0.74x as at 31 December 2019. Both the ex-cash P/NAV multiple as at 31 December 2019 and Adjusted ex-cash P/NAV multiple are higher than median and mean of the ex-cash P/NAV multiple of the Comparable Companies as at both the Offer Announcement Date and 31 December 2019; and*

iii. *The P/RNAV multiple of 0.58x as at 31 December 2019 and the Adjusted P/RNAV multiple of 0.57x are within the range of the corresponding P/RNAV multiples of the Comparable Companies from 0.40x to 0.61x as at Offer Announcement Date and 0.48x to 0.66x as at 31 December 2019, and are higher than the median and mean P/RNAV multiples of the Comparable Companies as at the Offer Announcement Date. The P/RNAV multiple as at 31 December 2019 and the Adjusted P/RNAV multiple are in line with the mean and median P/RNAV multiples as at 31 December 2019;*

***(d) Comparison of the premiums implied by the Offer Price to the premiums of recent successful privatisation take-over transactions.***

i. *The premium of the Offer Price over the last transacted price, 1-month VWAP, 3-month VWAP, 6-month VWAP and 12-month VWAP on the Relevant Trading Date is within the observed range of the corresponding discounts/premia of Selected Successful Delisting/ Privatisation Transactions, and above the median and mean for each respective period.*

ii. *The premium of the Offer Price over the last transacted price and 1-month VWAP on the Last Trading Date is within the observed range of the corresponding discounts/premia of Selected Successful Delisting/Privatisation Transactions, and between the median and the mean. The premium of the Offer Price over the 3-month VWAP, 6-month VWAP and 12-month VWAP on the Last Trading Day is within the observed range of the corresponding discounts/premia of Selected Successful Delisting/Privatisation Transactions, and above the median and the mean;*

***(e) Comparison of the share price premiums implied by the Offer Price to the Comparable Transaction.*** *The premium of the Offer Price over the last transacted price, 1-month VWAP, 3-month VWAP, 6-month VWAP and 12 month-VWAP on the Relevant Trading Date and on the Last Trading Day is higher than the premiums implied by the offer price for the Selected Comparable Transaction;*

*(f)* ***Broker price targets and recommendation.***

*i. The Offer Price represents a premium of 14.5% to the Share price target estimated by DBS, pre Offer Announcement;*

*ii. Following the Offer Announcement, the CGS-CIMB broker research report recommended Shareholders to "Accept the offer" because the Offer Price is close to the Target Price;*

*(g)* ***Analysis of the dividend yield of the Company.*** *The Company's 3-year average dividend yield of 0.66% is below the range of the corresponding dividend yields of the Comparable Companies from 2.34% to 4.40%;*

*(h)* ***Share price performance against market indexes.*** *The share price of the Company had generally underperformed indices such as the STI and FSTREH over the 24-month period preceding the Relevant Trading Date.*

***Factors against the Offer:***

*(a)* ***Comparison of asset-based valuation metrics of the Company implied by the Offer Price against those of Comparable Transactions.*** *We have used the following valuation multiples and compared them to those of Comparable Transactions. We wish to highlight that, to the best of our knowledge and belief, there may not be any entity that is directly comparable to the Company. Therefore, any comparison made with respect to the Comparable Transactions may not be very meaningful and can only serve as an illustrative guide:*

*i. The P/NAV multiple of 0.60x as at 31 December 2019 and Adjusted P/NAV multiple of 0.58x implied by the Offer Price are below the P/NAV multiple of the Selected Comparable Transaction of 0.81x;*

*ii. The ex-cash P/NAV multiple of 0.58x as at 31 December 2019 and Adjusted ex-cash P/NAV multiple of 0.54x implied by the Offer Price are below the corresponding ex-cash P/NAV multiple of the Selected Comparable Transaction of 0.74x; and*

*iii. The P/RNAV multiple of 0.58x as at 31 December 2019 and the Adjusted P/RNAV multiple of 0.57x implied by the Offer Price are below the corresponding P/RNAV multiple of the Selected Comparable Transaction of 0.84x.*

*Accordingly, we advise that the Independent Directors, after taking the above into consideration, recommend Shareholders who:*

*(a) wish to realise their investments in the Company at this time but are unable to sell their Shares in the open market at a price (after deducting related expenses) higher than the Offer Price; and/or*

*(b) believe that the current market price of the Shares may not be sustained after the close of the Offer; and/or*

*(c) believe that even if the Company remains listed, trading liquidity may reduce materially; and/or*

*(d) believe that a higher offer may not be made,*

***ACCEPT** the Offer. Alternatively, such Shareholders should sell their Shares in the open market if they are able to obtain a price higher than the Offer Price after deducting related expenses (such as brokerage and trading costs). The Independent Directors may also wish to consider highlighting that there is no assurance that the market price and/or trading volume of the Shares will continue to remain at the levels prevailing as at the Latest Practicable Date after the close of the Offer and that past trading performance of the Shares should not be relied upon as an indication of its future trading performance.*

*For the purposes of providing this IFA Letter and our evaluation of whether the Offer is fair and reasonable from a financial point of view, we have not received or relied on any financial projections or forecasts in respect of the Company, the Group, or any part or division of any of the foregoing. We are not required to express, and we do not express, an opinion on the future growth prospects and earnings potential of the Company.*

***14.2 The Options Proposal***

*With regard to the Options Proposal, as the Option Price is computed on a "see-through" basis, an Optionholder would receive the same consideration from accepting the Options Proposal vis-à-vis converting his Options and accepting the Offer. Our analysis and conclusion with reference to the Offer Price will therefore be similarly relevant to the Optionholders. Accordingly, we advise the Independent Directors to recommend Optionholders to ACCEPT the Options Proposal. Optionholders should take note of the closing date for the acceptance of the Options Proposal as set out in Section 4 of the Offer Document."*

12.4. **Recommendation of the Independent Directors**

The Independent Directors, having considered carefully the terms of the Offer and the advice given by the IFA to the Independent Directors in the IFA Letter, set out their recommendation on the Offer and the Options Proposal respectively below:

(a) **Offer**

The Independent Directors **concur** with the advice of the IFA in respect of the Offer as set out in **Section 12.3** of this Circular and in the IFA Letter.

**Accordingly, the Independent Directors recommend that Shareholders accept the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, taking into account all related expenses (such as brokerage and trading costs).**

(b) **Options Proposal**

The Independent Directors **concur** with the advice of the IFA in respect of the Options Proposal as set out in **Section 12.3** of this Circular and in the IFA Letter.

Accordingly, the Independent Directors recommend that Optionholders, whose exercise price is lower than the Offer Price, **accept** the Options Proposal.

**Shareholders and Optionholders are advised to read the terms and conditions of the Offer Document and the Options Proposal Letter carefully. Shareholders and Optionholders are also advised to read and consider carefully the recommendation of the Independent Directors and the IFA Letter set out in Appendix I to this Circular in their entirety before deciding whether to accept or reject the Offer and/or the Options Proposal.**

**Shareholders should note that the IFA's advice to the Independent Directors and the recommendation of the Independent Directors in respect of the Offer and the Optionholder should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer and/or the Options Proposal (as the case may be).**

In rendering the above advice and making the above recommendation, the IFA and the Independent Directors have not considered the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Shareholder. **As different Shareholders would have different investment profiles and objectives, the Independent Directors recommend that any individual Shareholder who may require specific advice in relation to his/her investment portfolio or objectives and/or the Offer should consult his/her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.**

## 13. ACTION TO BE TAKEN BY SHAREHOLDERS AND OPTIONHOLDERS

Shareholders and Optionholders who **wish to accept the Offer and/or the Options Proposal (as the case may be)** must do so not later than the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror, abiding by the procedures for the acceptance of the Offer and/or the Options Proposal (as the case may be) as set out in Appendix 2 to the Offer Document and in the accompanying FAA and/or FAT, and in the Options Proposal Letter.

Acceptances should be completed and returned as soon as possible, and in any event, so as to be received on behalf of the Offeror:

(a) by the CDP (in respect of the FAA); or

(b) by the Share Registrar (in respect of the FAT); or

(c) by the Share Registrar (in respect of the Options Proposal Acceptance Letter),

as the case may be, not later than the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

Shareholders who **do not wish to accept the Offer** need not take any further action in respect of the Offer Document, the FAA and/or the FAT, and the Options Proposal Letter which have been sent to them.

## 14. OVERSEAS SHAREHOLDERS

The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown on the Register or, as the case may be, in the Depository Register (each, an "**Overseas Shareholder**"), may be affected by the laws of the relevant overseas jurisdiction. Overseas Shareholders should refer to Section 16 of the Offer Document, an extract of which is set out in italics below.

***"16. OVERSEAS SHAREHOLDERS***

***16.1 Overseas Shareholders.*** *This Offer Document does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document in any jurisdiction in contravention of applicable law. The Offer is not being proposed in any jurisdiction in which the introduction or implementation of the Offer would not be in compliance with the laws of such jurisdiction.*

*The availability of the Offer to Shareholders whose addresses are outside Singapore as shown in the Register or, as the case may be, in the Depository Register (collectively, "**Overseas Shareholders**") may be affected by the laws of the relevant overseas jurisdictions. Accordingly, Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions.*

*Each of the Offeror and the Financial Advisers reserves the right not to send this Offer Document and the Relevant Acceptance Forms to such overseas jurisdictions where there may be potential restrictions on sending of the same.*

***For the avoidance of doubt, the Offer will be open to all Shareholders, including those to whom this Offer Document and the Relevant Acceptance Forms have not been, or will not be, sent.***

***16.2 Copies of the Offer Document.*** *Shareholders (including Overseas Shareholders) may (subject to compliance with applicable laws) obtain copies of this Offer Document, the Relevant Acceptance Forms and any related documents, during normal business hours up to the Closing Date from:*

*(i) if he is a scripholder, the Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or*

*(ii) if he is a Depositor, CDP by submitting a request to CDP via phone (+65 6535 7511) or email services (asksgx@sgx.com).*

*Electronic copies of this Offer Document and the Relevant Acceptance Forms may also be obtained on the website of the SGX-ST at www.sgx.com.*

*Alternatively, Shareholders (including Overseas Shareholders) may (subject to compliance with applicable laws) write to the Offeror at Primero Investment Holdings Pte. Ltd. c/o Boardroom Corporate & Advisory Services Pte. Ltd. (if he is a scrip holder) at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, or The Central Depository (Pte) Limited (if he is a Depositor) at 11 North Buona Vista Drive #06-07 The Metropolis Tower 2 Singapore 138589 to request for this Offer Document, the Relevant Acceptance Forms and/or any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five Market Days prior to the Closing Date.*

***16.3*** ***Notice.*** *Each of the Offeror and the Financial Advisers reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement on the SGXNET or paid advertisement in a daily newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder (including Overseas Shareholders) to receive or see such announcement or advertisement.*

***16.4*** ***Compliance with Applicable Laws.*** *It is the responsibility of any Overseas Shareholder who wishes to (i) request for this Offer Document, the Relevant Acceptance Forms and/or any related documents; and/or (ii) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with all other necessary formalities or legal requirements, or the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on his behalf (including the Financial Advisers, CDP and the Registrar) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or requisite payments that may be required to be paid and the Offeror shall be entitled to set-off any such amounts against any sum payable to the Overseas Shareholder pursuant to the Offer and/or any exercise of the rights described in this Offer Document. In (a) requesting for this Offer Document, the Relevant Acceptance Forms and/or any related documents; and/or (b) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror, CDP, the Registrar and the Financial Advisers that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. If any Shareholder is in any doubt about his position, he should consult his professional adviser in the relevant jurisdiction."*

Due to potential restrictions on sending this Circular to overseas jurisdictions, this Circular has not been and will not be sent to any Overseas Shareholder who has not provided, and will not provide, the Company with an address within Singapore at which notices or documents may be served upon him. Any affected Overseas Shareholder may nonetheless (subject to compliance with applicable laws) attend in person and obtain copies of this Circular during normal business hours and up to 5.30 p.m. (Singapore time) on the Closing Date, from the office of the Share Registrar at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. Alternatively, an Overseas Shareholder may (subject to compliance with applicable laws) write to the Share Registrar at the above-stated address to request for this Circular to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.

In requesting for this Circular and any related documents, each of the Overseas Shareholders represents and warrants to the Company that each of them is in full observance of the laws of the relevant jurisdiction in that connection, and that each of them is in full compliance with all necessary formalities or legal requirements.

**15. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS**

As stated in the Offer Document, CPFIS Investors and SRS Investors should receive further information on how to accept the Offer from their respective CPF Agent Banks and SRS Agent Banks directly. CPFIS Investors and SRS Investors are advised to consult their respective CPF Agent Banks and SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors and SRS Investors should seek independent professional advice. CPFIS Investors and SRS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks and SRS Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks and SRS Agent Banks, which may be earlier than the Closing Date.

CPFIS Investors and SRS Investors who validly accept the Offer through appropriate intermediaries will receive the payment of the Offer Price payable in respect of their Offer Shares in their CPF investment accounts and SRS investment accounts.

**16. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at 8 Shenton Way #36-01 AXA Tower Singapore 068811 during normal business hours for the period during which the Offer remains open for acceptance:

(a) the Constitution of the Company;

(b) the IFA Letter as set out in **Appendix I** to this Circular;

(c) the letters of consent referred to in paragraph 10.2 of **Appendix II** to this Circular;

(d) the annual reports of the Company for FY2017, FY2018 and FY2019, which include the audited consolidated financial statements of the Group for FY2019 as set out in **Appendix IV** to this Circular; and

(e) the Valuation Reports and/or Certificates in respect of the Subject Properties.

**17. DIRECTORS' RESPONSIBILITY STATEMENT**

Save for (a) the recommendation of the Independent Directors to Shareholders set out in **Section 12.4** of this Circular which is the sole responsibility of the Independent Directors, (b) the IFA Letter (for which the IFA takes responsibility), (c) information extracted from the Offer Announcement, the Offer Document, the Options Proposal Letter, the Valuation Reports and/or Certificates, and (d) information relating to the Offeror and the Consortium Members, the Directors (including any who may have delegated detailed supervision of this Circular) hereby jointly and severally accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this Circular have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any statement in this Circular misleading.

Where any information in this Circular (other than the IFA Letter for which the IFA takes responsibility) has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Offeror (including, without limitation, the Offer Announcement, the Offer Document, the Options Proposal Letter, the Valuation Reports and/or Certificates), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information has been accurately and correctly extracted from such sources or, as the case may be, reflected or reproduced in this Circular in its proper form and context.

In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Group are fair and accurate.

**18. ADDITIONAL INFORMATION**

The attention of the Shareholders is also drawn to the Appendices which form part of this Circular.

Yours faithfully

For and on behalf of the Board of Directors of
**PERENNIAL REAL ESTATE HOLDINGS LIMITED**

Mr. Eugene Paul Lai Chin Look
Lead Independent Non-Executive Director

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17 July 2020

The Independent Directors
Perennial Real Estate Holdings Limited
8 Shenton Way, #36-01
AXA Tower, Singapore 068811

Dear Sirs / Madam

**VOLUNTARY CONDITIONAL CASH OFFER BY UNITED OVERSEAS BANK LIMITED AND DBS BANK LTD., FOR AND ON BEHALF OF PRIMERO INVESTMENT HOLDINGS PTE. LTD., FOR THE OFFER SHARES OF PERENNIAL REAL ESTATE LIMITED**

*Unless otherwise defined in this Independent Financial Adviser's ("**IFA**") letter (the "**IFA Letter**") or the context otherwise requires, all terms defined in the Circular (the "**Circular**") dated 17 July 2020 to shareholders of Perennial Real Estate Holdings Limited (the "**Shareholders**") shall have the same meaning herein.*

## 1. INTRODUCTION

On 12 June 2020 (the "**Offer Announcement Date**"), United Overseas Bank Limited ("**UOB**") as the lead financial adviser to Primero Investment Holdings Pte. Ltd. (the "**Offeror**") and DBS Bank Ltd. ("**DBS**", and together with UOB, the "**Financial Advisers**") as the financial adviser to the Offeror, announced for and on behalf of the Offeror, that the Offeror intends to make a voluntary conditional cash offer ("**Offer**") for:

(i) all the issued and paid-up ordinary shares ("**Shares**") in the capital of Perennial Real Estate Holdings Limited (the "**Company**"), excluding Shares held in treasury; and

(ii) all new Shares unconditionally issued or to be issued pursuant to the valid exercise of any options (the "**Options**") granted under the Perennial Employee Share Option Scheme 2014 (the "**Option Scheme**"),

in each case including any Shares owned, controlled or agreed to be acquired by parties acting in concert or deemed to be acting in concert with the Offeror in relation to the Offer (all such Shares, "**Offer Shares**"). This is in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore and the Singapore Code on Take-overs and Mergers ("**Code**").

The Offer will be conditional upon the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it before or during the Offer, will result in the Offeror and parties acting in concert with it holding such number of Shares carrying not less than 90% of the voting rights attributable to all the Shares in issue (excluding Shares held in treasury) as at the close of the Offer (including any voting rights attributable to Shares unconditionally issued or to be issued pursuant to the valid exercise of Options prior to the final closing date of the Offer) (the "**Minimum Acceptance Condition**"). The Offer is made at the final offer price of S$0.95 in cash for each Offer Share (the "**Offer Price**").

On 3 July 2020, the formal Offer was made by the Financial Advisers, for and on behalf of the Offeror, for the Shares, subject to the terms and conditions as set out in the Offer Document. The Financial Advisers, for and on behalf of the Offeror, have also made a proposal (the "**Options Proposal**") to all holders of the Options ("**Optionholders**"), subject to the terms and conditions as set out in the Offer Document and Options Proposal Letter. The Offer Document, Options Proposal Letter, FAA Form and FAT Form were despatched to Shareholders on 3 July 2020.

In connection with the Offer, the Company has appointed PricewaterhouseCoopers Corporate Finance Pte Ltd ("**PwCCF**") as the Independent Financial Adviser ("**IFA**") to the directors of the Company who are considered independent ("**Independent Directors**") for the purpose of making a recommendation to the Shareholders in relation to the Offer and the Options Proposal.

This letter ("**IFA Letter**") is addressed to the Independent Directors and sets out, *inter alia*, our evaluation and advice on the financial terms of the Offer and the Options Proposal. This IFA Letter forms part of the Circular to Shareholders dated 17 July 2020 (the "**Circular**") which provides, *inter alia*, the details of the Offer and the Options Proposal and the recommendations of the Independent Directors thereon.

## 2. TERMS OF REFERENCE

Our evaluation of the Offer is confined solely to a financial point of view on the bases set out herein.

We have relied upon and assumed, *inter alia*, the accuracy, adequacy and completeness of all publicly available information or information provided to or discussed with us by the Company or otherwise reviewed by or for us. We have not independently verified such information or its accuracy, adequacy or completeness. We do not represent or warrant, expressly or impliedly, and do not accept any responsibility for the accuracy, completeness or adequacy of such information.

We have not conducted any valuation or appraisal of any assets or liabilities, (including without limitation, real properties) nor have we evaluated the solvency of the Company, its subsidiaries, joint ventures and associated companies (the "**Group**"). We have relied on the independent valuation reports (the "**Valuation Reports**") prepared for the purpose of the Offer, provided by CBRE Limited ("**CBRE**"), Savills Real Estate Valuation (Guangzhou) Ltd. Beijing Branch ("**Savills Beijing**"), Knight Frank Pte Ltd ("**Knight Frank**") and Savills Valuation and Professional Services (S) Pte Ltd ("**Savills SG**") (collectively, the "**Independent Valuers**") in relation to our financial assessment of the Offer in Section 12.

| Independent Valuers for the properties | |
|---|---|
| **Property[5]** | **Independent Valuer** |
| **Investment properties** | |
| Capitol Singapore (Retail Component)[1] | Knight Frank |
| Perennial International Health and Medical Hub | Savills Beijing |
| CHIJMES | Savills SG |
| Perennial Qingyang Mall | Savills Beijing |
| Perennial Jihua Mall | CBRE |
| Xi'an North High Speed Railway Integrated Development Plot 4 (Non-Hotel)[2] | CBRE |
| Beijing Tongzhou Integrated Development (Phase 1 - Plot 14-1 and 14-2)[3] | CBRE |
| Chengdu East High Speed Railway Integrated Development Plot D2 | Savills Beijing |
| Shenyang Longemont Integrated Development[4] | Savills Beijing |
| **Development properties** | |
| Eden Residences Capitol[1] | Knight Frank |
| Beijing Tongzhou Integrated Development (Phase 1 - Plot 13)[3] | CBRE |
| Xi'an North High Speed Railway Integrated Development Plot 4 (Hotel)[2] | CBRE |
| Beijing Tongzhou Integrated Development (Phase 2 - Plot 10, 11, 12) | CBRE |
| **Property, plant and equipment** | |
| The Capitol Kempinski Hotel Singapore[1] | Knight Frank |

**Notes:**

(1) Based on one independent valuation report issued by Knight Frank, "Valuation of Property at 11, 13, 15 and 17 Stamford Road "Capitol Singapore"", dated 6 July 2020. The breakdown of the Capitol Singapore property valuation into the Retail, Capitol Kempinski Hotel Singapore and Eden Residences Capitol components was provided by Knight Frank.

(2) Based on one independent valuation report issued by CBRE, "Xi'an North HSR Integrated Development – Plot 4", dated 10 July 2020.

(3) Based on one independent valuation report issued by CBRE, "Tongzhou Canal One Phase 1", dated 10 July 2020.

(4) Based on three independent valuation reports issued by Savills Beijing for Red Star Macalline Furniture Mall, Shenyang Longemont Office Tower 1& 2 and Shenyang Longemont Shopping Mall, dated 9 July 2020.

(5) In determining the list of material properties for revaluation, we have assessed the gross property values of each property as at the Latest Practicable Date. We have selected the properties based on their significant contribution (on an effective stake basis) to the total gross property value ("GPV") of the Group – the selected material properties for revaluation account for c. 85% of the total GPV.

We are not experts in the evaluation or appraisal of the assets or liabilities concerned and we have placed sole reliance on these Valuation Reports for such asset appraisals and have not independently verified the contents thereof. By its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of the Independent Valuer's judgement. In particular, we do not assume any responsibility for the valuations contained in the Valuation Reports.

We are not legal, regulatory or tax experts, but we are the independent financial advisers and have relied on, without independent verification, the assessments made by advisers to the Company with respect to such issues. We have nevertheless made reasonable enquiries and exercised reasonable judgement as we deemed necessary or appropriate in assessing such information and we are not aware of any reason to doubt the reliability of the information.

In addition, we have assumed that the Offer will be consummated in accordance with the terms set forth in the Offer Document without any waiver, amendment or delay of any terms or conditions and that no additional conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offer. We have further assumed, *inter alia*, that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Offer will be obtained and that no delays, limitations, conditions or restrictions will be imposed that would have any material adverse effect on the Company or on the contemplated benefits of the Offer.

Our opinion as set out in this IFA Letter is based upon prevailing market, economic, industry, monetary and other conditions (if applicable) and the information made available to us as of 8 July 2020 (the "**Latest Practicable Date**"). Developments after the Latest Practicable Date may affect the contents of this IFA Letter and we assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect the contents of this IFA Letter. Our opinion is limited to the fairness and reasonableness, from a financial point of view, of the Offer. We express no opinion as to the fairness and reasonableness of the Offer to, or any consideration received in connection therewith by, the holders of any specific class of securities, creditors or other constituencies of the Company or as to the underlying decision by the Company to engage in the Offer.

We were not involved in negotiations pertaining to the Offer nor were we involved in the deliberation leading up to the decision to put forth the Offer to the Shareholders. We have not been requested or authorised to solicit, and we have not solicited, any indication of interest from any third party with respect to the Shares and/or any other alternative transaction.

Our terms of reference also do not require us to evaluate or comment on the commercial rationale for the Offer, and/or associated risk and merits. Our terms of reference do not require us to comment or express an opinion on the financial impact or potential impact on current or future financial performance or prospects or earnings potential of the Company and/or the Group arising from the Offer or otherwise (including without limitation any implications or uncertainties arising from the COVID-19 pandemic). Our terms of reference do not require us to comment or express an opinion on the prices at which the shares of the Company may trade following the Offer.

Our terms of reference do not require us to evaluate or comment on the merits of the statements or opinions stated in any research reports on the Company and/or the Group, including any other reports issued by any other party. We have accordingly not made such evaluation or comments.

although we may draw upon their views to the extent deemed necessary or appropriate by us in arriving at our opinion as set out in this IFA Letter. The Independent Directors may wish to advise Shareholders to take note of any announcement relevant to their consideration of the Offer, which may be released by the Company after the Latest Practicable Date. We have not received or relied on any financial projections or forecasts in respect of the Company, the Group, or any part or division of any of the foregoing.

The Directors have confirmed to us, after making all reasonable enquiries that, to the best of their knowledge and belief, all material information in connection with the Company and/or the Group and the Offer has been disclosed to us, that such information constitutes a full and true disclosure in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company and/or the Group to be incomplete, inaccurate or misleading in any material respect. The Directors have jointly and severally accepted the responsibility for the accuracy and completeness of such information. We have relied upon such confirmation by the Directors and the accuracy and completeness of all information given to us by the Directors and/or management of the Company (the "**Management**") and have not independently verified such information, whether written or verbal, and accordingly cannot and do not represent and warrant, expressly or impliedly, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information.

We have relied upon the assurances of the Directors that the Circular has been approved by the Directors (including those who may have delegated detailed supervision of the Circular) who collectively and individually accept full responsibility for the accuracy of the information given in the Circular (other than this IFA Letter and information extracted *in toto* from the Offer Document) and confirm after making all reasonable enquiries that, as at the Latest Practicable Date, to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Company and/or the Group in the context of the Offer and the Directors are not aware of any facts the omission of which would make any statement in the Circular misleading in any material respect.

In rendering our opinion, we have not had regard to any general or specific investment objectives, financial situation, tax position, risk profile, tax status or positions or particular needs and constraints or other particular circumstances of any Shareholder and do not assume any responsibility for, nor hold ourselves out as advisers to, any person other than the Independent Directors. As each Shareholder would have different investment objectives and profiles, the Independent Directors may wish to advise any Shareholder who may require specific advice in relation to his specific investment portfolio to consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other appropriate professional adviser immediately.

This IFA Letter is addressed to the Independent Directors and is for their benefit in connection with and for the purpose of their consideration of the Offer and the Options Proposal. However, the recommendations made by them shall remain the responsibility of the Independent Directors. This IFA Letter is not addressed to and may not be relied upon by any third party including, without limitation, Shareholders of the Company, Optionholders, employees or creditors of the

Company. This IFA Letter does not constitute, and should not be relied on, as advice or a recommendation to, or confer any rights or remedies upon, any Shareholders or Optionholders as to how such person should deal with their Shares or Options in relation to the Offer or the Options Proposal or any matter related thereto.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this IFA Letter). We have had no role or involvement and have not provided and will not provide any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility for, and express no views (express or implied) on, the contents of the Circular (other than this IFA Letter).

Our opinion in relation to the Offer should be considered in the context of the entirety of this IFA Letter and the Circular.

## 3. THE OFFER

The following paragraphs have been extracted from Section 2 of the Offer Document and are set out in italics. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.**

***2. The Offer***

*2.1. Offer Shares. The Offer is made to acquire:*

*2.1.1. all Shares (excluding Shares held in treasury); and*

*2.1.2. all new Shares unconditionally allotted and issued and all Shares held in treasury that are transferred (as the case may be) prior to or on the Closing Date pursuant to the valid exercise of any options (the "Options") granted under the Perennial Employee Share Option Scheme 2014 (the "Option Scheme") prior to the Closing Date,*

*in each case including any Shares owned, controlled or agreed to be acquired by parties acting in concert or deemed to be acting in concert with the Offeror in relation to the Offer (all such Shares, "**Offer Shares**").*

*2.2. **Offer Price.** The consideration for each Offer Share acquired pursuant to the Offer is as follows:*

***For each Offer Share: S$0.95 in cash.***

*The Offer Price is final and the Offeror will not increase the Offer Price.*

*2.3 **No Encumbrances.** The Offer Shares will be acquired (i) fully paid; (ii) free from any claim, charge, pledge, mortgage, lien, option, equity, power of sale, declaration of trust, hypothecation, retention of title, right of pre-emption, right of first refusal, moratorium or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing (each, an "**Encumbrance**"); and (iii) together with all rights, benefits and entitlements attached thereto as at the Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all dividends, rights, other distributions and/or return of capital (the "**Distributions**") declared, paid or made by the Company in respect of the Offer Shares on or after the Announcement Date, save as stated in **Section 2.4** below.*

*2.4 **Adjustment for Distributions.** Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company on or after the Announcement Date.*

*Accordingly, save for the Final Dividend, in the event any Distribution is or has been declared, paid or made by the Company in respect of the Offer Shares on or after the Announcement Date, the Offeror reserves the right to reduce the Offer Price by the amount of such Distribution where the Offeror is not entitled to receive such Distribution.*

*On 26 June 2020, Shareholders approved the declaration of a final cash dividend of 0.20 Singapore cents per Share (the "Final Dividend") in respect of the financial year ended 31 December 2019. The record date for determining the entitlements of Shareholders to the Final Dividend is 7 July 2020, 5.00 p.m.*

*The Offeror does not intend to reduce the Offer Price by the amount of the Final Dividend. Accordingly, in the event the Offer becomes unconditional in all respects in accordance with its terms and the Offeror receives the Final Dividend in respect of any Offer Shares validly tendered by an accepting Shareholder in accordance with the Offer, the Offeror will pay an amount equal to the Final Dividend in respect of such Offer Shares to such accepting Shareholder within 14 days of receipt by the Offeror of the Final Dividend from the Company. Shareholders who receive the Final Dividend from the Company will not be entitled to receive any additional amount from the Offeror under the Offer or otherwise in respect of any Offer Shares tendered by them in acceptance of the Offer.*

*2.5 **Minimum Acceptance Condition.** The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it before or during the Offer, will result in the Offeror and parties acting in concert with it holding such number of Shares carrying not less than 90% of the voting rights attributable to all the Shares in issue (excluding Shares held in treasury) as at the Closing Date (including any voting rights attributable to Shares unconditionally issued or to be* *issued pursuant to the valid exercise of Options prior to the Closing Date) (the "**Minimum Acceptance Condition**").*

*Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the Closing Date, unless at any time prior to the Closing Date, the Offeror has received valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it before or during the Offer, will result in the Offeror and parties acting in concert with it holding such number of Shares carrying not less than 90% of the maximum potential issued share capital of the Company. For this purpose, the "**maximum potential issued share capital of the Company**" means the total number of Shares which would be in issue had all Shares under the Options (other than those in respect of which the Options Proposal is accepted) been issued.*

*As at the Latest Practicable Date, based on the information available to the Offeror, the Offeror and parties acting in concert with the Offeror hold in aggregate 1,386,899,830 Shares representing 83.46% of all the issued Shares (excluding Shares held in treasury) and 80.07% of the maximum potential issued share capital of the Company.*

*Save for the Minimum Acceptance Condition, the Offer is unconditional in all other respects.*

## 4. OPTIONS PROPOSAL

The following paragraphs have been extracted from Section 4 of the Offer Document and are set out in italics. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully. Shareholders are also advised to read the Options Proposal Letter (dated 3 July 2020), referenced to as 'Separate Letter' in Section 4.5 of the Offer Document, which forms part of the Offer Document.**

***4. Options Proposal***

*4.1. **Options.** As at the Latest Practicable Date, based on the information available to the Offeror, there are 90,874,000 outstanding Options issued under the Option Scheme which are exercisable into 90,874,000 Shares. Under the rules of the Option Scheme, the outstanding Options are personal to the holders of the outstanding Options ("**Optionholders**") and are not transferable. In view of this restriction, the Offeror will not make an offer to acquire the outstanding Options. For the avoidance of doubt, the Offer will be extended to all Shares unconditionally allotted and issued and/or transferred (as the case may be) prior to or on the Closing Date pursuant to the valid exercise of any Options.*

*4.2.* ***Options Proposal.*** *The Financial Advisers, for and on behalf of the Offeror, have made a proposal (the "**Options Proposal**") to all Optionholders on the following terms. Subject to:*

*4.2.1.the Offer becoming or being declared to be unconditional in all respects in accordance with its terms; and*

*4.2.2.the Options continuing to be exercisable into Shares, the Offeror will pay an Optionholder a cash amount (as set out in Section 4.3 of this Letter to Shareholders) (the "**Option Price**") in consideration of each such Optionholder agreeing:*

*(i) not to exercise all or any of the Options held by him in respect of which he has accepted the Options Proposal (the "**Relevant Options**") into Shares; and*

*(ii) not to exercise all or any of his rights as holder of the Relevant Options,*

*in each case from the date of acceptance of the Options Proposal to the dates of expiry of the respective Relevant Options. Further, if the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, the Relevant Options of an Optionholder who accepts the Options Proposal will be cancelled or deemed to be cancelled upon receipt by the Registrar, on behalf of the Offeror, of his valid acceptance of the Options Proposal (whether or not such Relevant Options have been surrendered by the Optionholder). If the Offer lapses or is withdrawn, the Options Proposal will lapse accordingly. Further, if the Relevant Options cease to be exercisable into Shares, the Options Proposal in relation to such Relevant Options that cease to be exercisable into Shares will also lapse.*

***4.3. Option Price.*** *The Option Price is calculated on a "see-through" basis. In other words, the Option Price for an Option will be the amount by which the Offer Price exceeds the exercise price of that Option. If, however, the exercise price of any Option is equal to or more than the Offer Price, the consideration payable for such Option will be zero. To illustrate, if the exercise price per Share in respect of an Option is S$0.88, the Option Price for that Option shall be S$0.07, being the Offer Price of S$0.95 less S$0.88.*

***4.4. Offer and Options Proposal are Mutually Exclusive.*** *For the avoidance of doubt, whilst the Options Proposal is conditional upon the Offer becoming or being declared to be unconditional in all respects in accordance with its terms, the Offer will not be conditional upon acceptances received in relation to the Options Proposal. The Offer and the Options Proposal are separate and mutually exclusive, such that the Options Proposal does not form part of the Offer, and vice versa. Without prejudice to the foregoing, if Optionholders exercise their Options in order to accept the Offer in respect of the Shares allotted and* *issued and/or transferred (as the case may be) pursuant to such exercise, they may not accept the Options Proposal in respect of such Options. Conversely, if Optionholders wish to accept the Options Proposal in respect of their Options, they may not exercise those Options to accept the Offer in respect of the Shares allotted and issued and/or transferred (as the case may be) pursuant to such exercise.*

***4.5. Separate Letter.*** *A separate letter setting out further details of the Options Proposal made by the Financial Advisers, for and on behalf of the Offeror, to the Optionholders will be despatched to the Optionholders on the Despatch Date.*

## 5. DETAILS OF THE OFFER

Please refer to Appendix 1 of the Offer Document for details of the Offer on (i) the duration of the Offer; (ii) the settlement of the consideration for the Offer; (iii) the requirements relating to the announcement of the level of acceptances of the Offer; and (iv) the right of withdrawal of acceptances of the Offer. Please refer to Appendix 2 of the Offer Document for details of the Procedures for Acceptance of the Offer.

## 6. INFORMATION ON THE COMPANY

Please refer to Section 8 of the Offer Document for information and further disclosures on the Company.

## 7. INFORMATION ON THE CONSORTIUM AND THE OFFEROR

Please refer to Section 7 of the Offer Document for information and further disclosures on the Consortium and the Offeror.

The following paragraphs have been extracted from Section 7 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.**

**7.1** ***Consortium and Consortium Members.*** *The Offer is undertaken by a consortium comprising:*

*7.1.1.HPRY Holdings Limited ("**HPRY**"), a company wholly owned by Mr Kuok Khoon Hong ("**KKH**");*

*7.1.2.(WCA Pte. Ltd. ("**WCA**"), a wholly-owned subsidiary of Wilmar International Limited ("**Wilmar**");*

*7.1.3. V3 Asset Pte. Ltd. ("**V3**"), a company wholly owned by Mr Ron Sim Chye Hock ("**RS**");*

*7.1.4. PSG Holdings Pte. Ltd. ("**PSGH**"), a company wholly owned by Mr Pua Seck Guan ("**PSG**"); and*

*7.1.5. Beaufort Investment Global Company Limited ("**HOPU**"), an entity managed or advised by HOPU Fund Management Company Limited or its affiliates,*

*(each, a "**Consortium Member**" and collectively, the "**Consortium**"). The Consortium has established the Offeror for the purposes of carrying out the Offer.*

**7.2** ***Offeror.*** *The Offeror is an investment holding company incorporated in Singapore on 20 May 2020. The Offeror has not carried on any business since its incorporation, except to enter into certain agreements in connection with the formation of the Consortium. As at the Latest Practicable Date:*

*7.2.1. the Offeror has an issued and paid-up share capital of S$100, consisting of 10,000 ordinary shares (each, an "Offeror Share"). Each Consortium Member holds and/or controls the following number of Offeror Shares representing such shareholding percentage in the Offeror as set out against its name below:*

| Consortium Member | Number of Offeror Shares held and/or controlled | % of Offeror Shares in Issue |
|---|---|---|
| HPRY | 3,653 | 36.53 |
| WCA | 2,004 | 20.04 |
| V3 | 1,545 | 15.45 |
| PSGH | 1,041 | 10.41 |
| HOPU | 1,757 | 17.57 |

*; and*

*7.2.2. the directors of the Offeror are as follows:*

*(a) KKH;*
*(b) Ms Teo La-Mei;*
*(c) RS;*
*(d) PSG; and*
*(e) Mr Fang Fenglei.*

**7.3** *Further Information. Appendix 3 of the Offer Document sets out the additional information from the Offeror.*

## 8. CONSORTIUM ARRANGEMENTS

Please refer to Section 9 of the Offer Document for information and further disclosures on the Consortium Arrangements.

The following paragraphs have been extracted from Section 9 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.**

***9. Consortium Arrangements.***

*The Consortium has entered into several arrangements including the following:*

***9.1. Irrevocable undertakings:***

| No. | Party providing the Irrevocable Undertaking | Number of Shares held/controlled |
|---|---|---|
| 1. | HPRY | 466,575,921 |
| 2. | Longhlin Asia Limited | 67,502,563 |
| 3. | Hong Lee Holdings (Pte) Ltd | 45,493,398 |
| 4. | Pearson Investments Ltd | 3,208,185 |
| 5. | Kuok Hock Swee & Sons Sdn Bhd | 8,020,464 |
| 6. | KPW Investments Limited | 5,200,000 |
| 7. | KMH Investments Limited | 5,200,000 |
| 8. | Jaygar Holdings Limited | 5,831,285 |

| No. | Party providing the Irrevocable Undertaking | Number of Shares held/controlled |
|---|---|---|
| 9. | WCA | 333,028,874 |
| 10. | RS (together with V3) | 256,711,699 |
| 11. | PSGH | 98,394,270 |
| 12. | PSG[1] | 74,533,324 |
| | **Total** | 1,369,699,983 |

**Note:**

(1) Please note that as stated at **Section 9.1.3** below, PSG has also agreed to accept the Options Proposal in respect of his 20,400,000 Options outstanding as at the Announcement Date which are exercisable into 20,400,000 new Shares.

*Each of the entities and individuals (collectively, the "**Undertaking Parties**") in the table set out above (the entities comprising 1 to 8 of the table collectively, the "**KKH Undertaking Group**") has given an irrevocable undertaking (collectively, the "**Irrevocable Undertakings**") in favour of the Offeror to:*

*9.1.1. accept, or (where applicable) procure the acceptance of, the Offer in respect of the Shares that are held or controlled by it/him;*

*9.1.2. defer receipt of the consideration payable for the respective Undertaking Shares that are tendered in acceptance of the Offer to a date after the close of the Offer; and*

*9.1.3. (in relation to PSG only) not exercise, and instead accept the Options Proposal in respect of, all his 20,400,000 Options (the "**PSG Options**") outstanding as at the Announcement Date which are exercisable into 20,400,000 new Shares, and to defer receipt of the consideration payable for the PSG Options to a date after the close of the Offer*

*The aggregate number of Shares subject to the Irrevocable Undertakings is 1,369,699,983 Shares (the "**Undertaking Shares**") representing approximately 82.43% of the issued Shares (excluding Shares held in treasury) as at the Latest Practicable Date.*

*The Irrevocable Undertakings will terminate if the Offer lapses or is withdrawn without the Offer having become unconditional in all respects for any reason other than a breach of the obligations under each Irrevocable Undertaking.*

***9.2. Rollover and Subscription:** Each Consortium Member (other than HOPU) agrees to subscribe, or in the case of HPRY, agrees to subscribe and procure that the members of the KKH Undertaking Group (other than HPRY) which tendered the Undertaking Shares shall subscribe, for new Offeror Shares in cash. The obligation of each Consortium*

*Member (other than HOPU) to pay for, or in the case of HPRY, to pay for and to procure each member of the KKH Undertaking Group (other than HPRY) to pay for, the new Offeror Shares in cash will be set-off against the obligation of the Offeror to pay the Offer Price to that Consortium Member (except in the case of PSGH, the Offer Price payable to PSGH and PSG) or that member of the KKH Undertaking Group (as the case may be) for his/its Undertaking Shares tendered in acceptance of the Offer (the "**Rollover and Subscription**").*

*9.3. **HOPU Financing:** HOPU has agreed to provide shareholders' loan(s) in respect of the aggregate of the amount equivalent to the Offer Price multiplied by the total number of Offer Shares (excluding the Undertaking Shares but including any Shares unconditionally allotted and issued and/or transferred (as the case may be) prior to or on the Closing Date pursuant to the valid exercise of the Options (other than the PSG Options)) which are acquired by the Offeror during the Offer Period (the "**HOPU Financing**"), and the HOPU Financing, to the extent utilised by the Offeror, will be capitalised into Offeror Shares (the "**Capitalisation**") on or after the Closing Date.*

*9.4. **Board Composition:** Each Consortium Member shall be entitled to nominate a specified number of representatives to the board of the Offeror, subject to each Consortium Member holding not less than a specified percentage of Offeror Shares.*

*9.5. **Reserved Matters**: The Consortium Members have agreed on a list of reserved matters (including material acquisitions or disposals, material changes in business and/or changes in capital structure) which shall not be undertaken except with the consent of all Consortium Members with a specified percentage of Offeror Shares or each Consortium Member's nominated director on the board of the Offeror.*

*9.6. **Moratorium:** The Consortium Members have agreed that other than in certain prescribed circumstances, they will not transfer their Offeror Shares for one year (in the case of all Consortium Members other than PSGH) and three years (in the case of PSGH) from the date of the Rollover and Subscription, without the consent of the other Consortium Members. After the expiry of each respective moratorium period, the Consortium Members may transfer their Offeror Shares subject to certain restrictions on transfer and certain conditions being satisfied.*

*9.7. **Resultant Shareholding in the Offeror.** Following the Rollover and Subscription and the Capitalisation, it is contemplated that each Consortium Member will have (or in the case of HPRY, HPRY together with the other members of the KKH Undertaking Group, will have) the following shareholding percentages in the Offeror assuming full acceptances of the Offer, and further assuming that (A) none of the outstanding Options is exercised into Shares; and (B) all of the outstanding Options (other than the PSG Options) are exercised into Shares:*

| Consortium Member | Shareholding Percentage in the Offeror | |
|---|---|---|
| | (A) Assuming no Options are exercised | (B) Assuming all outstanding Options (other than the PSG Options) are exercised |
| HPRY[1] | 36.53% | 35.04% |
| WCA | 20.04% | 19.23% |
| V3 | 15.45% | 14.82% |
| PSGH | 10.41% | 9.98% |
| HOPU | 17.57% | 20.93% |

**Note:**

(1) HPRY's shareholding percentage in the Offeror as set out in this table includes the Offeror Shares that will be held by the other members of the KKH Undertaking Group.

## 9. RATIONALE FOR THE OFFER

The following paragraphs have been extracted from Section 10 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.**

***10. RATIONALE FOR THE OFFER***

*The ongoing COVID-19 pandemic has had an adverse impact on the global economy. China saw its gross domestic product ("**GDP**") decline by 6.8 per cent. in the first quarter of 2020 compared with a year earlier.3 Likewise, the Ministry of Trade and Industry announced on 26 May 2020 that "the GDP growth forecast for Singapore for 2020 is downgraded to "-7.0 to -4.0 per cent", from "-4.0 to -1.0 per cent".*

*The Offeror is of the view that the Offer represents an opportunity for Shareholders to realise their investment in the Shares at a premium to historical market prices in an uncertain economic environment.*

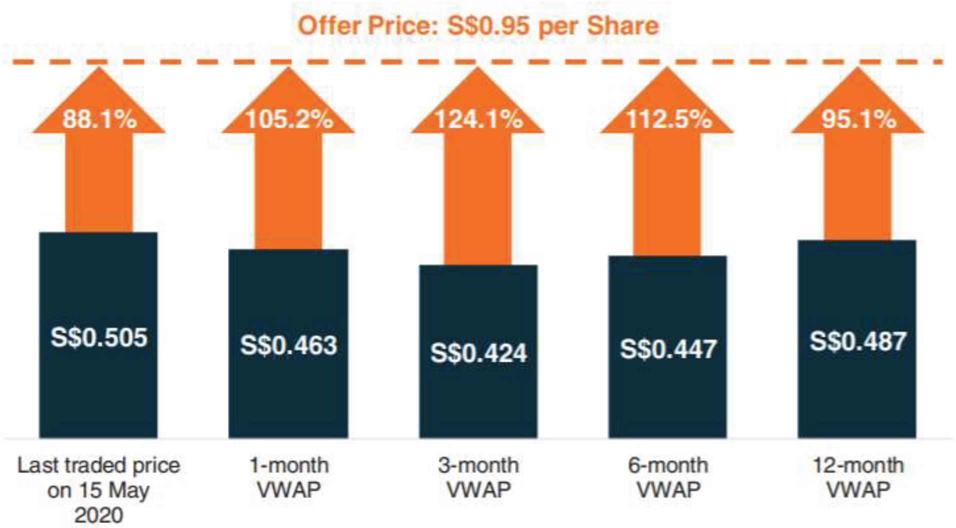
*Note: (1) Preliminary estimates from the National Bureau of Statistics of China – 17 April 2020.*

***10.1. Opportunity for Shareholders to realise their investment at a premium without incurring brokerage fees***

*10.1.1. As set out in Section 12 below, the Offer Price represents a premium of approximately:*

*(i) 88.1 per cent. over the last traded price per Share on 15 May 2020, the Relevant Trading Date (being the last full trading day on which the Shares were traded on the SGX-ST prior to the voluntary announcement dated 18 May 2020 by the Company that certain of its substantial shareholders are reviewing the options in relation to their holdings in the Company); and*

*(i) 95.1 per cent., 112.5 per cent., 124.1 per cent. and 105.2 per cent. over the VWAP of the Shares over the 12-, six-, three- and one-month periods, respectively, up to and including the Relevant Trading Date.*




**Notes:**

(1) S$ figures (other than the Offer Price) are based on data extracted from Bloomberg L.P. on 15 May 2020, being the Relevant Trading Date, and rounded to the nearest three decimal places.

(2) Premia rounded to the nearest one decimal place.

*10.1.2. The Offer Price exceeds the highest closing price of the Shares in over four years preceding the Relevant Trading Date.*


**Notes:**

(1) The highest closing price of the Shares since 4 January 2016 is S$0.945, as sourced from Bloomberg L.P..

(2) Trading data extracted from Bloomberg L.P. on 15 May 2020, being the Relevant Trading Date.

***10.2. Opportunity for Shareholders who may otherwise find it difficult to exit their investment in the Company due to low trading liquidity Date.***

*The historical trading liquidity of the Shares on the SGX-ST has been low. The average daily trading volume of the Shares over the 12-, six-, three- and one-month periods up to and including the Relevant Trading Date are detailed in the table below.*

| | One-month | Three-month | Six-month | 12-month |
|---|---|---|---|---|
| Average daily trading volume as a percentage (%) of total number of issued Shares | 0.024% | 0.018% | 0.012% | 0.008% |

**Notes:**

(1) The average daily trading volume is based on data extracted from Bloomberg L.P. as at the Relevant Trading Date and calculated using the daily total volume of Shares traded divided by the total number of issued Shares (excluding Shares held in treasury).

(2) The percentage figures are rounded to the nearest three decimal places.

***10.3. Greater flexibility to raise capital in support of the Company's future growth***

*The Company will require a significant amount of capital to pursue its growth objectives in China through investments in large scale integrated development projects. The general decline in the Company's Share price has made it challenging to raise equity capital,* *compounded by the potential dilution to Shareholders' interests. Given this, the Company has opted not to pursue equity fundraising over the past five years.*

*HOPU and its affiliates have a strong track record of investment in China and experience in partnering with management teams to drive growth. By privatising the Company together with HOPU, the Consortium believes the Company will be able to secure a new long-term capital partner and tap on the track record and experience of HOPU and its affiliates. In addition, the Company will have greater flexibility to obtain equity funding from the Consortium and private sources, which will allow it to operate more efficiently in achieving its growth objectives.*

***10.4. Greater management flexibility***

*The Offeror is making the Offer with a view to delist the Company from the SGX-ST and exercise its rights of compulsory acquisition. The Offeror is of the view that privatising the Company will provide more flexibility in managing and optimising the use of the Company's resources and allow the Company to focus on its strategic pursuits of acquiring and developing integrated development projects next to transportation hubs, repositioning its operating assets and growing its healthcare management business.*

***10.5. Costs of maintaining listing status***

*In maintaining its listed status, the Company incurs compliance and associated costs relating to continuing listing requirements under the Listing Manual. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses and costs relating to the maintenance of a listed status and channel such resources to its business operations.*

## 10. THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

The following paragraphs have been extracted from Section 11 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.**

***11. OFFERORS'S INTENTIONS IN RELATION TO THE COMPANY***

*Save as disclosed above and other than in the ordinary course of business, the Offeror currently has no plans to (i) introduce any major changes to the business of the Company; (ii) re-deploy the fixed assets of the Company; or (iii) discontinue the employment of any of the existing employees of the Company and its subsidiaries* *(the "Group"). However, the board of directors of the Offeror retains the flexibility at any time to consider any options in relation to the Group which may present themselves and which it may regard to be in the interest of the Offeror.*

## 11. LISTING STATUS AND COMPULSORY ACQUISITION

The following paragraphs have been extracted from Section 13 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.**

***13. LISTING STATUS AND COMPULSORY ACQUISITION***

**13.1** ***Listing*** *Status and Trading Suspension. Under Rule 1105 of the Listing Manual, upon announcement by the Offeror that acceptances have been received that bring the holdings of the Shares owned by the Offeror and parties acting in concert with the Offeror to above 90% of the total number of issued Shares (excluding Shares held in treasury), the SGX-ST may suspend the trading of the listed securities of the Company on the SGX-ST until such time when the SGX-ST is satisfied that at least 10% of the total number of issued Shares (excluding Shares held in treasury) are held by at least 500 Shareholders who are members of the public. Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the listed securities of the Company at the close of the Offer. The Offeror is of the view that the Offer represents an opportunity for Shareholders to realise their investment in the Shares at a premium to historical market prices in an uncertain economic environment.*

*Shareholders are advised to note that Rule 723 of the Listing Manual requires the Company to ensure that at least 10% of the total number of issued Shares (excluding Shares held in treasury) is at all times held by the public (the "Free Float Requirement"). In addition, under Rule 724 of the Listing Manual, if the percentage of the total number of issued Shares (excluding Shares held in treasury) held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all securities of the Company on the SGX-ST. Rule 724 of the Listing Manual further states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, for the percentage of the total number of issued Shares (excluding Shares held in treasury) held by members of the public to be raised to at least 10%, failing which the Company may be removed from the Official List of the SGX-ST.*

***In the event the Company does not meet the Free Float Requirement, the Offeror does not intend to preserve the listing status of the Company and does not intend to take any steps for any trading suspension in the securities of the Company to be lifted.***

13.2 ***Compulsory Acquisition Rights.*** *Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer for not less than 90% of the Shares in issue as at the close of the Offer (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer), the Offeror will be entitled to exercise the right to compulsorily acquire all the Offer Shares of the Shareholders who have not accepted the Offer (the "Dissenting Shareholders") on the same terms as those offered under the Offer.*

***In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.***

13.3 ***Dissenting Shareholders' Rights.*** *Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares (excluding Shares held in treasury) as at the close of the Offer.* ***Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.*** *Unlike Section 215(1) of the Companies Act, the 90% threshold under Section 215(3) of the Companies Act does not exclude Shares held by the Offeror, its related corporations or their respective nominees as at the date of the Offer.*

## 12. FINANCIAL ASSESSMENT OF THE OFFER

For the purpose of our analyses in this IFA Letter, we wish to highlight the following dates:

(a) 15 May 2020 (the "**Relevant Trading Date**"), being the last full trading day, which the Shares were traded immediately prior to the voluntary announcement dated 18 May 2020 by the Company that certain of its substantial shareholders are reviewing the options in relation to their holdings in the Company.

(b) 9 June 2020 (the "**Last Trading Day**"), being the last trading day immediately prior to the Offer Announcement Date;

(c) 12 June 2020 (the "**Offer Announcement Date**"), being the date that UOB and DBS (or the Financial Advisors) announced for and on behalf of Primero Investments Holdings Pte.

Ltd., that the Offeror intends to make a voluntary conditional cash offer for all the issued and paid-up ordinary shares in the Company;

(d) 8 July 2020, being the Latest Practicable Date prior to the printing of this Circular, save that where parts of the Offer Document (including the letter from UOB and DBS to the Shareholders in the Offer Document) are reproduced, references to the "Latest Practicable Date" in such reproduction shall mean the Offer Document LPD.

In the course of our evaluation of whether the Offer is fair and reasonable from a financial point of view, we have considered the following relevant factors below based on publicly available information and information made available to us by the Company as of the Latest Practicable Date:

(a) Historical share price performance of the Shares;

(b) Historical share price performance relative to market indices;

(c) Liquidity analysis;

(d) Net asset value ("**NAV**") and Revalued net asset value ("**RNAV**") of the Group;

(e) NAV per Share relative to the Offer Price;

(f) Valuation multiples of selected listed companies which are broadly comparable with the Group;

(g) Recent selected successful privatisation take-over transactions involving companies listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**");

(h) Recent selected take-over transactions of companies listed on the SGX-ST whose businesses are broadly comparable to the Group;

(i) Brokers' price target for the Shares;

(j) Historical dividend yield of the Company; and

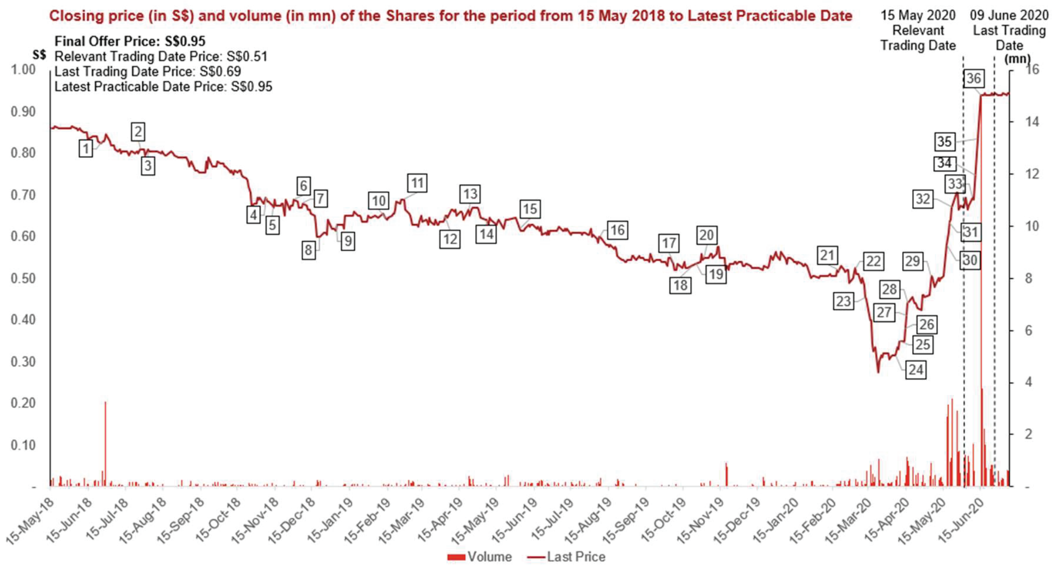
(k) Other relevant considerations in relation to the Offer which may have a significant bearing on our evaluation (elaborated in Section 12.10).

The figures and underlying financial data used in our analyses in this section of this IFA Letter have been extracted from, amongst others, Bloomberg L.P., Capital IQ, SGX-ST, publicly available financial information of the Company and relevant public documents of the Company covered by those sources as at the Latest Practicable Date. We have not independently verified (nor have we assumed responsibility or liability for independently verifying) or ascertained and make no representations or warranties, express or implied, on the accuracy or completeness or adequacy of such information.

### 12.1 Historical share price performance of the Shares

In assessing the reasonableness of the Offer Price from a financial point of view, we have taken into consideration the historical share price performance and trading volume of the Company over a reasonable period of time, based on the assumption that the stock market provides an efficient mechanism by which such prices may be expressed. We wish to highlight that under ordinary circumstances, the market valuation of shares traded on a recognised stock exchange may be affected by, *inter alia*, its relative liquidity, the size of its free float, the extent of research coverage, the investor interest it attracts and the general market sentiment at a given point in time. Therefore, the historical share price analysis serves as an illustrative guide only.

We set out a chart below which shows the trend of the daily closing prices and the volume traded for the Shares from 15 May 2018 (being the 24-month period preceding the Relevant Trading Date) and up to and including the Latest Practicable Date.




*Source: Bloomberg L.P., Perennial's Company and SGX-ST announcements*

We note the following:

(a) Management has identified 5 May 2020 as the date in which there was a significant increase in the share price and trading volume. However, Management is unaware of any events that gave rise to the movement;

(b) The World Health Organization (WHO) announced on 11 March 2020 that the COVID-19 situation can be characterised as a pandemic. We note that over the 24-month period preceding the WHO announcement and including the WHO announcement date, the closing prices of the Shares have been in the range of a low of S$0.485 to a high of S$0.885. The Offer Price of S$0.950 represents a premium of S$0.465 (or 95.9%) above the lowest transacted price and a premium of S$0.065 (or 7.3%) above the highest transacted price of the Shares. The closing prices of the Shares had been below the Offer Price for the entire period since 11 March 2018 and up to the WHO announcement; and

(c) We note that as stated in the Offer Document, the Offer Price exceeds the highest closing price of the Shares in over 4 years preceding the Relevant Trading Date.

A summary of the salient announcements on key corporate developments by the Company during the 24-month period preceding the Relevant Trading Date and up to and including the Latest Practicable Date is set out below:

| No. | Date | Event Description |
|---|---|---|
| 1 | 27 June 2018 | The Company has announced that it has subscribed for additional ordinary shares at $1.00 per share in Perennial Singapore Investment Holdings Pte. Ltd., Perennial China Investment Holdings Pte. Ltd., Perennial Treasury Pte. Ltd. |
| 2 | 27 July 2018 | The Company has announced that, through its 45% owned joint venture vehicle, Perennial HC Holdings Pte. Ltd., it has been awarded the tender by the People's Government of Xiqing District, Tianjin to develop three plots of land which are located adjacent to the Tianjin South High Speed Railway Station in Xiqing District, Tianjin at a land tender price of RMB 718 million (approximately S$150.3 million). |
| 3 | 3 August 2018 | The Company released its Unaudited Financial Statements and Related Announcements for the Second Quarter of FY2018, registering a profit after tax and minority interest in 2Q2018 of S$8.6 million, lower than the S$17.1 million recorded in 2Q2017. |
| 4 | 7 November 2018 | The Company released its Unaudited Financial Statements and Related Announcements for the Third Quarter of FY2018, registering a profit after tax and minority interest in 3Q2018 of S$48.3 million, higher than the S$16.9 million registered in 2Q2017. |
| 5 | 13 November 2018 | The Company has announced that its associated company, TYN Investment Pte. Ltd. has been served with a writ of summons by Griffin Real Estate Investment Holdings Pte. Ltd. ("GREIH") |
| 6 | 30 November 2018 | The Company has announced an increase in the registered capital of Shanghai Yixian Renshoutang Eldercare Group Co. Ltd to finance the working capital requirements. |

| No. | Date | Event Description |
|---|---|---|
| 7 | 6 December 2018 | The Company has announced that TYN Investment has filed its defence to the claim and has issued third party notices to commence proceedings against each of (i) Ong Siew Kwee, a former director of TYN Investment and of GREIH and ((ii) Douglas Foo Peow Yong, a director of GREIH, in connection with the claim. |
| 8 | 20 December 2018 | The Company has announced that its 45% owned associated company, Perennial HC Holdings Pte. Ltd. (the "JV Vehicle") through the JV Vehicle's wholly-owned subsidiary, has been awarded the tender by the People's Government of Chenggong District, Kunming, Yunnan Province for the development of two plots of land of 40-year commercial land use right located next to the Kunming South Highspeed Railway Station in Chenggong District, Yunnan Province. |
| 9 | 4 January 2019 | The Company has entered into a joint venture in Sri Lanka with a 40% interest in PREH Properties (Private) Limited, a company incorporated in Sri Lanka which will invest in real estate in Sri Lanka. |
| 10 | 13 February 2019 | The Company released its Unaudited Financial Statements and Related Announcements for the Fourth Quarter of FY2018, registering a profit after tax and minority interest in FY2018 of S$78.1 million, lower than the S$100.3 million recorded in FY2017. The Company has announced a cash dividend of S$ 0.004 per share to be paid on 22 May 2019 if approved by the Shareholders at the Annual General Meeting to be held on 25 April 2019. |
| 11 | 27 February 2019 | The Company has announced Key Management Changes to support their China Business with the appointment of Dr Khoo Chow Huat as the Chief Operating Officer of China and the cessation of the Group Chief Operating Officer for Perennial Real Estate Holdings Limited and Chief Executive Officer for Perennial Healthcare Pte. Ltd, Liak Teng Lit |
| 12 | 3 April 2019 | The Company has released its Annual Report for FY2018 |
| 13 | 22 April 2019 | The Company has announced that it expects to record a net loss for 1Q2019 and is expected to turn profitable in Q22019 on completion of the disposal of the entire stake in Chinatown Point Mall. |

| No. | Date | Event Description |
|---|---|---|
| 14 | 7 May 2019 | The Company released its Unaudited Financial Statements and Related Announcements for the First Quarter of FY2019, registering a loss after tax and minority interest of S$26.9 million. It expects to be profitable in 2Q2019. |
| 15 | 3 June 2019 | In response to SGX-ST's queries on 31 May 2019, in reference to the Joint Venture to build a Mixed-Use Project in Mandalay, Myanmar, the Company has disclosed the relative figures under Listing Rule 1006 based on the investment amount to be contributed by the Company. |
| 16 | 7 August 2019 | The Company released its Unaudited Financial Statements and Related Announcements for the Second Quarter of FY2019, registering a profit after tax and minority interest of S$2.2 million, lower than the S$8.6 million recorded in 2Q 2018. Capitol Singapore has achieved over 90% committed occupancy. |
| 17 | 7 October 2019 | The Company has provided an update on the claim against TYN Investment Pte. Ltd., which has filed an application seeking leave to commence a claim for conspiracy against GREIH and Ong Siew Kwee in connection with TYN Group's acquisition of the shares of TYN Investment from ERC Holdings Pte. Ltd. |
| 18 | 22 October 2019 | The Company has requested a trading halt with immediate effect pending the release of an announcement. |
| 19 | 25 October 2019 | The Company has requested a lifting of trading halt and announced that it has completed the sale of its entire 45 percent equity stake in Yanlord Investment (Singapore) Pte. Ltd. to Yanlord Commercial Investments Pte. Ltd. |
| 20 | 5 November 2019 | The Company released its Unaudited Financial Statements and Related Announcements for the Third Quarter of FY2019, registering a revenue 74% higher than 3Q2018. |
| 21 | 20 February 2020 | The Company released its Unaudited Financial Statements and Related Announcements for the Fourth Quarter of FY2019, registering a revenue 44% higher than 4Q2018. |
| 22 | 4 March 2020 | The Company has announced the Grant of Share Options under the Perennial Employee Share Option Scheme 2014. |

| No. | Date | Event Description |
|---|---|---|
| 23 | 12 March 2020 | The Company has announced that it has applied to SGX-ST for an extension of time up to 30 June 2020 to hold its annual general meeting for FY2019, which has been approved. The reason for the waiver is due to implications of COVID-19. |
| 24 | 3 April 2020 | The Company has announced that its subsidiary has secured a loan facility of S$250 million. The purpose of the loan is to partially fund the repayment of the Company's S$280 million 4.55% retail bonds, which are maturing on 29 April 2020. |
| 25 | 9 April 2020 | The Company has announced that: (i) GREIH, (ii) TYN Investment and (iii) TYN Group have agreed to an amicable resolution of (i) the claim by GREIH against TYN Investment and (ii) the claim by TYN Group against GREIH for conspiracy. |
| 26 | 14 April 2020 | The Company has announced that the 4.55% retail bonds which are maturing on 29 April 2020 will be redeemed at 100 percent of their principal amount of S$280 million, with interest accrued up to (but excluding) the Redemption Date. |
| 27 | 15 April 2020 | With reference to the announcement on 14 April 2020, the Company has announced that it will redeem in full the principal amount of S$280 million together with the accrued interest on 29 April 2020 for the 4.55% retail bonds. |
| 28 | 16 April 2020 | The Company has announced that its wholly owned subsidiary, Perennial Singapore Investment Holdings Pte. Ltd. has executed a Sale and Purchase Agreement to divest its entire 30% stake in Perennial Somerset Investors Pte. Ltd. to its 70% shareholder. The Company is expected to record a pre-tax gain on disposal of approximately S$25 million. |
| 29 | 6 May 2020 | The Company has requested a trading halt with immediate effect pending the release of an announcement. On the same day, the Company announced that it has, through Perennial Shenton Investors Pte. Ltd., entered into a share purchase agreement with a subsidiary of Alibaba Group Holdings Limited, for the sale of a 50% stake in Perennial Shenton Holding Pte Ltd. and the transfer of 50% of the shareholders' loan outstanding to Alibaba Singapore based on an agreed property price of S$1.68 billion. After which, the Company requested for the lifting of the trading halt. |

| No. | Date | Event Description |
|---|---|---|
| 30 | 18 May 2020 | The Company has announced that it has noted the increase in price of the shares of the Company on SGX-ST in the course of trading.<br>The board of the Company has been notified that certain of its substantial shareholders are reviewing the options in relation to their holdings in the Company. |
| 31 | 20 May 2020 | The Company has announced that it has together with aa Singapore entity of Shun Tak Holdings Limited jointly donated five million surgical masks to Singapore's Social Service Sector to fight the COVID-19 pandemic. |
| 32 | 22 May 2020 | The Company has announced a mandatory cash dividend of SGD 0.002 per Share. |
| 33 | 8 June 2020 | The Company has announced that its subsidiary, Perennial Treasury Pte. Ltd. has secured loan facilities totalling S$425 million. The loan is for the purposes of refinancing the Group's existing loans as well as for working capital needs. |
| 34 | 10 June 2020 | The Company has requested a trading halt with immediate effect pending the release of an announcement. |
| 35 | 12 June 2020 | An Offer Announcement was released by UOB and DBS on behalf of Primero Investment Holdings Pte Ltd ("the Offeror") that the Offeror intends to make a voluntary conditional cash offer to acquire all the issued and paid-up ordinary shares of the Company. |
| 36 | 15 June 2020 | The Company has requested for lifting of the trading halt and has made further announcements on the voluntary cash offer announced on 12 June 2020. |

*Source: Perennial's SGX-ST announcements*

Based on the analysis above, we note the following:

(a) Over the 24-month period preceding the Relevant Trading Date and including the Relevant Trading Date, the closing prices of the Shares have been in the range of a low of S$0.275 to a high of S$0.865. The Offer Price of S$0.950 represents a premium of S$0.675 (or 245.5%) above the lowest transacted price and a premium of S$0.085 (or 9.8%) above the highest transacted price of the Shares. The closing prices of the Shares had been below the Offer Price for the entire period since 15 May 2018 and up to the Relevant Trading Date;

(b) Over the period subsequent to the Relevant Trading Date and up to the Last Trading Day, the closing price of the Shares have been in the range of a low of S$0.505 to a high of S$0.705. The Offer Price of S$0.950 represents a premium of S$0.445 (or 88.1%) above the lowest transacted price and a premium of S$0.245 (or 34.8%) above the highest transacted price of the Shares during this period. The closing prices of the Shares had been below the Offer Price for the entire period since 15 May 2018 and up to the Last Trading Day;

(c) On the Last Trading Day, the closing price of the Shares was S$0.690. On 15 June 2020 (being the first trading day after the Offer Announcement Date and the lifting of the trading halt), the price of the Shares rose to close at S$0.940. Since 15 June 2020 and up to the Latest Practicable Date, the Shares have been trading close to the Offer Price with a range of between S$0.940 and S$0.945; and

(d) The Offer Price represents a premium of S$0.005 (or 0.5%) above the last transacted price of the Shares of S$0.945 as at the Latest Practicable Date.

We have sought to benchmark the Offer Price against the VWAP of the Shares for selected reference periods. The table below shows the premium of the Offer Price over the last transacted price, the 1-month, 3-month, 6-month, 12-month and 24-month period VWAP preceding and including the Relevant Trading Date, as well as the 1-month, 3-month, 6-month, 12-month and 24-month period VWAP preceding and including the Last Trading Day.

| Reference Period | VWAP [(1)] | Premium of Offer Price over VWAP (%) |
|---|---|---|
| **Periods up to and including the Relevant Trading Date** | | |
| Relevant Trading Date | 0.505 | 88.1% |
| Last 1 month | 0.463 | 105.2% |
| Last 3 months | 0.424 | 124.2% |
| Last 6 months | 0.447 | 112.7% |
| Last 12 months | 0.487 | 95.2% |
| Last 24 months | 0.597 | 59.1% |
| **Periods up to and including the Last Trading Day** | | |
| Last Trading Day | 0.690 | 37.7% |
| Last 1 month | 0.649 | 46.4% |
| Last 3 months | 0.559 | 70.1% |
| Last 6 months | 0.554 | 71.4% |
| Last 12 months | 0.558 | 70.4% |
| Last 24 months | 0.608 | 56.4% |

*Source: Bloomberg L.P.*

**Notes:**

(1) The historical VWAPs are rounded to the nearest three (3) decimal places. The corresponding premiums are rounded to the nearest one (1) decimal place. Off market transactions are excluded from the computation of VWAPs.

In addition, we note that the WHO announced on 11 March 2020 that the COVID-19 situation can be characterised as a pandemic. Based on the historical performance of the shares from the announcement, we note that the Offer Price still represents a premium of approximately 95.9% to the closing price of S$0.49 per Share as at 11 March 2020 and premiums of approximately 85.5%, 82.3%, 80.6%, 65.0%, 34.6% above the VWAP of the Shares for the 1-month, 3-month, 6-month, 12-month and 24-month periods prior to the announcement.

We have made reasonable enquiries and Management has confirmed to us that they are not aware of any information not previously announced concerning the Company which, if known, might otherwise explain such variances in the price and trading volume.

We note the following:

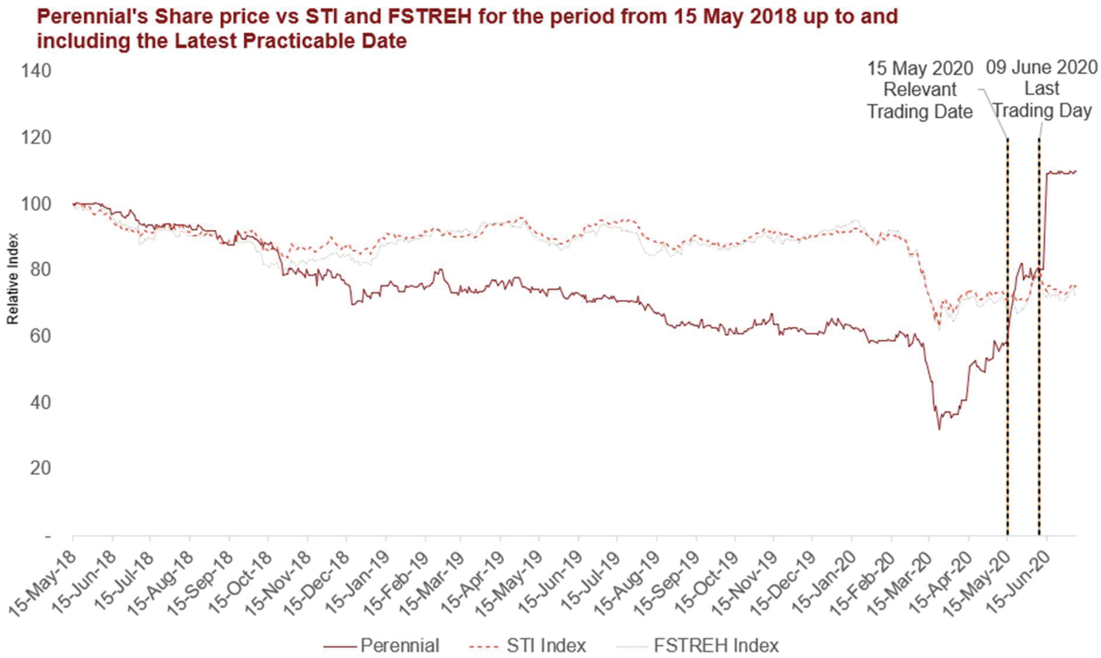
(a) The Offer Price represents a premium of approximately 88.1% to the closing price of S$0.51 per share as at the Relevant Trading Date and premiums of approximately 105.2%, 124.2%, 112.7%, 95.2%, 59.1% above the VWAP of the Shares for the 1-month, 3-month, 6-month, 12-month and 24-month periods prior to the Relevant Trading Date, respectively; and

(b) The Offer Price represents a premium of approximately 37.7% to the closing price of S$0.69 per Share as at the Last Trading Day and premiums of approximately 46.4%, 70.1%, 71.4%, 70.4%, 56.4% above the VWAP of the Shares for the 1-month, 3-month, 6-month, 12-month and 24-month periods prior to the Last Trading Day, respectively.

**Shareholders should note that there is no assurance that the market prices of the Shares will continue to remain at the levels prevailing as at the Latest Practicable Date up to the close of the Offer. Shareholders should also note that past trading performance of the Shares should not be relied upon as an indication of its future trading performance.**

**12.2 Historical share price performance relative to market indices**

To gauge the market price performance of the Shares vis-à-vis the general performance of the Singapore equity market, we have compared the market price movements of the Shares against the FTSE Straits Times Index ("**STI**") and the FTSE Straits Times Real Estate Holding & Development Index ("**FSTREH**") for the 24-month period preceding the Relevant Trading Date and up to and including the Latest Practicable Date. The STI is a market capitalisation-weighted stock market index that is regarded as the benchmark index for the Singapore stock market based on the top 30 companies listed on the Main Board of the SGX-ST, and the FSTREH is a modified market capitalisation-weighted index measuring the performance of the Real Estate Holding and Development Sector of the FTSE Straits Times All Share Index. The results are as illustrated below:




*Source: Bloomberg L.P.*

We note that the Shares had generally underperformed the STI and FSTREH over the 24-month period preceding the Relevant Trading Date. In addition, the closing prices of the Shares appear to have been supported by the Offer subsequent to the Offer Announcement Date and up to the Latest Practicable Date.

Shareholders should note that past trading performance of the Shares should not be relied upon as an indication of its future trading performance.

### 12.3 Liquidity analysis

#### 12.3.1 Liquidity analysis of the Shares

As at the Latest Practicable Date, the Company had a free float of approximately 17.4%. We have considered the historical trading volume of the Shares for the 1-month, 3-month, 6-month, 12-month and 24-month periods preceding and including the Relevant Trading Date, Last Trading Day and Latest Practicable Date below.

| Reference Period | ADTVolume | ADTVolume / Shares Outstanding (1) | ADTVolume / free float (2) |
|---|---|---|---|
| Relevant Trading Date | 123,000 | 0.01% | 0.04% |
| 1M period preceding and including the Relevant Trading Date | 438,495 | 0.03% | 0.15% |
| 3M period preceding and including the Relevant Trading Date | 304,950 | 0.02% | 0.11% |
| 6M period preceding and including the Relevant Trading Date | 200,499 | 0.01% | 0.07% |
| 12M period preceding and including the Relevant Trading Date | 139,358 | 0.01% | 0.05% |
| 24M period preceding and including the Relevant Trading Date | 119,208 | 0.01% | 0.04% |
| Last Trading Day | 602,900 | 0.04% | 0.21% |
| 1M period preceding and including the Last Trading Day | 1,237,876 | 0.07% | 0.43% |
| 3M period preceding and including the Last Trading Day | 657,941 | 0.04% | 0.23% |
| 6M period preceding and including the Last Trading Day | 383,989 | 0.02% | 0.13% |
| 12M period preceding and including the Last Trading Day | 232,850 | 0.01% | 0.08% |
| 24M period preceding and including the Last Trading Day | 165,743 | 0.01% | 0.06% |
| Latest Practicable Date | 57,800 | 0.00% | 0.02% |
| 1M period preceding and including the Latest Practicable Date | 1,574,435 | 0.09% | 0.54% |
| 3M period preceding and including the Latest Practicable Date | 1,091,749 | 0.07% | 0.38% |
| 6M period preceding and including the Latest Practicable Date | 611,430 | 0.04% | 0.21% |
| 12M period preceding and including the Latest Practicable Date | 346,809 | 0.02% | 0.12% |
| 24M period preceding and including the Latest Practicable Date | 215,059 | 0.01% | 0.07% |

*Source: Bloomberg L.P., Capital IQ, Management*

**Notes:**

(1) The average daily trading volume ("ADTVolume") of Shares traded over the reference period divided by the total number of Shares outstanding of the Company on the Relevant Trading Date, Last Trading Day or the Latest Practicable Date, where relevant. Off market transactions are excluded from the computation of ADTVolume.

(2) The ADTVolume of Shares traded over the reference period divided by the total number of free float of the Company on the Relevant Trading Date, the Last Trading Day or the Latest Practicable Date, where relevant. The Company's free float percentages on Relevant Trading Date, Last Trading Day and Latest Practicable Date are provided by Management.

Ordinarily, relative liquidity is one of the factors affecting the Share price performance at any given point in time. In benchmarking the Offer Price against the historical price of the Shares, we have compared the relative liquidity of the Company's Shares in relation to all the companies listed on the Main Board of the SGX-ST with market capitalisation of between S$800 million and S$1,400 million as at the Latest Practicable Date, excluding the Company and companies that were recently listed within the 12-month period preceding and including the Latest Practicable Date.

### 12.3.2 Liquidity analysis for companies listed on the Main Board of the SGX-ST with market capitalisation of between S$800 million and S$1,400 million(1)

| No. | Company Name | Market Capitalisation (S$ mn) | Shares Outstanding (mn) | Percentage Free Float (%)(2) | 12M ADTVolume / Shares Outstanding(3) | 12M ADTVolume / Free Float(4) |
|---|---|---|---|---|---|---|
| 1 | ESR-REIT | 1,395 | 3,531 | 62.96% | 0.42% | 0.66% |
| 2 | Wing Tai Holdings Limited | 1,354 | 769 | 52.41% | 0.05% | 0.09% |
| 3 | Hutchison Port Holdings Trust | 1,335 | 8,711 | 72.34% | 0.09% | 0.12% |
| 4 | CDL Hospitality Trusts | 1,326 | 1,217 | 61.93% | 0.30% | 0.49% |
| 5 | Starhill Global Real Estate Investment Trust | 1,161 | 2,191 | 62.03% | 0.13% | 0.20% |
| 6 | OUE Limited | 1,108 | 901 | 31.28% | 0.04% | 0.13% |
| 7 | Hi-P International Limited | 1,081 | 807 | 16.00% | 0.42% | 2.61% |
| 8 | Hong Leong Finance Limited | 1,065 | 448 | 69.57% | 0.03% | 0.04% |
| 9 | Far East Hospitality Trust | 1,046 | 1,955 | 38.64% | 0.13% | 0.35% |
| 10 | Bukit Sembawang Estates Limited | 1,031 | 259 | 74.40% | 0.06% | 0.07% |
| 11 | Oxley Holdings Limited | 991 | 4,218 | 18.06% | 0.06% | 0.35% |
| 12 | UOB-Kay Hian Holdings Limited | 988 | 837 | 27.04% | 0.01% | 0.04% |
| 13 | SBS Transit Ltd | 954 | 312 | 25.46% | 0.03% | 0.13% |
| 14 | Frasers Hospitality Trust | 951 | 1,921 | 37.08% | 0.06% | 0.17% |
| 15 | Sasseur Real Estate Investment Trust | 937 | 1,201 | 40.42% | 0.22% | 0.54% |
| 16 | Keppel Pacific Oak US REIT | 909 | 939 | 79.19% | 0.22% | 0.28% |
| 17 | China Aviation Oil (Singapore) Corporation Ltd | 903 | 860 | 28.49% | 0.06% | 0.23% |
| 18 | AEM Holdings Ltd | 900 | 274 | 88.07% | 3.00% | 3.40% |
| 19 | Zheneng Jinjiang Environment Holding Company Limited | 873 | 1,454 | 29.37% | 0.03% | 0.09% |
| 20 | AIMS APAC REIT | 848 | 707 | 67.82% | 0.29% | 0.43% |
| 21 | Pacific Century Regional Developments Limited | 821 | 2,648 | 10.12% | 0.01% | 0.09% |
| 22 | VICOM Ltd | 805 | 355 | 32.55% | 0.03% | 0.11% |
| | Minimum | 805 | 259 | 10.12% | 0.01% | 0.04% |
| | **Median** | **989** | **920** | **39.53%** | **0.06%** | **0.18%** |
| | **Mean** | **1,035** | **1,660** | **46.60%** | **0.26%** | **0.48%** |
| | Maximum | 1,395 | 8,711 | 88.07% | 3.00% | 3.40% |
| | **Perennial (period prior to the Relevant Trading Date)** | **839** | **1,662** | **17.42%** | **0.01%** | **0.05%** |
| | **Perennial (period prior to the Last Trading Day)** | **1,147** | **1,662** | **17.42%** | **0.01%** | **0.08%** |
| | **Perennial (period prior to the Latest Practicable Date)** | **1,570** | **1,662** | **17.41%** | **0.02%** | **0.12%** |

*Source: Bloomberg L.P., Capital IQ, Management*

**Notes:**

(1) All figures are as at the Latest Practicable Date, unless otherwise stated.

(2) Free float percentages of the companies listed on the Main Board of the SGX-ST with market capitalisation between S$800 and S$1,400 million are extracted from Bloomberg and the free float percentages of the Company are provided by Management.

(3) 12-month average daily trading volume ("12M ADTVolume") traded leading up to and including the Latest Practicable Date, divided by the total number of shares outstanding as at the Latest Practicable Date, unless otherwise stated.

(4) 12M ADTVolume traded leading up to and including the Latest Practicable Date, divided by total number of free float as at the Latest Practicable Date, unless otherwise stated.

Based on the table above, we note that, in the 12-month period preceding and including the Relevant Trading Date, the Company's average daily trading volume as a percentage of its total shares outstanding was at the low end of the range of liquidity measure for companies listed on the Main Board of the SGX-ST with market capitalisation between S$800 million and S$1,400 million. Its average daily trading volume as a percentage of its total free float shares is within the range of liquidity measure, but lower than the median and mean.

We further note that, in the 12-month period preceding and including the Last Trading Day, the Company's average daily trading volume as a percentage of its total shares outstanding is within range but lower than median and mean liquidity measure of companies listed on the Main Board of the SGX-ST with market capitalisation between S$800 million and S$1,400 million. Its average daily trading volume as a percentage of its total free float shares is within the range of liquidity measure, but lower than the median and mean.

In addition, the 12-month period preceding and including the Latest Practicable Date, the Company's average daily trading volume as a percentage of its total shares outstanding is within range but lower than median and mean liquidity measure of companies listed on the Main Board of the SGX-ST with market capitalisation between S$800 million and S$1,400 million. Its average daily trading volume as a percentage of its total free float shares is within the range of liquidity measure, but lower than the median and mean.

**The trading volume of the Shares has shown appreciable differences before and after the Offer Announcement Date. As such, Shareholders should note that there is no assurance that the trading volume of the Shares will continue to remain at the levels prevailing as at the Latest Practicable Date up to the close of the Offer. Shareholders should also note that past trading performance of the Shares should not be relied upon as an indication of its future trading performance.**

**As suggested by the analysis above, the trading of the Shares appears to suffer from illiquid trading conditions relative to companies on the Main Board of the SGX-ST with market capitalisation between S$800 million and S$1,400 million. However, the liquidity of the Shares may be affected by certain market sentiments at any given point in time. As such, Shareholders should note that past trading performance of the Shares should not be relied upon as an indication of its future trading performance.**

**In addition, Shareholders should also note that there is no assurance that the trading volume of the Shares will continue to remain at the levels prevailing as at the Latest Practicable Date up to the close of the Offer.**

**In the event that the Company does not meet the free float requirements of the Listing Manual, the Offeror does not intend to support any action or take any steps to maintain the listing status of the Offeree or to restore the free float of the Shares. Therefore, it is likely to be difficult for Shareholders to sell their Shares in the absence of a public market for the Shares as there is no arrangement for such Shareholders to exit their investments in the Shares.**

### 12.4 NAV and RNAV of the Group

The NAV of a company refers to the aggregate value of all the assets in their existing condition, net of any non-controlling interests and all liabilities of the company. The NAV approach may provide an estimate of the value of a company assuming the hypothetical sale of all of its assets over a reasonable period of time, the proceeds of which would be first used to settle the liabilities of that group with the balance available for distribution to its shareholders.

Companies in the real estate industry are often valued using an asset-based approach as their asset backings are perceived as providing support for the value of their equity. Additionally, the reported annual earnings of such companies may vary considerably over time and between companies due to factors such as the timing of project launches and completion, redevelopment of properties and periodic revaluation of properties. Given the asset-intensive nature of the Group's core property development and property investment businesses, we have focused on the asset-based valuation approach (as opposed to other valuation approaches) for the purpose of evaluating the financial terms of the Offer.

**Notwithstanding the foregoing, Shareholders should note that analysis based on the NAV of the Group provides an estimate of the value of the Group based on a hypothetical scenario, and such hypothetical scenario is assumed without considering factors such as, *inter alia*, time value of money, market conditions, legal and professional fees, liquidation costs, taxes, contractual obligations, regulatory requirements and availability of potential buyers, which could theoretically lower the NAV that can be realised.**

### 12.4.1 NAV of the Group

The main components of the Group's audited financial position as at 31 December 2019 are set out below:

| | Audited As at 31 December 2019 (S$'million) |
|---|---|
| **Non-current assets** | |
| **Investment properties** | 3,378.7 |
| **Associates and joint ventures** | 2,254.5 |
| **Other non-current assets** *(including property, plant and equipment (1), intangible assets and goodwill, trade and other receivables)* | 376.8 |
| **Current assets** | |
| **Development properties** | 1,094.1 |
| **Cash and cash equivalents** | 119.8 |
| **Other current assets** *(including inventories, trade and other receivables)* | 331.3 |
| **Non-current liabilities** | |
| **Loans and borrowings** | 1,669.9 |
| **Other non-current liabilities** *(including junior bonds, trade and other payables and deferred tax liabilities)* | 344.0 |
| **Current liabilities** | |
| **Loans and borrowings** | 1,298.7 |
| **Other current liabilities** *(including lease liabilities, trade and other payables and current tax liabilities)* | 390.8 |
| **Total assets** | 7,555.1 |
| **Total liabilities** | 3,703.5 |
| **Total equity/NAV** | 3,851.6 |
| Non-controlling interests | 1,219.2 |
| **Equity/NAV attributable to owners of the Company** | 2,632.4 |
| Number of Shares as at the Latest Practicable Date | 1,661,709,368 |
| **NAV attributable to owners of the Company per Share** | **$1.58** |
| **Discount to NAV as implied by the Offer Price** | **40.0%** |

*Source: The Group's audited financial statements for FY2019*

**Notes:**

(1) Includes the Capitol Kempinski Hotel Singapore which was transferred at fair value from investment property to property, plant and equipment ("PPE") at S$279.8 million in 2018. The net book value ("NBV") of the Capitol Kempinski Hotel Singapore was S$277.4 million as at 31 December 2019 and is the main component of Other non-current assets.

As at 31 December 2019, the audited NAV attributable to owners of the Company was approximately S$2.63 billion. We note that the majority of the assets of the Group comprise mainly investment properties, associates and joint ventures and development properties, accounting for 44.7%, 29.8% and 14.5% respectively of the total assets of the Group as at 31 December 2019.

As an asset-based company, it is relevant for the purpose of the Offer to assess the current market valuation of these properties and their impact on the NAV of the Group. As such, we set out these classes of assets in greater detail below.

*Investment properties*

Investment properties are held by wholly-owned subsidiaries and through associates and joint ventures of the Company, and are mainly located in Singapore and China. Investment properties are held either to earn rental income or for capital appreciation or for both.

Investment properties are, initially recognised at cost and subsequently, recognised at fair value. Gains or losses arising from the changes in the fair value of investment property are included in profit or loss for the period in which they arise.

As at 31 December 2019, the Group's material investment properties are as follows:

| Investment Properties | Independent Valuer | Effective Stake |
|---|---|---|
| **Held by subsidiaries** | | |
| Capitol Singapore (Retail Component) | Knight Frank | 100% |
| Perennial International Health and Medical Hub | Savills Beijing | 80% |
| CHIJMES | Savills SG | 52% |
| Perennial Qingyang Mall | Savills Beijing | 100% |
| Perennial Jihua Mall | CBRE | 100% |
| Xi'an North High Speed Railway Integrated Development Plot 4 (Non-Hotel) | CBRE | 51% |
| Beijing Tongzhou Integrated Development (Phase 1 - Plot 14-1 and 14-2) | CBRE | 40% |
| **Held by associate and joint venture** | | |
| Chengdu East High Speed Railway Integrated Development Plot D2 | Savills Beijing | 50% |
| Shenyang Longemont Integrated Development | Savills Beijing | 50% |

*Source: Independent Valuers' Valuation Reports*

*Development properties*

The development properties are held through wholly-owned subsidiaries and through associates & joint ventures of the Company. Development properties are properties held for development and sale in the ordinary course of business. Development properties comprise completed commercial properties in Singapore, and development properties under construction and land parcels in China.

The development properties are stated at the lower of their cost and net realisable value ("**NRV**"). Cost includes acquisition costs, development expenditure, capitalised borrowing costs (applicable to performance obligations satisfied at a point in time) and other costs directly attributable to the development activities. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. The write-down to NRV is presented as allowance for foreseeable losses.

As at 31 December 2019, the Group's material development properties are as follows:

| Development Properties | Independent Valuer | Effective Stake |
|---|---|---|
| **Held by subsidiaries:** | | |
| Eden Residences Capitol | Knight Frank | 100.0% |
| Beijing Tongzhou Integrated Development (Phase 1 - Plot 13) | CBRE | 40.0% |
| Xi'an North High Speed Railway Integrated Development Plot 4 (Hotel) | CBRE | 51.0% |
| **Held by associate and joint venture** | | |
| Beijing Tongzhou Integrated Development (Phase 2 - Plot 10, 11, 12) | CBRE | 23.3% |

*Source: Independent Valuers' valuation reports*

*Loans and borrowings*

The loans and borrowings comprise bank loans, medium term notes and retail bonds issued. These financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method. We note that the carrying amounts or book values of the loans and borrowings as at 31 December 2019 approximate the fair value.

We note that the Offer Price represents a discount of approximately 40.0% over the NAV per Share of S$1.58 as at 31 December 2019.

**12.4.2 Adjusted NAV of the Group**

Following amendments to Rule 705(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited Listing Rules ("**Mainboard Rules**"), the Company is no longer required to release its financial statements on a quarterly basis and has accordingly ceased its quarterly reporting with effect from 7 February 2020. As such, we have relied on the audited financials of the Group as at 31 December 2019, being the latest publicly available information in our analysis.

However, for the purpose of the Offer, we would like to present a NAV of the Company that better reflects the financial position of the Group as at the Latest Practicable Date. As such, we have set out in the table below the adjusted NAV of the Group ("**Adjusted NAV**"), with the following adjustments made to the audited NAV as at 31 December 2019 arising from:

(a) Revaluation of investment properties using the Valuation Reports issued by the Independent Valuers for the purpose of the Offer; and

(b) Significant subsequent events post 31 December 2019 to the Latest Practicable Date, identified based on public announcements and discussions with Management.

| Summary of Adjusted NAV Calculations | (S$'million) | (S$'million) |
|---|---|---|
| **Audited NAV attributable to owners of the Company as at 31 December 2019** | | 2,632.4 |
| Add/less: Revaluation surplus/(deficit) of material investment properties (1)(2) | | 8.4 |
| *Singapore* | *(61.3)* | |
| *China* | | |
| *Changes in fair value of material investment properties* | *(21.8)* | |
| *Changes in fair value in S$ due to foreign exchange movements* | *91.5* | |
| Less: Impairment losses of the Capitol Kempinski Hotel Singapore | | (12.4) |
| Add: Adjustments due to significant subsequent events | | 73.1 |
| *Gain on disposal of 111 Somerset (3)* | *25.6* | |
| *Gain on disposal of AXA Tower (4)* | *47.5* | |
| **Adjusted NAV attributable to owners of the Company** | | 2,701.5 |
| Number of Shares as at the Latest Practicable Date | | 1,661,709,368 |
| **Adjusted NAV attributable to owners of the Company per Share (S$)** | | **1.63** |
| **Discount to Adjusted NAV as implied by the Offer Price** | | **41.6%** |

*Source: The Group's audited financial statements for FY2019, Management*

**Notes:**

(1) The revaluation surplus/(deficit) of the material investment properties are computed net of changes in the market value of the properties in local currency, foreign exchange changes and deferred tax liabilities. The market value is based on the foreign exchange rate of S$1.00:RMB 5.1696 as at 31 December 2019 and S$1.00:RMB 4.9995 as at 31 May 2020 as adopted by Management. We note that whilst the fair values of the majority investment properties in China have declined between 31 December 2019 and 31 May 2020, there is a net increase in the revaluation surplus of the investment properties in China due to the strengthening of the RMB against SGD of c.3%. Management has estimated the deferred tax liabilities based on a high-level assumption of 25.0% deferred tax rate on the properties in China and we understand from Management that deferred tax liabilities are not applicable to the properties in Singapore.

(2) The calculation of the revaluation surplus of any particular property is only in relation to the Company's proportionate stake and/or after excluding non-controlling interests.

(3) On 29 May 2020, the Company has completed the proposed disposal of its entire 30.0% stake in 111 Somerset. According to the Company's announcement dated 16 April 2020, the proposed sale was based on 111 Somerset's value for the net strata area, and the consideration for the 30.0% equity stake net of debt is S$155.1 million in cash, subject to final adjustments.

(4) On 30 June 2020, the Company has completed the proposed disposal by the Perennial-led consortium of a 50% stake in AXA Tower. On 6 May 2020, the Company announced the proposed disposal of the 50.0% equity stake in AXA Tower through the Perennial Shenton Investors Pte Ltd ("PSIPL"), which comprises a consortium of investors led by the Company to a subsidiary ("Alibaba Singapore") of Alibaba Group Holding Limited. The proposed transaction was based on an agreed property price of S$1.68 billion. Concurrently, PSIPL entered into a share purchase agreement with PRE 13 Pte. Ltd. ("Perennial Newco") for the transfer of the remaining 50% equity stake in Perennial Shenton Holding Pte. Ltd. ("PSHPL"), which indirectly owns AXA Tower. Upon completion, the Company will indirectly own a 20% stake in Perennial Newco and an effective 10% stake in AXA Tower. Subject to the conditions precedent being satisfied, Perennial Newco and Alibaba Singapore will enter into a joint venture agreement for the redevelopment of AXA Tower.

For the purpose of the Offer, the Company had commissioned CBRE, Savills Beijing, Knight Frank and Savills SG to perform a valuation of its material investment properties. We note that the investment properties were revalued by the independent Valuers using commonly accepted valuation methodologies including the income capitalisation approach, direct comparison method, cost method, discounted cash flow and residual approach, pursuant to the Valuation Certificates as at 31 May 2020. The fair value adjustments have been incorporated into the Group's adjusted NAV as shown in the table above, in accordance with the Group's accounting policies.

We set out the list of material investment properties revalued and the market values as at 31 May 2020 below:

| Investment Properties | Independent Valuer | Effective Stake | Market Value As at 31 May 2020 (1)(2) (S$'million) |
|---|---|---|---|
| **Held by subsidiaries** | | | |
| Capitol Singapore (Retail Component) | Knight Frank | 100% | 457.9 (3) |
| Perennial International Health and Medical Hub | Savills Beijing | 80% | 778.5 |
| CHIJMES | Savills SG | 52% | 302.0 |
| Perennial Qingyang Mall | Savills Beijing | 100% | 268.4 |
| Perennial Jihua Mall | CBRE | 100% | 187.8 |
| Xi'an North High Speed Railway Integrated Development Plot 4 (Non-Hotel) | CBRE | 66% | 255.2 |
| Beijing Tongzhou Integrated Development (Phase 1 - Plot 14-1 and 14-2) | CBRE | 40% | 1,104.3 |
| **Held by associate and joint venture** | | | |
| Chengdu East High Speed Railway Integrated Development Plot D2 | Savills Beijing | 50% | 501.9 |
| Shenyang Longemont Integrated Development | Savills Beijing | 50% | 1,669.5 |

*Source: Independent Valuers' Valuation Reports*

**Note:**

(1) The market value is based on the foreign exchange rate of S$1.00:RMB 4.9995 as at 31 May 2020 as adopted by Management.

(2) The market value presented above is on 100% ownership basis. In determining the list of material properties for revaluation, we have assessed the gross property values of each property as at the Latest Practicable Date. We have selected the properties based on their significant contribution (at the effective stake) to the total gross property value ("GPV") of the Group – the selected material properties for revaluation account for c. 85% of the total GPV.

(3) The breakdown of the Capitol Singapore property valuation into the Retail, Capitol Kempinski Hotel Singapore and Eden Residences Capitol components was provided by Knight Frank.

We note that the potential variation between the independent valuation of underlying investment and development properties and actual realization of their value (i.e. through a disposal) is likely to be materially greater than it might otherwise have been in a non-COVID-19 environment. We note that several of the valuations by the Independent Valuers are reported based on 'material valuation uncertainty'. Therefore, there is less certainty and a higher degree of caution is attached to the independent valuation provided than would normally be the case. We take no responsibility for the achievement of projected or predicted balances as per the independent valuation reports or representations made by Management in respect of the adjustments made to the 31 Dec 2019 balance sheet to arrive at Adjusted NAV.

Based on our discussions with Management, subsequent to 31 December 2019, the significant subsequent events, namely the disposals of Somerset 111 and AXA Tower, have resulted in a net increase in NAV of approximately S$73.1 million as at the Latest Practicable Date, as reflected in the adjusted NAV of S$2.7 billion in the table above.

Save for the above, and in publicly available information on the Company (including but not limited to the audited consolidated financial statements of the Company for FY2019), as at the Latest Practicable Date, Management has confirmed that to the best of their knowledge and belief, there has been no known material change in the financial position of the Company since 31 December 2019, being the date of the last published audited financial statements of the Company.

We note that the Offer Price represents a discount of approximately 41.6% over the Adjusted NAV per Share of S$1.63.

### 12.4.3 Ex-cash NAV of the Group

The ex-cash NAV of a company refers to the aggregate value of all the non-cash assets in their existing condition, net of any non-controlling interests and all liabilities of the company. Ex-cash P/NAV illustrates the extent that the ex-cash value of each share is backed by its non-cash assets and is more relevant when the cash position of the company is large relative to its NAV.

We note that the Group has cash and cash equivalents of S$119.8 million as at 31 December 2019 and of S$257.7 million on an Adjusted NAV basis respectively. After adjusting for cash and cash equivalents, the ex-cash NAV of the Group as at 31 December 2019 is S$2,512.6 million or S$1.51 per Share and on an Adjusted ex-cash NAV basis is S$2,443.8 million ("**Adjusted ex-cash NAV**") or S$1.47 per Share.

| (S$'million, unless otherwise indicated) | Audited As at 31 December 2019 | Adjusted (1) |
|---|---|---|
| Cash and cash equivalents | 119.8 | 257.7 |
| **Ex-cash NAV** | **2,512.6** | **2,443.8** |
| *Number of Shares as at the Latest Practicable Date* | *1,661,709,368* | *1,661,709,368* |
| **Ex-cash NAV/Share** | **$1.51** | **$1.47** |
| **Ex-cash Offer Price** | **$0.88** | **$0.79** |
| **Discount to ex-cash NAV as implied by the ex-cash Offer Price** | **41.9%** | **45.9%** |

*Source: The Group's audited financial statements for FY2019, Management*

**Notes:**
(1) Based on adjustments provided by Management.

We note that the ex-cash Offer Price represents:

(a) a discount of approximately 41.9% over the ex-cash NAV per Share of S$1.51 as at 31 December 2019; and

(b) a discount of approximately 45.9% over the Adjusted ex-cash NAV per Share of S$1.47.

#### 12.4.4 RNAV of the Group

The fair values of the development properties and the PPE were not recorded in the NAV of the Group as at 31 December 2019 in accordance with the Group's accounting policies.

However, as the Group is a real estate company that should be valued using an asset-based approach, we have in this section, considered the impact from the revaluation of material development properties and the Capitol Kempinski Hotel Singapore to fair value, to the audited NAV at 31 December 2019 and the Adjusted NAV for the purpose of our assessment of the Offer Price to the NAV of the Group.

We set out the market value of the material development properties and the Capitol Kempinski Hotel Singapore below:

| Properties | Independent Valuer | Market Value As at 31 May 2020(1)(2) (S$'million) |
|---|---|---|
| Eden Residences Capitol | Knight Frank | 245.4 (3) |
| Beijing Tongzhou Integrated Development (Phase 1 - Plot 13) | CBRE | 652.9 |
| Xi'an North High Speed Railway Integrated Development Plot 4 (Hotel) | CBRE | 192.0 |
| Beijing Tongzhou Integrated Development (Phase 2 - Plot 10, 11, 12) | CBRE | 1,766.4 |
| **PPE held by subsidiary** | | |
| The Capitol Kempinski Hotel Singapore | Knight Frank | 265.0 (3) |

*Source: Independent Valuers' Valuation Reports*

**Notes:**

(1) The market value is based on the foreign exchange rate of S$1.00:RMB 4.9995 as at 31 May 2020 as adopted by Management.

(2) The market value presented above is based on 100% ownership basis.

(3) The breakdown of the Capitol Singapore property valuation into the Retail, Capitol Kempinski Hotel Singapore and Eden Residences Capitol components was provided by Knight Frank.

In computing the RNAV of the Group, we had taken into account the revaluation of the above material development properties held by subsidiaries, associates and joint ventures, and PPE held by a subsidiary ("**Revalued Properties**"). Save for the Revalued Properties, the other assets of the Group have not been revalued for the purpose of determining the RNAV of the Group.

In view of the market valuation of the Revalued Properties, we have assessed the RNAV of the Group by adjusting for the potential revaluation surpluses from the Revalued Properties. We have also considered potential tax liabilities arising from the revaluation surplus which may affect the adjusted NAV per Share, as provided by Management, for the purpose of evaluating the Offer Price.

We set out below the summary of adjustments which are made to the audited NAV at 31

December 2019 and the Adjusted NAV to determine the RNAV as at 31 December 2019 and the adjusted RNAV of the Group ("**Adjusted RNAV**") respectively:

| **Summary of RNAV Calculations** | **Audited as at 31 December 2019 (S$'million)** | **Adjusted (S$'million)** |
|---|---|---|
| The Group's NAV | 2,632.4 | 2,701.5 |
| Add: Revaluation surplus of properties(1) (2) | | |
| Material development properties in China | 70.6 | 91.2 |
| *Revaluation surplus of material development properties* | *70.6* | *65.7* |
| *Foreign exchange movement impact* | *N.A.* | *25.5* |
| The Capitol Kempinski Hotel Singapore | 2.6 | N.A.(3) |
| **RNAV of the Group** | **2,705.6** | **2,792.7** |
| *No. of Shares outstanding as at the Latest Practicable Date* | *1,661,709,368* | *1,661,709,368* |
| **RNAV per Share** | **$1.63** | **$1.68** |
| **Discount to RNAV as implied by the Offer Price** | **41.7%** | **43.5%** |

*Source: Management and Independent Valuers Valuation Reports*

**Notes:**

(1) The calculation of the revaluation surplus of any particular property is only in relation to the Company's proportionate stake and/or after excluding non-controlling interests.

(2) The revaluation surplus/(deficit) of the material investment properties are computed net of changes in the market value of the properties in local currency, foreign exchange changes and deferred tax liabilities. The market value is based on the foreign exchange rate of S$1.00:RMB 5.1696 as at 31 December 2019 and S$1.00:RMB 4.9995 as at 31 May 2020 as adopted by Management. Management has estimated the deferred tax liabilities based on a high-level assumption of 25.0% deferred tax rate on the development properties in China.

(3) The Capitol Kempinski Hotel Singapore was adjusted for impairment losses based on its market value as at 31 May 2020, as reflected in the Adjusted NAV.

We note that the Offer Price represents:

(a) a discount of approximately 41.7% over the RNAV per Share of S$1.63 as at 31 December 2019; and

(b) a discount of approximately 43.5% over the Adjusted RNAV per Share of S$1.68.

**Shareholders should note that the analysis on RNAV provides an estimate of the value of the Group assuming a hypothetical sale of the assets of the Group as at the Latest Practicable Date. However, such a hypothetical scenario is assumed to be made without considering factors such as, *inter alia*, time value of money, market conditions, professional fees, liquidation costs, contractual obligations, any other regulatory requirements and availability of potential buyers, which may in theory, alter the RNAV that can be realised.**

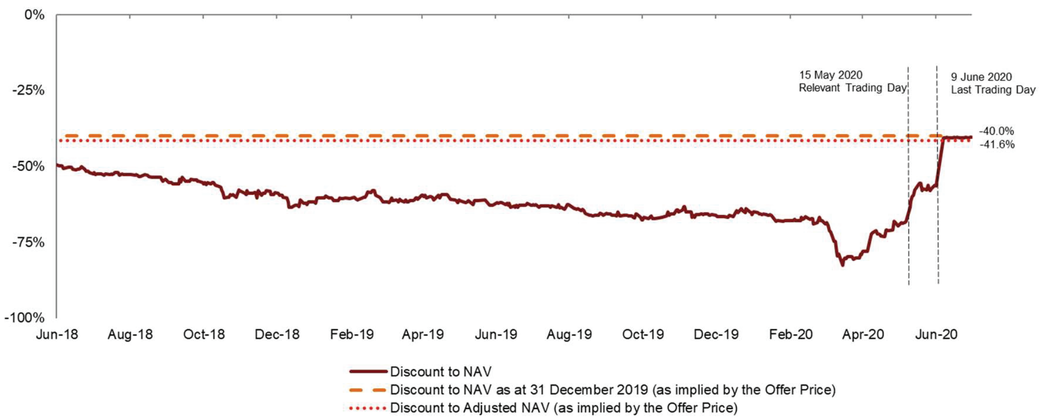
**Shareholders should be aware that the Group has not realised the loss or gain as set out in the adjustments to the NAV as at the Latest Practicable Date. There is no assurance that the actual loss or gain (if any) eventually recorded by the Group will be**

**the same as that derived from the assessments made based on the independent valuation as at 31 December 2019 or at 31 May 2020.**

### 12.4.5 Historical discounts to the NAV vis-à-vis the discounts to the NAV as implied by the Offer Price

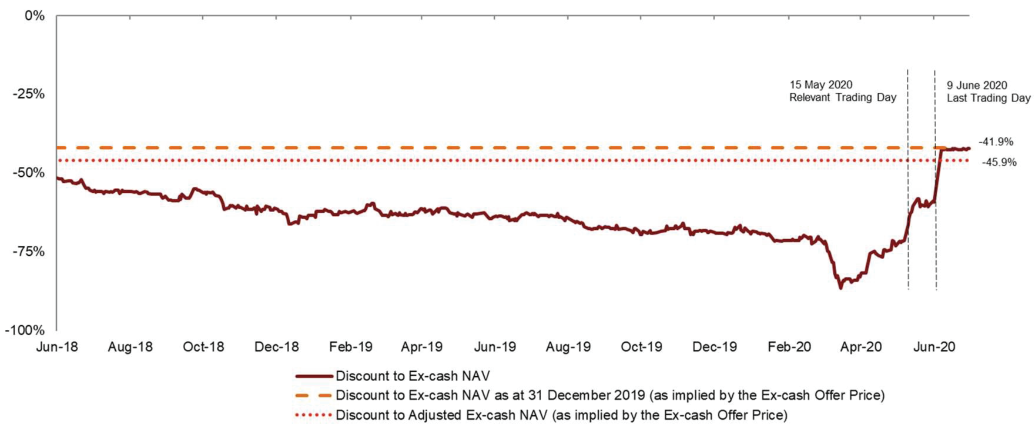
We have also compared the historical discounts to NAV with the discounts to NAV as at 31 December 2019 and Adjusted NAV as implied by the Offer Price over a period commencing from 9 June 2018, being the date two (2) years up to and including the last full trading day prior to the Offer Announcement Date ("**Last Trading Day**"), and ending on the Latest Practicable Date.

**Historical discount to the NAV per Share of the Group, for the period from 9 June 2018 up to and including the Latest Practicable Date**




*Source: Capital IQ*

**Historical discount to the Ex-cash NAV per Share of the Group, for the period from 9 June 2018 up to and including the Latest Practicable Date**




*Source: Capital IQ*

We note that the Shares had consistently traded at a discount to the NAV per Share over the 24-month period up to and including the Last Trading Day, between a minimum discount of 49.5% and a maximum discount of 82.6%, and at discounts of between 51.5% and 86.6% to the ex-cash NAV of the Group.

The minimum, mean, median and maximum daily discounts to NAV and ex-cash NAV of the Group for the various periods commencing from 9 June 2018 up to and including the Last Trading Day are set out as below:

| | Discount to NAV | | | | Discount to ex-cash NAV | | | |
|---|---|---|---|---|---|---|---|---|
| | **Minimum** | **Mean** | **Median** | **Maximum** | **Minimum** | **Mean** | **Median** | **Maximum** |
| Last 2 years | 49.5% | 62.2% | 62.1% | 82.6% | 51.5% | 64.5% | 63.5% | 86.6% |
| Last 12 months | 55.5% | 66.6% | 66.1% | 82.6% | 58.1% | 69.0% | 68.4% | 86.6% |
| Last 6 months | 55.5% | 68.5% | 67.8% | 82.6% | 58.1% | 71.8% | 71.4% | 86.6% |
| Last 3 months | 55.5% | 70.2% | 71.3% | 82.6% | 58.1% | 73.6% | 74.7% | 86.6% |
| Last 1 month | 55.5% | 60.5% | 58.0% | 68.8% | 58.1% | 63.3% | 60.8% | 72.0% |

| | As at 31 December 2019 | Adjusted |
|---|---|---|
| **Discount to NAV as implied by the Offer Price** | **40.0%** | **41.6%** |
| **Discount to ex-cash NAV as implied by the Offer Price** | **41.9%** | **45.9%** |
| **Discount to RNAV as implied by the Offer Price** | **41.7%** | **43.5%** |

Notwithstanding that the discount as implied by the Offer Price is 40.0% to the NAV per Share as at 31 December 2019 and 41.6% to the Adjusted NAV per Share, the discounts are below the historical discount range at which the Shares had consistently traded at over the 24-month period up to and including the Last Trading Day.

Similarly, while the discount as implied by the Offer Price is 41.9% to the ex-cash NAV per Share as at 31 December 2019 and 45.9% to Adjusted ex-cash NAV per Share, the discounts are below the range of discounts at which the Shares had traded at over the same 24-month period.

Similarly, while the discount as implied by the Offer Price is 41.7% to the RNAV per Share as at 31 December 2019 and 43.5% to Adjusted RNAV per Share, the discounts are below the range of discounts to NAV at which the Shares had traded at over the same 24-month period.

**Shareholders should note that the above computation is solely for illustration purposes as the NAV of the Company is not necessarily a realisable value given that the market value of the assets may vary depending on, amongst others, the prevailing market and economic conditions.**

**12.5 Valuation multiples of selected listed companies which are broadly comparable with the Company**

In our evaluation of whether the Offer is fair from a financial point of view, we have compared the implied valuation multiples for the Offer against those of companies which we consider to be broadly comparable to the Group (the "**Comparable Companies**").

We have considered the following broad criteria to screen for the Comparable Companies:

(a) principally engaged in both property investment and property development,

(b) operations mainly located in Singapore and/or China; and

(c) listed on the SGX-ST.

Based on the abovementioned criteria, we have identified five (5) Comparable Companies.

We have had discussions with Management about the suitability and reasonableness of the selected Comparable Companies acting as a basis for comparison with the Group. Relevant information has been extracted from Capital IQ, publicly available annual reports and/or public announcements of the selected Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The selected Comparable Companies' accounting policies with respect to the values for which the assets and liabilities or the revenue and cost are recorded may differ from that of the Group.

In addition, we have considered completed transactions announced within two (2) years prior to the Last Trading Day involving acquisitions of companies based on the same criteria as the Comparable Companies. Please refer to Section 12.7 for the analysis based on the comparable transactions.

**We wish to highlight that the Comparable Companies listed herewith are not exhaustive and to the best of our knowledge and belief, there are no publicly listed companies which may be considered directly comparable to the Group in terms of, *inter alia*, operations, market capitalisation, business activities, asset base, geographical spread, track record, financial performance, operating and financial leverage, risk profile, liquidity, future prospects and other relevant criteria. Accordingly, any comparisons made with respect to the Comparable Companies can only serve as an illustrative guide.**

Brief descriptions of the Comparable Companies are set out as follows:

| **Description of Comparable Companies** | |
|---|---|
| **Company** | **Description** |
| **CapitaLand Limited** | CapitaLand Limited, together with its subsidiaries, develops, owns, and manages real estate properties in Singapore, North America, Europe, Asia, the United Kingdom, and internationally. Its real estate portfolio includes integrated developments, shopping malls, lodging, offices, homes, and real estate investment trusts and funds. |

| Description of Comparable Companies | |
|---|---|
| **GuocoLand Limited** | GuocoLand Limited, an investment holding company, engages in the development, investment, and management of various properties. It operates through GuocoLand Singapore, GuocoLand China, GuocoLand Malaysia, and GuocoLand Vietnam segments. The company develops residential, hospitality, commercial, retail, mixed-use, and integrated properties; rents properties; and operates and manages hotels. |
| **OUE Limited** | OUE Limited, an investment holding company, develops, owns, and operates various real estate properties in Singapore, the People's Republic of China, the United States, Japan, and internationally. It develops and manages assets across the commercial, hospitality, retail, residential, and healthcare sectors, engages in the rental of investment properties; development and sale of residential and other properties; operation of hotels; provision of hotel management services; management of real estate investment trusts; and operation of food and beverage outlets. In addition, it develops medical real estate, healthcare-related assets, and integrated mixed-use developments; provides healthcare services; and management of healthcare investments trusts. The company is also involved in the restaurant and investment trading operations; and operation and management of healthcare facilities. |
| **UOL Group Limited** | UOL Group Limited primarily engages in the property development and investment, and hotel businesses. Its property development projects include residential units, office towers and shopping malls, and hotels and serviced suites. In addition, it is involved in the rental and management of serviced suites; leasing of commercial offices and retail malls; operation of restaurants; and management and operation of health and beauty retreats and facilities. |
| **Ho Bee Land Limited** | Headquartered in Singapore, Ho Bee Land Limited develops and invests in real estate properties in Singapore and United Kingdom. It is also engaged in hotel operations. |

*Source: Capital IQ*

We have considered the following valuation multiples:

| Valuation Multiple | Description |
|---|---|
| **Price-earnings ratio ("PER")** | The **PER** illustrates the market price of a company's shares relative to its historical consolidated earnings per share and is commonly used for the purpose of illustrating the profitability, and hence valuation of a company. The PER multiple is affected by, inter alia, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and amortisation of intangible assets. |
| **Enterprise value to EBITDA ("EV/EBITDA")** | The historical **EV/EBITDA** ratio illustrates the market value of a company's business relative to its historical consolidated pre-tax operating cash flow performance, without regard to its capital structure, and provides an indication of current market valuation relative to operating performance.<br>"**EV**" or "**enterprise value**" is the sum of the company's market capitalisation, preferred equity, perpetual bonds, minority interests, short and long term debt less its cash and cash equivalents. "**EBITDA**" stands for the historical consolidated earnings before interest, tax, depreciation and amortisation expense, inclusive of the share of associates' and joint ventures' income. EBITDA can be used to analyse the profitability between companies as it eliminates the effects of financing and accounting policy decisions. |
| **P/NAV** | "**P/NAV**" or "**price-to-net asset value**" illustrates the extent that the value of each share is backed by assets and would be more relevant in the case where the group were to change the nature of its business or realise or convert the use of all or most of its assets.<br>The asset-based valuation approach provides an estimate of the value of a company or group assuming the hypothetical sale of all its assets over a reasonable period of time at the aggregate value of the assets used in the computation of the NAV, with the balance to be distributed to its shareholders after the settlement of all the liabilities and obligations of the company or group. |
| **Ex-cash P/NAV** | "**Ex-cash P/NAV**" or "**price-to-net asset value excluding cash"** illustrates the extent that the ex-cash value of each share is backed by its non-cash assets and would be more relevant the larger the cash position of the company relative to its NAV. |
| **P/RNAV** | "**P/RNAV**" or "**price-to-revalued net asset value**" illustrates the extent that the value of each share is backed by assets that have been revalued as at a certain date. |

Given the asset intensive nature of the Company's core property development business, we consider the asset-based valuation ratios such as P/NAV, ex-cash P/NAV and P/RNAV as being more relevant measures for assessing the Offer Price relative to the earning-based valuation ratios such as PER and EV/EBITDA. The earnings of property-related companies may vary considerably over time and between companies due to factors such as the timing of project launches and project sales. For the purposes of our analysis, we have placed less reliance upon the earnings-based valuation ratios of PER and EV/EBITDA as we deem these valuation ratios to be less meaningful relative to asset-based valuation ratios in the context of the business operations of the Company.

The valuation multiples of the Comparable Companies as at the Offer Announcement Date, are set out in the table below:

**Valuation Metrics of Comparable Companies (1)**

| Comparable Companies | Market Capitalisation (S$ million) | LTM PER (times) | LTM EV/EBITDA (times) | P/NAV (times) | Ex-cash P/NAV (times) | P/RNAV (times) |
|---|---|---|---|---|---|---|
| CapitaLand Limited | 15,157(2) | 6.52 | 11.2 | 0.65(5) | 0.52 | 0.61(7) |
| GuocoLand Limited | 1,642 | 6.00 | 15.1 | 0.39 | 0.27 | 0.40(8) |
| OUE Limited | 1,045 | 4.10 | 17.4 | 0.26(6) | 0.16(6) | N/A(9) |
| UOL Group Limited | 6,040 | 12.6 | 17.9 | 0.60 | 0.57 | 0.59(10) |
| Ho Bee Land Limited | 1,384 | 4.16 | 8.72 | 0.39 | 0.36 | 0.41(11) |
| Minimum | | 4.10 | 8.72 | 0.26 | 0.16 | 0.40 |
| **Median** | | **6.00** | **15.1** | **0.39** | **0.36** | **0.50** |
| **Mean** | | **6.68** | **14.1** | **0.46** | **0.38** | **0.50** |
| Maximum | | 12.6 | 17.9 | 0.65 | 0.57 | 0.61 |
| **The Company (based on the Offer Price) as at 31 December 2019** | **1,579(3)** | **412.0(4)** | **37.0(4)** | **0.60** | **0.58** | **0.58** |
| **The Company (based on the Offer Price and adjusted financial position)** | **1,579(3)** | **N.A.** | **N.A.** | **0.58(12)** | **0.54(13)** | **0.57(14)** |

*Source: Bloomberg L.P., Capital IQ and various analyst/broker reports*

**Notes:**

(1) The above-mentioned statistics and multiples of the Comparable Companies are based on:

(a) share price as at Offer Announcement Date; and

(b) last twelve months ("LTM") earnings, NAV and RNAV as at 31 December 2019, given that the Comparable Companies have all elected to cease its quarterly reporting starting from February 2020 pursuant to the amendments to Rule 705 of the Listing Manual by SGX-ST.

(2) We note that the market capitalisation of CapitaLand Limited is significantly higher than the other Comparable Companies. However, we have still included CapitaLand Limited in our analysis due to its comparability to the Company's business operations and geographical footprint in Singapore and China.

(3) Based on the Offer Price of S$0.95 and the Company's share capital of 1,661,709,368 Shares as at the Latest Practicable Date.

(4) Implied based on the Offer Price and audited earnings for year ended 31 December 2019.

(5) Based on the financial position of CapitaLand Limited as at 31 December 2019, the P/NAV is 0.65x, as set out in the table above. We further note that whilst CapitaLand Limited has ceased its quarterly reporting effective February 2020, it has provided the latest NAV per share as at 31 March 2020 in its 1Q 2020 Business Updates. CapitaLand Limited's implied P/NAV per share based on the latest available NAV per share as at 31 March 2020 as at the Offer Announcement Date is 0.63x. As it is uncertain if the NAV per share as at 31 March 2020 had taken into account revaluation of investment properties due to Covid-19, we have relied on the NAV statistics as at 31 December 2019 in our analysis, as set out in the table above. The P/NAV multiple of 0.63x based on the 31 March 2020 NAV only serves as a reference point.

(6) Based on the financial position of OUE Limited as at 31 December 2019, the P/NAV and ex-cash P/NAV are 0.26x and 0.16x. We further note that based on the latest NAV per share and cash and cash equivalents as at 31 March 2020 provided in OUE Limited's 1Q 2020 Interim Business Updates, the P/NAV per share and ex-cash NAV per share as at the Offer Announcement Date are 0.25x and 0.13x respectively. As it is uncertain if the NAV per share as at 31 March 2020 had taken into account revaluation of investment properties due to Covid-19, we have relied on the NAV statistics as at 31 December 2019 in our analysis, as set out in the table above. The P/NAV and ex-cash P/NAV multiples based on the 31 March 2020 financial position only serve as reference points.

(7) Based on the latest RNAV estimates from analyst/broker report from Philip Capital.

(8) Based on the latest RNAV estimates from analyst/broker report from CGS CIMB.

(9) We have not found any analyst/broker reports with an RNAV estimate within the last 12 months from the Offer Announcement Date.

(10) Based on the latest RNAV estimates from analyst/broker report from CGS CIMB and JP Morgan.

(11) Based on the latest RNAV estimates from analyst/broker report from CGS CIMB.

(12) The implied multiple is based on the Offer Price / Adjusted NAV per Share ("**Adjusted P/NAV**").

(13) The implied multiple is based on the Offer Price / Adjusted ex-cash NAV per Share ("**Adjusted ex-cash P/NAV**").

(14) The implied multiple is based on the Offer Price / Adjusted RNAV per Share ("**Adjusted P/RNAV**").

We note the following:

(a) The P/NAV multiple of 0.60x as at 31 December 2019 and Adjusted P/NAV multiple of 0.58x implied by the Offer Price are within the range of the corresponding P/NAV multiples of the Comparable Companies from 0.26x to 0.65x and are higher than median and mean P/NAV multiple of the Comparable Companies as at the Offer Announcement Date;

(b) The ex-cash P/NAV multiples of 0.58x as at 31 December 2019 is higher than the range of the corresponding ex-cash P/NAV multiples of the Comparable Companies and the Adjusted ex-cash P/NAV multiple of 0.54x implied by the Offer Price is within the range of the corresponding ex-cash P/NAV multiples of the Comparable Companies from 0.16x to 0.57x. Both of the ex-cash P/NAV multiples as at 31 December 2019 and Adjusted ex-cash P/NAV multiples are higher than median and mean of the ex-cash P/NAV multiple of the Comparable Companies as at the Offer Announcement Date;

(c) The P/RNAV multiple of 0.58x as at 31 December 2019 and the Adjusted P/RNAV multiple of 0.57x implied by the Offer Price are within the range of the corresponding P/RNAV multiples of the Comparable Companies from 0.40x to 0.61x, and are higher than the median and mean P/RNAV multiples of the Comparable Companies as at the Offer

Announcement Date;

(d) The LTM PER multiple of 412.0x implied by the Offer Price as at 31 December 2019 is above the range of the corresponding LTM PER multiples of the Comparable Companies from 4.10x to 12.6x as at the Offer Announcement Date; and

(e) The LTM EV/EBITDA multiple of 37.0x implied by the Offer Price as at 31 December 2019 is above the range of the corresponding LTM EV/EBITDA multiples of the Comparable Companies from 8.72x to 17.9x as at the Offer Announcement Date.

We note that the Comparable Companies had all elected to cease their quarterly reporting starting from February 2020 pursuant to the amendments to Rule 705 of the Listing Manual by SGX-ST. As such, the latest reported earnings and NAV for the Comparable Companies as at 31 December 2019 used to compute the valuation metrics above may not have taken into account the recent events that have had an impact to economic environment and the property market since 31 December 2019, such as the recent outbreak of the Novel Coronavirus (COVID-19). As such, we have also considered the valuation metrics of the Comparable Companies as at 31 December 2019, to serve as additional guidance to our analysis, in our financial assessment of the Offer.

The table below sets out the valuation multiples for the Comparable Companies as at 31 December 2019:

**Valuation Metrics of Comparable Companies**

| Comparable Companies | Market Capitalisation (S$ million) | LTM PER (times) | LTM EV/EBITDA (times) | P/NAV (times) | Ex-cash P/NAV (times) | P/RNAV (times) |
|---|---|---|---|---|---|---|
| CapitaLand Limited | 18,891 | 8.15 | 11.9 | 0.83 | 0.74 | 0.66(3) |
| GuocoLand Limited | 2,175 | 7.94 | 16.2 | 0.51 | 0.42 | 0.51(4) |
| OUE Limited | 1,343 | 5.26 | 18.2 | 0.33 | 0.24 | N/A(5) |
| UOL Group Limited | 7,017 | 14.6 | 19.1 | 0.71 | 0.68 | 0.63(6) |
| Ho Bee Land Limited | 1,603 | 4.82 | 9.25 | 0.49 | 0.42 | 0.48(7) |
| Minimum | | 4.82 | 9.25 | 0.33 | 0.24 | 0.48 |
| **Median** | | **7.94** | **16.2** | **0.51** | **0.42** | **0.57** |
| **Mean** | | **8.17** | **14.9** | **0.58** | **0.50** | **0.57** |
| Maximum | | 14.6 | 19.1 | 0.83 | 0.74 | 0.66 |
| **The Company (based on the Offer Price) as at 31 December 2019** | **1,579(1)** | **412.0(2)** | **37.0(2)** | **0.60** | **0.58** | **0.58** |
| **The Company (based on the Offer Price and adjusted financial position)** | **1,579(1)** | **N.A.** | **N.A.** | **0.58(8)** | **0.54(9)** | **0.57(10)** |

*Source: Bloomberg L.P., Capital IQ and various analyst/broker reports*

**Notes:**

(1) Based on the Offer Price of S$0.95 and the Company's share capital of 1,661,709,368 Shares as at the Latest Practicable Date.

(2) Implied based on the Offer Price and audited earnings for year ended 31 December 2019.

(3) Based on the latest RNAV estimates from analyst/broker report from JP Morgan.

(4) Based on the latest RNAV estimates from analyst/broker report from CGS-CIMB.

(5) We have not found any analyst/broker reports with an RNAV estimate within the last 12 months from 31 December 2019.

(6) Based on the latest RNAV estimates from analyst/broker report from JP Morgan.

(7) Based on the latest RNAV estimates from analyst/broker report from CGS-CIMB.

(8) The implied multiple is based on the Offer Price / Adjusted NAV per Share.

(9) The implied multiple is based on the Offer Price / Adjusted ex-cash NAV per Share.

(10) The implied multiple is based on the Offer Price / Adjusted RNAV per Share.

We note the following:

(a) The P/NAV multiple of 0.60x as at 31 December 2019 and Adjusted P/NAV multiple of 0.58x implied by the Offer Price are within the range of the corresponding P/NAV multiples of the Comparable Companies from 0.33x to 0.83x and are higher than the median and mean P/NAV multiple of the Comparable Companies as at 31 December 2019;

(b) The ex-cash P/NAV multiple of 0.58x as at 31 December 2019 and Adjusted ex-cash P/NAV multiple of 0.54x implied by the Offer Price are within the range of the corresponding ex-cash P/NAV multiples of the Comparable Companies from 0.24x to 0.74x and are higher than the median and mean ex-cash P/NAV multiple of the Comparable Companies as at 31 December 2019;

(c) The P/RNAV multiple of 0.58x as at 31 December 2019 and the Adjusted P/RNAV multiple of 0.57x as implied by the Offer Price are within the range of the corresponding P/RNAV multiples of the Comparable Companies from 0.48x to 0.66x and are in line with the mean and median P/RNAV multiples of 0.57x as at 31 December 2019;

(d) The LTM PER multiple of 412.0x implied by the Offer Price as at 31 December 2019 is above the range of the corresponding LTM PER multiples of the Comparable Companies from 4.82x to 14.6x as at 31 December 2019; and

(e) The LTM EV/EBITDA multiple of 37.0x implied by the Offer Price as at 31 December 2019 is above the range of the corresponding LTM EV/EBITDA multiples of the Comparable Companies from 9.25x to 19.1x as at 31 December 2019.

**Shareholders should note that any comparison made with respect to the Comparable Companies merely serve to provide an illustrative perceived market valuation of the Company as at the Offer Announcement Date and as at 31 December 2019.**

**12.6 Recent selected successful privatisation take-over transactions on the companies listed on the SGX-ST**

This analysis serves as a general indication of the relevant premium / (discount) that offerors have paid in order to acquire the level of acceptances required to delist / privatise the target companies without having regard to specific industry characteristics or other considerations.

As stated in the Offer Document, we note that, in the event that the Company does not meet the free float requirement pursuant to the Rule 724 of the Listing Manual, the Offeror does not intend to preserve the listing status of the Company and does not intend to take any steps for any trading suspension in the securities of the Company to be lifted, and, if and when entitled, the Offeror intends to exercise its rights of compulsory acquisition pursuant to Section 215(1) of the Companies Act, Chapter 50 of Singapore.

We have referred to voluntary general offers ("**VGO**") and mandatory general offers ("**MGO**") where the offeror had majority control (owning 50% or more of the issued shares in the target company as at the date of the offer announcement) and the offer resulted in a successful privatisation and delisting of the target company ("**Selected Successful Delisting / Privatisation Transactions**").

We wish to highlight that the target companies set out under the Selected Successful Delisting / Privatisation Transactions are not directly comparable to the Company in terms of operations, market capitalisation, business activities, asset base, geographical spread, track record, financial performance, operating and financial leverage, risk profile, liquidity, future prospects and other relevant criteria. Each of the Selected Successful Delisting / Privatisation Transactions must be considered on its own commercial and financial merits. We also wish to highlight that the list of Selected Successful Delisting /Privatisation Transactions is by no means exhaustive and has been compiled based on publicly available information as at the Latest Practicable Date.

Details of the Selected Successful Delisting / Privatisation Transactions announced during the last 24-month period preceding the Offer Announcement Date and up to Latest Practicable Date are set out as follows:

| Announcement Date | Company | Note | Type | Premium/(discount) of offer price: Last transacted price (%) (1) | 1-month VWAP (%) | 3-month VWAP (%) | 6-month VWAP (%) | 12-month VWAP (%) |
|---|---|---|---|---|---|---|---|---|
| 19 Jul 2018 | Wheelock Properties (Singapore) Limited | (2) | VGO | 20.7 | 29.0 | 22.7 | 17.8 | 13.3 |
| 29 Oct 2018 | Cityneon Holdings Limited | (3) | MGO | 4.1 | 6.9 | 11.9 | 15.7 | 19.2 |
| 7 Jan 2019 | Declout Limited | (4) | VGO | 60.5 | 66.7 | 66.7 | 58.5 | 51.2 |
| 18 Jan 2019 | Courts Asia Limited | (5) | VGO | 34.9 | 35.8 | 34.0 | 23.5 | (16.7) |
| 14 May 2019 | Memtech International Ltd | (6) | VGO | 23.9 | 31.5 | 31.6 | 35.6 | 30.2 |
| 15 May 2019 | Boardroom Limited | (7) | VGO | 14.3 | 18.9 | 16.1 | 17.6 | 16.9 |
| 28 Jun 2019 | Hupsteel Limited | (8) | VGO | 51.9 | 58.3 | 58.6 | 58.6 | 54.3 |
| 29 Jul 2019 | Delong Holdings Limited | (9) | VGO | 1.9 | 8.0 | 17.9 | 37.2 | 76.9 |
| 5 Aug 2019 | Star Pharmaceutical Limited | (10) | MGO | 157.1 | 160.1 | 176.1 | 186.6 | 192.2 |
| 20 Aug 2019 | PS Group Holdings Ltd | (11) | VGO | 195.0 | 266.7 | 267.5 | 267.5 | 59.7 |
| 5 Sep 2019 | San Teh Ltd | (12) | VGO | 81.8 | 90.5 | 83.0 | 84.2 | 72.8 |
| 25 Oct 2019 | Raffles United Holdings Ltd | (13) | VGO | (1.5) | 0.0 | 10.0 | 15.9 | 9.1 |
| 4 Nov 2019 | PACC Offshore Services Holdings Ltd | (14) | VGO | 69.3 | 99.4 | 93.0 | 70.2 | 37.1 |
| 24 Feb 2020 | BreadTalk Group Limited | (15) | VGO | 19.4 | 30.1 | 24.0 | 25.0 | 20.5 |
| Minimum | | | | (1.5) | - | 10.0 | 15.7 | (16.7) |
| **Median** | | | | **29.4** | **33.7** | **32.8** | **36.4** | **33.7** |
| **Mean** | | | | **52.4** | **64.4** | **65.2** | **65.3** | **45.5** |
| Maximum | | | | 195.0 | 266.7 | 267.5 | 267.5 | 192.2 |
| 15 May 2020 | Perennial Real Estate Holdings Limited implied by the Offer Price and based on Share prices prior to and including the Relevant Trading Date | | | 88.1 | 105.2 | 124.2 | 112.7 | 95.2 |
| 9 Jun 2020 | Perennial Real Estate Holdings Limited implied by the Offer Price and based on Share prices prior to and including the Last Trading Day | | | 37.7 | 46.4 | 70.1 | 71.4 | 70.4 |

*Source: Respective companies' filings*

**Notes:**

(1) Last transacted price is calculated based on the last price on either the last trading day or last market day as defined in the respective circulars.

(2) On 19 July 2018, DBS Bank Limited, for and on behalf of the offeror, Star Attraction Limited, announced that it intends to make a voluntary unconditional general offer for the offer shares of Wheelock Properties (Singapore) Limited. The market premia is calculated based on S$1.712 per share. The time reference for calculation of premia is 13 July 2018, being the last full trading day of the company prior to the date of the offer announcement.

(3) On 29 October 2018, Credit Suisse wishes to announce, for and on behalf of West Knighton Limited, that it has purchased an aggregate of 168,692,268 ordinary shares in the capital of Cityneon Holdings Limited. As a consequence of the acquisition, the offeror is required to make a mandatory unconditional cash offer for all the shares, other than those already owned, controlled or agreed to be acquired by the offeror. The market premia is calculated based on S$1.249 per share. The time reference for calculation of premia is 24 October 2018, being the last full trading day of the company prior to the date of the offer announcement.

(4) On 7 January 2019, KPMG Corporate Finance Pte Ltd announced, for and on behalf of Exeo Global Pte. Ltd., that the offeror intends to make a voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of DeClout Limited. The market premia is calculated based on S$0.081 per share. The time reference for calculation of premia is 6 September 2018, being the last undisturbed trading date of the company prior to the date of the offer announcement.

(5) On 18 January 2019, PrimePartners Corporate Finance Pte. Ltd. announced, inter alia, that the offeror, a wholly-owned subsidiary of Nojima, intends to make a voluntary conditional cash offer for all the issued and outstanding Courts Asia Limited shares. The market premia is calculated based on S$0.152 per share. The time reference for calculation of premia is 16 January 2019, being the last full trading day of the company prior to the date of the offer announcement.

(6) On 14 May 2019, OCBC Bank announced, for and on behalf of the offeror, that it intends to make a voluntary conditional cash offer for all the issued ordinary shares in the capital of Memtech International Ltd. The market premia is calculated based on S$1.35 per share. The time reference for calculation of premia is 10 May 2019, being the last full trading day of the company prior to the date of the offer announcement.

(7) On 15 May 2019, CIMB Bank Berhad announced, inter alia, that the offeror, a wholly-owned subsidiary of G. K. Goh Holdings Limited, intends to make a voluntary unconditional cash offer for all the issued and outstanding shares in the capital of Boardroom Limited. The market premia is calculated based on S$0.88 per share. The time reference for calculation of premia is 3 May 2019, being the last trading day of the company prior to the date of the offer announcement.

(8) On 28 June 2019, OCBC Bank announced, for and on behalf of Hercules Pte. Ltd., that the offeror intends to make a voluntary conditional cash offer for the offer shares in the capital of Hupsteel Limited. The market premia is calculated based on S$1.20 per share. The time reference for calculation of premia is 27 June 2019, being the last trading day of the company prior to the date of the offer announcement.

(9) On 29 July 2019, Stirling Coleman Capital Limited announced, for and on behalf of Best Grace Holdings Pte. Ltd., intends to make a voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of Delong Holdings Limited. The market premia is calculated based on S$7.00 per share. The time reference for calculation of premia is 22 July 2019, being the last trading day of the company prior to the date of the offer announcement.

(10) On 5 August 2019, CEL Impetus Corporate Finance Pte. Ltd. announced, for and on behalf of the offeror, a mandatory unconditional cash offer for all the offer shares in the capital of Star Pharmaceutical Limited. The market premia is calculated based on S$0.45 per share. The time reference for calculation of premia is 5 August 2019, being the last trading day of the company prior to the date of the offer announcement.

(11) On 20 August 2019, SooChow CSSD Capital Markets (Asia) Pte. Ltd. announced, for and on behalf of the offeror, that the offeror intends to make a voluntary conditional general offer for all the offer shares in the capital of PS Group Holdings Ltd. The market premia is calculated based on S$0.118 per share. The time reference for calculation of premia is 6 August 2019, being the last trading day of the company prior to the date of the offer announcement.

(12) On 5 September 2019, CEL Impetus Corporate Finance Pte. Ltd. announced, for and on behalf of Singapore San Teh Real Estate Pte. Ltd., that the offeror intends to make a voluntary conditional cash offer for all the offer shares in the capital of San Teh Ltd. The market premia is calculated based on S$0.28 per share. The time reference for calculation of premia is 3 September 2019, being the last trading day of the company preceding the date of the offer announcement.

(13) On 25 October 2019, GATXH Holdings Pte. Ltd. announced its intention to make a voluntary unconditional general offer for all issued and paid-up ordinary shares in the capital of Raffles United Holdings Ltd. The market premia is calculated based on S$0.065 per share. The time reference for calculation of premia is 13 August 2019, being the last trading day of the company prior to the suspension of trading of the shares.

(14) On 4 November 2019, OCBC Bank announced, for and on behalf of Quetzal Capital Pte. Ltd., that the offeror intends to make a voluntary conditional cash offer for all the issued and outstanding ordinary shares in the capital of PACC Offshore Services Holdings Ltd. The market premia is calculated based on S$0.215 per share. The time reference for calculation of premia is 30 October 2019, being the last trading day of the company prior to the trading halt and release of the offer announcement.

(15) On 24 February 2020, United Overseas Bank Limited announced, for and on behalf of BTG Holding Company Pte. Ltd., that the offeror intends to make a voluntary conditional cash offer for all the issued ordinary shares in the capital of BreadTalk Group Limited. The market premia is calculated based on S$0.77 per share. The time reference for calculation of premia is 21 February 2020, being the last trading day of the company prior to the release of the offer announcement.

Based on the information above, we note the following:

(a) The premium of the Offer Price over the last transacted price on the Relevant Trading Date of 88.1% is within the observed range of the corresponding discounts / premia of Selected Successful Delisting / Privatisation Transactions from -1.5% to 195.0%, and above the median and mean of 29.4% and 52.4% respectively.

(b) The premium of the Offer Price over the last transacted price on the Last Trading Day of 37.7% is within the observed range of the corresponding discount / premia of Selected Successful Delisting / Privatisation Transactions from -1.5% to 195.0%, and between the median and mean of 29.4% and 52.4% respectively;

(c) The premium of the Offer Price over the 1-month VWAP on the Relevant Trading Date of 105.2% is within the range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions from 0.0% to 266.7%, and above the median and mean of 33.7% and 64.4% respectively.

(d) The premium of the Offer Price over the 1-month VWAP on the Last Trading Day of 46.4% is within the range of the corresponding premia of Selected Successful Delisting / Privatisation Transactions from 0.0% to 266.7%, and between the median and mean of 33.7% and 64.4% respectively;

(e) The premium of the Offer Price over the 3-month VWAP on the Relevant Trading Date of 124.2% is within the range of the corresponding premia of Selected Successful Delisting / Privatisation Transactions from 10.0% to 267.5%, and above the median and mean of 32.8% and 65.2% respectively.

(f) The premium of the Offer Price over the 3-month VWAP on the Last Trading Day of 70.1% is within the range of the corresponding premia of Selected Successful Delisting / Privatisation Transactions from 10.0% to 267.5%, and above the median and mean of 32.8% and 65.2% respectively;

(g) The premium of the Offer Price over the 6-month VWAP on the Relevant Trading Date of 112.7% is within the range of the corresponding premia of Selected Successful Delisting / Privatisation Transactions from 15.7% to 267.5%, and above the median and mean of 36.4% and 65.3% respectively.

(h) The premium of the Offer Price over the 6-month VWAP on the Last Trading Day of 71.4% is within the range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions from 15.7% to 267.5%, and above the median and mean of 36.4% and 65.3% respectively;

(i) The premium of the Offer Price over the 12-month VWAP on the Relevant Trading Date of 95.2% is within the range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions from -16.7% to 192.2% and above the median and mean of 33.7% and 45.5% respectively.

(j) The premium of the Offer Price over the 12-month VWAP on the Last Trading Day of 70.4% is within the range of the corresponding discount / premia of Selected Successful Delisting / Privatisation Transactions from -16.7% to 192.2%, and above the median and mean of 33.7% and 45.5% respectively.

**We wish to highlight that market conditions of the Singapore capital markets based on the STI have been relatively volatile in recent months. As such, we have referenced the 12-month VWAP in our analysis to represent a longer view of the market for the consideration**

**of Shareholders.**

**Shareholders should note that the level of premium / (discount) an offeror would normally pay in any particular delisting and privatisation transaction depends on, *inter alia*, factors such as potential synergy that the offeror can gain by acquiring the target company, the significance of the cash reserves, the trading liquidity of the target company's shares, the presence of competing bids for the target company, prevailing market conditions and sentiments, attractiveness and profile of the target company's business and assets, size of consideration and existing and desired level of control in the target company. Therefore, the comparison of the Offer with the Selected Successful Delisting / Privatisation Transactions set out above is for illustrative purposes only. Conclusions drawn from the comparisons made may not reflect any perceived market valuation of the Company.**

**12.7 Recent selected take-over transactions of companies on the SGX-ST whose businesses are broadly comparable with the Group**

We have also compared the Offer with selected take-over offers for target companies whose businesses are broadly similar to the Group ("**Selected Comparable Transaction**"). This analysis serves as a general indication of the relevant premium/(discount) that offerors have paid in the property development industry without having regard to their specific transaction rationale, offeror's intention or other considerations.

**We wish to highlight that the target companies set out under the section are not directly comparable to the Company in terms of market capitalisation, asset base, geographical spread, track record, financial performance, operating and financial leverage, risk profile, liquidity, future prospects and other relevant criteria. In addition, the timing and the circumstances of transactions could be unique and are relative to the economic, market and industry conditions when the transaction was executed. Each of the Selected Comparable Transaction must be considered on its own commercial and financial merits. We also wish to highlight that the list of Selected Comparable Transaction is by no means exhaustive and has been compiled based on publicly available information as at the Last Trading Day.**

Details of the Selected Comparable Transaction announced from 9 June 2018 up to the Last Trading Day are set out as follows:

| Valuation Metrics of Selected Comparable Transaction (2-years preceding Last Trading Day) | | | | | | | |
|---|---|---|---|---|---|---|---|
| Announcement Date | Target | Total Transaction Value (S$'million) | Implied LTM P/E (times) | Implied LTM EV/EBITDA (times) | Implied P/NAV (times) | Implied Ex-cash P/NAV (times) | Implied P/RNAV (times) |
| 19 Jul 2018 | Wheelock Properties (Singapore) Limited | 595 | 20.3 | 13.7 | 0.81 | 0.74 | 0.84 |
| **Perennial (based on the Offer Price) as at 31 December 2019** | | **1,579[(1)]** | **412.0[(2)]** | **37.0[(2)]** | **0.60** | **0.58** | **0.58** |
| **Perennial (based on the Offer Price and adjusted financial position)** | | **1,579[(1)]** | **N.A.** | **N.A.** | **0.58[(3)]** | **0.54[(4)]** | **0.57[(5)]** |

| Premium/(discount) of offer price | | | | | | |
|---|---|---|---|---|---|---|
| Announcement Date | Target | Last transacted price (%)[(6)] | 1-month VWAP (%) | 3-month VWAP (%) | 6-month VWAP (%) | 12-month VWAP (%) |
| 19 Jul 2018 | Wheelock Properties (Singapore) Limited | 20.7 | 29.0 | 22.7 | 17.8 | 13.3 |
| **Perennial (based on Share prices prior to and including the Relevant Trading Date)** | | **88.1** | **108.6** | **124.2** | **112.7** | **95.2** |
| **Perennial (based on Share prices prior to and including the Last Trading Day)** | | **37.7** | **46.4** | **70.2** | **71.4** | **70.4** |

*Source: Bloomberg L.P., Capital IQ and respective Companies' Circulars*

**Notes:**

(1) Based on the Offer Price of S$0.95 and the Company's share capital of 1,661,709,368 Shares as at the Latest Practicable Date.

(2) Implied based on the Offer Price and audited earnings for year ended 31 December 2019.

(3) The implied multiple is based on the Offer Price / Adjusted NAV per Share.

(4) The implied multiple is based on the Offer Price / Adjusted ex-cash NAV per Share.

(5) The implied multiple is based on the Offer Price / Adjusted RNAV per Share.

(6) Last transacted price is calculated based on the last price on either the last trading day or last market day as defined in the respective circulars.

We note the following:

(a) The P/NAV multiple of 0.60x as at 31 December 2019 and adjusted P/NAV multiple of 0.58x implied by the Offer Price are below the P/NAV multiple of the Selected Comparable Transaction of 0.81x;

(b) The ex-cash P/NAV multiple of 0.58x as at 31 December 2019 and Adjusted ex-cash P/NAV multiple of 0.54x implied by the Offer Price are below the corresponding ex-cash P/NAV multiple of the Selected Comparable Transaction of 0.74x;

(c) The P/RNAV multiple of 0.58x as at 31 December 2019 and the Adjusted P/RNAV multiple of 0.57x implied by the Offer Price are below the corresponding P/RNAV multiple of the Selected Comparable Transaction of 0.84x;

(d) The LTM PER multiple of 412.0x implied by the Offer Price as at 31 December 2019 is above the corresponding LTM PER multiple of the Selected Comparable Transaction of 20.3x; and

(e) The LTM EV/EBITDA multiple of 37.0x implied by the Offer Price as at 31 December 2019 is above the corresponding LTM EV/EBITDA multiple of the Selected Comparable Transaction of 13.7x.

(f) The premiums implied by the offer price for the Company as of the Relevant Trading Date of 88.1%, 108.6%, 124.2%, 112.7% and 95.2% based on the last transacted price, 1-month, 3-month, 6-month and 12-month VWAP is higher than the premiums implied by the offer price for the Selected Comparable Transaction of 20.7%, 29.0%, 22.7%, 17.8% and 13.3%.

(g) The premiums implied by the offer price for the Company as of the Last Trading Day of 37.1%, 46.4%, 70.2%, 71.4%, 70.4% based on the last transacted price, 1-month, 3-month, 6-month and 12-month VWAP is higher than the premiums implied by the offer price for the Selected Comparable Transaction of 20.7%, 29.0%, 22.7%, 17.8% and 13.3%.

### 12.8 Brokers' price target for the Shares

We have compiled research reports by brokers in relation to the Shares and/or the Offer from Management.

| Broker | Date | Recommendation | Target Price (S$) |
|---|---|---|---|
| **Post Offer Announcement** | | | |
| CGS-CIMB | 15 Jun 2020 | Accept the offer | 0.99 |
| **Premium/(Discount) to Offer Price** | | | **-4.4%** |
| **Pre Offer Announcement** | | | |
| DBS | 8 May 2020 | Buy | 0.83 |
| **Premium/(Discount) to Offer Price** | | | **14.5%** |
| **Perennial Offer Price** | | | **0.95** |

*Source: Broker Reports*

We note that:

(a) The Offer Price represents a premium of 14.5% of the Target Share price estimated by DBS, from Pre Offer Announcement; and

(b) Following the Offer Announcement, the Offer Price represents a discount of 4.4% of the Target Share price estimated by CGS-CIMB. The CGS-CIMB broker research report recommended Shareholders to "Accept the offer" because the Offer Price is close to the Target Price.

**We wish to highlight that the above broker research report universe may not be exhaustive and price targets for the Shares and other statements and opinions contained in the reports within the universe used represent the individual views of the broker research analyst based on the circumstances (including, inter alia, market, economic, industry and monetary conditions as well as market sentiment and investor perceptions regarding the future prospects of the Company) prevailing at the date of the publication of the respective broker research reports. The opinions of the brokers may change over time as a result of, among other things, changes in market conditions, the Company's market development and the emergence of new information relevant to the Company. As such, the above price targets may not be an accurate prediction of future market prices of the Shares.**

**Any recommendation or price targets expressed in such broker research reports represent the views of the respective brokers only.**

### 12.9 Historical dividend yield of the Company

We set out below information on the dividend per Share declared by the Company in respect of the last four financial years:

| Dividends declared | FY2017 | FY2018 | FY2019 |
|---|---|---|---|
| Dividends per share (S$) | 0.010 | 0.004 | 0.002 |
| Average Share Price(1) | 0.863 | 0.801 | 0.600 |
| Dividend Yield(2) | 1.16% | 0.50% | 0.33% |
| **Average Dividend Yield** | | | **0.66%** |

*Source: Bloomberg L.P.*

**Notes:**

(1) Average daily closing price of the Shares for each respective financial year; and

(2) Computed based on dividends per Share divided by the average Share price.

Based on the above, we note that over the last four financial years, the Company had regularly declared annual dividends of S$0.010 in FY2017, S$0.004 in FY2018 and S$0.002 in FY2019, representing dividend yields of between 0.33% and 1.16% per annum.

Perennial has a formalised dividend policy which aims to balance cash return to Shareholders and the Investment Community for sustaining growth, while striving for an efficient capital structure. Through this policy, Perennial seeks to provide consistent and sustainable ordinary dividend payments to its Shareholders on an annual basis. The Company's policy is to declare a dividend of up to 25% of the distributable profits (excluding revaluation gains), after taking into account the appropriation of amounts which are sufficient and prudent to meet the working capital, capital expenditure and cash flow needs of the Company. For every dividend declaration made, Shareholders will be notified via an announcement made through SGXNET.

For the purposes of analysing the Offer, we have considered that the Shareholders who accept the Offer may re-invest the proceeds from the Offer in selected alternative equity investments including the equity of the Comparable Companies.

For illustration purposes, the dividend yields of these selected alternative investments based on their dividends declared from FY2017 to FY2019 are as follows:

| Dividends yields of Comparable Companies[(1)] | FY2017 | FY2018 | FY2019 | Average |
|---|---|---|---|---|
| CapitaLand Limited | 3.35% | 3.53% | 3.42% | **3.43%** |
| GuocoLand Limited | 3.72% | 3.24% | 3.73% | **3.56%** |
| OUE Limited | 1.52% | 7.79% | 3.90% | **4.40%** |
| UOL Group Limited | 2.30% | 2.31% | 2.41% | **2.34%** |
| Ho Bee Land Limited | 4.24% | 4.01% | 4.15% | **4.13%** |
| Minimum | | | | 2.34% |
| **Median** | | | | **3.56%** |
| **Mean** | | | | **3.57%** |
| Maximum | | | | 4.40% |
| **Perennial Average Dividend Yield** | | | | **0.66%** |

*Source: Bloomberg L.P.*

**Note:**

(1) Dividend yield is computed by dividing dividends per share by the average daily closing share price for each respective financial year of the Comparable Companies.

Based on the above dividend analysis, we note that the Company's 3-year average dividend yield of 0.66% is below the range of the corresponding dividend yields of the Comparable Companies of 2.34% to 4.40%.

**We wish to highlight that the above dividend analysis serves only as an illustrative guide and is not an indication of the Company's future dividend policy nor that of any of the Comparable Companies. There is no assurance that the Company will continue or any of**

**the above selected alternative investments will continue to pay dividends in the future and/or maintain the level of dividends paid in past periods.**

**Notwithstanding the above, it is uncertain whether the Company and the Comparable Companies can maintain its historical dividend yields at the levels set out above, hence it is uncertain whether the Shareholders will be able to achieve their desired levels of investment income by liquidating their investment in the Company and reinvesting their proceeds in the Comparable Companies or other alternative investments.**

### 12.10 Other relevant considerations in relation to the Offer which may have a significant bearing on our evaluation

#### 12.10.1 Final Offer Price

Pursuant to the Section 2 of the Offer Document, the Offeror does not intend to revise the Offer Price or any other terms of the Offer. Shareholders should note that the Offer Price of S$0.95 per Share is final and will not be revised.

#### 12.10.2 Irrevocable Undertakings

As stated in Section 9 of the Offer Document, the Offeror has received Irrevocable Undertakings from Undertaking Shareholders who hold an aggregate of 1,369,699,983 Shares, representing approximately 82.43% of the total number of Shares as at the Offer Document LPD. Under such circumstances, any competing offer for Shares is unlikely to be forthcoming without the support of the majority control represented by the percentage of the total number of shares that the Undertaking Shareholders hold. Thus, the possibility of an alternative offer from parties other than the Offeror is significantly reduced.

#### 12.10.3 The Offeror's Intention for the Offeree

As stated in Section 13 of the Offer Document, the Offeror does not intend to preserve the listing status of the Offeree on the Main Board of the SGX-ST.

If the free float requirement is not satisfied at the close of the Offer, and the trading of the Shares on the SGX-ST is suspended at the close of the Offer, the Offeror does not intend to support any action or take any steps to maintain the listing status of the Offeree or to restore the free float of the Shares. Therefore, it is likely to be difficult for Shareholders to sell their Shares in the absence of a public market for the Shares as there is no public exchange arrangement for such Shareholders to exit their investments in the Shares

**12.10.4 Absence of alternative offers**

To the best of the Directors' knowledge, there is no publicly available information of any alternative offer for the Shares as at the Latest Practicable Date.

**12.10.5 COVID19 impact and uncertainty in the market**

As stated in Section 10 of the Offer Document: *"The ongoing COVID-19 pandemic has had an adverse impact on the global economy. China saw its gross domestic product ("GDP") decline by 6.8 per cent. in the first quarter of 2020 compared with a year earlier.[1] Likewise, the Ministry of Trade and Industry announced on 26 May 2020 that "the GDP growth forecast for Singapore for 2020 is downgraded to "-7.0 to -4.0 per cent.", from "-4.0 to -1.0 per cent.".*

The Offeror is of the view that the Offer represents an opportunity for Shareholders to realise their investment in the Shares at a premium to historical market prices in an uncertain economic environment.

Note: (1) Preliminary estimates from the National Bureau of Statistics of China – 17 April 2020."

It is not possible for the Company or us to assess with any certainty the implications of COVID-19 on the Group, either in terms of how long the current crisis may continue or in terms of its impact, potential or actual, on the Group's business. Based on announcements made prior to the Offer Announcement Date, the Group expects the financial performance of its operating assets to be adversely impacted. Similarly, the gestational period (i.e. period for properties to complete construction and start generating revenue) for development properties may be significantly impacted.

We note that the independent valuation reports provided by the Independent Valuers are reported on the basis of 'material valuation uncertainty' or higher market uncertainty in relation to COVID-19 and the future impact it may have on the real estate market.

We have sought clarification from the Independent Valuers in their use of the 'material valuation uncertainty' as a basis to their valuation conclusions. The clarification sought from the Independent Valuers highlight the reason for using 'material valuation uncertainty' as a basis to their valuation conclusion and the impact this has on the reliability of the valuation conclusion.

We provide a summary of the reasons stated by the Independent Valuers in relation to the basis of 'material valuation uncertainty' or higher market uncertainty in the tables below. The tables below also extract the clarification statements provided by the Independent Valuers in respect of the 'material valuation uncertainty' basis or higher market uncertainty as stated in their respective Valuation Reports.

| Independent Valuer: Knight Frank | |
|---|---|
| **Basis of 'Material Valuation Uncertainty' in relation to COVID-19** | **Clarification Statement** |
| *"As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.<br><br>Consequently, less certainty - and a higher degree of caution - should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review."* | *"For the avoidance of doubt, the inclusion of the Material Valuation Uncertainty declaration above does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that - in the current extraordinary circumstances - less certainty can be attached to the valuation than would otherwise be the case. The Material Valuation Uncertainty clause is a disclosure, not a disclaimer."* |

| Independent Valuer: Savills Beijing | |
|---|---|
| **Higher market uncertainty in relation to COVID-19** | **Clarification Statement** |
| *"With the outbreak of the Coronavirus Disease 2019(Covid-19) and the prevailing uncertainty in the global economy, it is difficult to predict the future impact that Covid-19 might have on the real estate market.<br><br>In view of market uncertainty, a higher degree of caution should be attached to our valuation than would normally be the case and we recommend that you keep the valuation under frequent review."* | *"Our opinion and assessment are based on the information provided and prevailing market data as at the date of this valuation report. The reported opinion and conclusion are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinion and conclusion."* |

| Independent Valuer: Savills SG | |
|---|---|
| **Higher market uncertainty in relation to COVID-19** | **Clarification Statement** |
| *"With the outbreak of the Coronavirus Disease 2019(Covid-19) and the prevailing uncertainty in the global economy, it is difficult to predict the future impact that Covid-19 might have on the real estate market.*<br><br>*In view of market uncertainty, a higher degree of caution should be attached to our valuation than would normally be the case and we recommend that you keep the valuation under frequent review."* | *"Our opinion and assessment are based on the information provided and prevailing market data as at the date of this valuation report. The reported opinion and conclusion are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinion and conclusion."* |

| Independent Valuer: CBRE | |
|---|---|
| **Basis of 'Material Valuation Uncertainty' in relation to COVID-19** | **Clarification Statement** |
| *"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, is causing heightened uncertainty in both local and global market conditions. Global financial markets have seen steep declines since late February largely on the back of the pandemic over concerns of trade disruptions and falling demand. Many countries globally have implemented strict travel restrictions and a range of quarantine and "social distancing" measures.*<br><br>*Market activity is being impacted in most sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.*<br><br>*Our valuation is therefore reported on the basis of 'material valuation uncertainty'.* | *"For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation."* |

| Independent Valuer: CBRE | |
|---|---|
| **Basis of 'Material Valuation Uncertainty' in relation to COVID-19** | **Clarification Statement** |
| *Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Values may change more rapidly and significantly than during standard market conditions. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the Property under frequent review."* | |

## 13. FINANCIAL ASSESSMENT OF THE OPTIONS PROPOSAL

As at the Latest Practicable Date, based on the latest information available to the Offeror, there are 90,874,000 outstanding Options issued under the Option Scheme which are exercisable into 90,874,000 Shares. As set out in Section 4.2 of the Offer Document, subject to (a) the Offer becoming or being declared to be unconditional in all respects in accordance with its terms; and (b) the Options continuing to be exercisable into Shares, the Offeror will pay an Optionholder the Option Price in consideration of each such Optionholder agreeing (i) not to exercise all or any of the Options held by him in respect of which he has accepted the Options Proposal into Shares; and (ii) not to exercise all or any of his rights as holder of the Relevant Options,

The Option Price is computed on a "see-through" basis and will be the amount by which the Offer Price exceeds the exercise price of the Option. If, however, the exercise price of any Option is equal to or more than the Offer Price, the consideration payable for such Option will be zero.

As an Optionholder would receive the same consideration from accepting the Options Proposal *vis-à-vis* converting his Options and accepting the Offer, our analysis and conclusion with reference to the Offer Price in Section 12 will therefore be similarly relevant and applicable to the Optionholders.

## 14. OUR RECOMMENDATION TO THE INDEPENDENT DIRECTORS ON THE OFFER AND THE OPTIONS PROPOSAL

In arriving at our recommendation in respect of the Offer and the Options Proposal to the Independent Directors, we have taken into account a range of factors which we consider, based on available information, to be pertinent and have significant bearing on our assessment of the Offer. Accordingly, it is important that this IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

**14.1 The Offer**

Based on our analysis including the qualifications made therein, we are of the opinion that, on balance, the financial terms of the Offer are **FAIR AND REASONABLE**.

In arriving at our opinion in respect of the Offer, we have considered the following principal factors:

**Factors in favour of the Offer:**

(a) **The premiums implied by the Offer Price.**

i. The Offer Price is at a respective premium of 88.1%, 37.7% and 0.5% to the closing price of S$0.505, S$0.69 and S$0.945 per Share as at the Relevant Trading Date, the Last Trading Day and the Latest Practicable Date;

ii. The Offer Price represents a premium of approximately 105.2%, 124.2%, 112.7%, 95.2% and 59.1% above the VWAP of the Shares for the 1-month, 3-month, 6-month, 12-month and 24-month periods prior to the Relevant Trading Date, respectively;

iii. The Offer Price represents a premium of approximately 46.4%, 70.1%, 71.4%, 70.4% and 56.4% above the VWAP of the Shares for the 1-month, 3-month, 6-month, 12-month and 24-month periods prior to the Last Trading Day, respectively;

(b) **Discounts implied by the Offer Price to NAV, ex-cash NAV and RNAV, as compared to the historical discounts implied by the Share price.**

i. While the discounts as implied by the Offer Price to the audited NAV per Share as at 31 December 2019 is 40.0% and of 41.6% to the Adjusted NAV per Share, the discounts are below the range of discounts at which the Shares had traded at over the 2-year period up to and including the Last Trading Day;

ii. While the discount as implied by the Offer Price is 41.7% to the RNAV per Share as at 31 December 2019 and 43.5% to the Adjusted RNAV per Share, the discounts are below the range of discounts at which the Shares had traded at over the 2-year period up to and including the Last Trading Day;

iii. While the discount as implied by the ex-cash Offer Price is 41.9% to the ex-cash NAV per Share as at 31 December 2019 and 45.9% to the Adjusted ex-cash NAV per Share, the discounts are below the range of discounts at which the Shares had traded at over the 2-year period up to and including the Last Trading Day;

(c) **Comparison of asset-based valuation metrics of the Company implied by the Offer Price against those of Comparable Companies.** We have used the following valuation multiples and compared them to those of Comparable Companies.

i. The P/NAV multiple of 0.60x as at 31 December 2019 and Adjusted P/NAV multiple of 0.58x implied by the Offer Price are within the range of the corresponding P/NAV multiples of the Comparable Companies from 0.26x to 0.65x as at Offer Announcement Date and 0.33x to 0.83x as at 31 December 2019, and are higher than median and mean P/NAV multiple of the Comparable Companies as at both the Offer Announcement Date and 31 December 2019;

ii. The ex-cash P/NAV multiple of 0.58x as at 31 December 2019 is higher than the range of the corresponding ex-cash P/NAV multiples of the Comparable Companies and the Adjusted ex-cash P/NAV multiple of 0.54x implied by the Offer Price is within the range of the corresponding ex-cash P/NAV multiples of the Comparable Companies from 0.16x to 0.57x as at Offer Announcement Date. The ex-cash P/NAV multiple as at 31 December 2019 and Adjusted ex-cash P/NAV multiple are within the range of the corresponding ex-cash P/NAV multiples of the Comparable Companies from 0.24x to 0.74x as at 31 December 2019. Both the ex-cash P/NAV multiple as at 31 December 2019 and Adjusted ex-cash P/NAV multiple are higher than median and mean of the ex-cash P/NAV multiple of the Comparable Companies as at both the Offer Announcement Date and 31 December 2019; and

iii. The P/RNAV multiple of 0.58x as at 31 December 2019 and the Adjusted P/RNAV multiple of 0.57x are within the range of the corresponding P/RNAV multiples of the Comparable Companies from 0.40x to 0.61x as at Offer Announcement Date and 0.48x to 0.66x as at 31 December 2019, and are higher than the median and mean P/RNAV multiples of the Comparable Companies as at the Offer Announcement Date. The P/RNAV multiple as at 31 December 2019 and the Adjusted P/RNAV multiple are in line with the mean and median P/RNAV multiples as at 31 December 2019;

(d) **Comparison of the premiums implied by the Offer Price to the premiums of recent successful privatisation take-over transactions.**

i. The premium of the Offer Price over the last transacted price, 1-month VWAP, 3-month VWAP, 6-month VWAP and 12-month VWAP on the Relevant Trading Date is within the observed range of the corresponding discounts / premia of Selected Successful Delisting / Privatisation Transactions, and above the median and mean for each respective period;

ii. The premium of the Offer Price over the last transacted price and 1-month VWAP on the Last Trading Day is within the observed range of the corresponding discounts / premia of Selected Successful Delisting / Privatisation Transactions, and between the median and the mean. The premium of the Offer Price over the 3-month VWAP, 6-month VWAP and 12-month VWAP on the Last Trading Day is within the observed range of the corresponding discounts / premia of Selected Successful Delisting / Privatisation Transactions, and above the median and the mean;

(e) **Comparison of the share price premiums implied by the Offer Price to the Comparable Transaction.** The premium of the Offer Price over the last transacted price, 1-month VWAP, 3-month VWAP, 6-month VWAP and 12 month-VWAP on the Relevant Trading Date and on the Last Trading Day is higher than the premiums implied by the offer price for the Selected Comparable Transaction;

(f) **Broker price targets and recommendation.**

i. The Offer Price represents a premium of 14.5% to the Share price target estimated by DBS, pre Offer Announcement;

ii. Following the Offer Announcement, the CGS-CIMB broker research report recommended Shareholders to "Accept the offer" because the Offer Price is close to the Target Price;

(g) **Analysis of the dividend yield of the Company.** The Company's 3-year average dividend yield of 0.66% is below the range of the corresponding dividend yields of the Comparable Companies from 2.34% to 4.40%;

(h) **Share price performance against market indexes.** The share price of the Company had generally underperformed indices such as the STI and FSTREH over the 24-month period preceding the Relevant Trading Date.

**Factors against the Offer:**

(a) **Comparison of asset-based valuation metrics of the Company implied by the Offer Price against those of Comparable Transactions.** We have used the following valuation multiples and compared them to those of Comparable Transactions. We wish to highlight that, to the best of our knowledge and belief, there may not be any entity that is directly comparable to the Company. Therefore, any comparison made with respect to the Comparable Transactions may not be very meaningful and can only serve as an illustrative guide:

i. The P/NAV multiple of 0.60x as at 31 December 2019 and Adjusted P/NAV multiple of 0.58x implied by the Offer Price are below the P/NAV multiple of the Selected Comparable Transaction of 0.81x;

ii. The ex-cash P/NAV multiple of 0.58x as at 31 December 2019 and Adjusted ex-cash P/NAV multiple of 0.54x implied by the Offer Price are below the corresponding ex-cash P/NAV multiple of the Selected Comparable Transaction of 0.74x; and

iii. The P/RNAV multiple of 0.58x as at 31 December 2019 and the Adjusted P/RNAV multiple of 0.57x implied by the Offer Price are below the corresponding P/RNAV multiple of the Selected Comparable Transaction of 0.84x.

Accordingly, we advise that the Independent Directors, after taking the above into consideration, recommend Shareholders who:

(a) wish to realise their investments in the Company at this time but are unable to sell their Shares in the open market at a price (after deducting related expenses) higher than the Offer Price; and/or

(b) believe that the current market price of the Shares may not be sustained after the close of the Offer; and/or

(c) believe that even if the Company remains listed, trading liquidity may reduce materially; and/or

(d) believe that a higher offer may not be made,

**ACCEPT** the Offer. Alternatively, such Shareholders should sell their Shares in the open market if they are able to obtain a price higher than the Offer Price after deducting related expenses (such as brokerage and trading costs). The Independent Directors may also wish to consider highlighting that there is no assurance that the market price and/or trading volume of the Shares will continue to remain at the levels prevailing as at the Latest Practicable Date after the close of the Offer and that past trading performance of the Shares should not be relied upon as an indication of its future trading performance.

For the purposes of providing this IFA Letter and our evaluation of whether the Offer is fair and reasonable from a financial point of view, we have not received or relied on any financial projections or forecasts in respect of the Company, the Group, or any part or division of any of the foregoing. We are not required to express, and we do not express, an opinion on the future growth prospects and earnings potential of the Company.

**14.2 The Options Proposal**

With regard to the Options Proposal, as the Option Price is computed on a "see-through" basis, an Optionholder would receive the same consideration from accepting the Options Proposal vis-à-vis converting his Options and accepting the Offer. Our analysis and conclusion with reference to the Offer Price will therefore be similarly relevant to the Optionholders. Accordingly, we advise the Independent Directors to recommend Optionholders to **ACCEPT** the Options Proposal. Optionholders should take note of the closing date for the acceptance of the Options Proposal as set out in Section 4 of the Offer Document.

Our opinion is only based on a financial analysis and does not incorporate any assessment of commercial, legal, tax, regulatory or other matters. Our opinion also does not incorporate an assessment of the price at which the Shares may trade following the success or failure of the Offer and Options Proposal. Such factors (including the aforesaid illustrations) are beyond the ambit of our review and do not fall within our terms of reference in connection with the Offer and the Options Proposal.

In rendering our opinion, we have not had regard to any general or specific investment objectives, financial situations, risk profiles, tax positions or particular needs or constraints of any specific Shareholders and we neither assume any responsibility for, nor hold ourselves out as advisers to any person other than the Independent Directors. As each Shareholder would have different objectives and profiles, we recommend that any individual Shareholder who may require specific advice in relation to his/her investment objectives or portfolio should consult his/her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Shareholders should note that trading of the Shares are subject to, *inter alia*, the performance and prospects of the Company, prevailing economic conditions, economic outlook and stock market conditions and sentiments. Accordingly, save as highlighted about in this IFA Letter, our advice on the Offer does not and cannot take into account the future trading activities or patterns or price levels that may be established beyond the Latest Practicable Date.

This IFA Letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the Offer and the Options Proposal. The recommendation made by the Independent Directors to the Shareholders in relation to the Offer and the Options Proposal remains the responsibility of the Independent Directors.

Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company nor the Independent Directors may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose (other than for the purpose of the Offer and Options Proposal) at any time and in any manner without the prior written consent of PwCCF in each specific case.

This IFA Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
**PricewaterhouseCoopers Corporate Finance Pte Ltd**

Ling Tok Hong
Managing Director

# APPENDIX II
# ADDITIONAL GENERAL INFORMATION

## 1. DIRECTORS

The names, addresses and designations of the Directors as at the Latest Practicable Date are set out below:

| Name | Address | Designation |
|---|---|---|
| Mr. Kuok Khoon Hong | c/o 8 Shenton Way, #36-01, AXA Tower Singapore 068811 | Chairman and Non-Independent Non-Executive Director |
| Mr. Ron Sim Chye Hock | c/o 8 Shenton Way, #36-01, AXA Tower Singapore 068811 | Vice-Chairman and Non-Independent Non-Executive Director |
| Mr. Eugene Paul Lai Chin Look | c/o 8 Shenton Way, #36-01, AXA Tower Singapore 068811 | Lead Independent Non-Executive Director |
| Mr. Ooi Eng Peng | c/o 8 Shenton Way, #36-01, AXA Tower Singapore 068811 | Independent Non-Executive Director |
| Mr. Lee Suan Hiang | c/o 8 Shenton Way, #36-01, AXA Tower Singapore 068811 | Independent Non-Executive Director |
| Mr. Chua Phuay Hee | c/o 8 Shenton Way, #36-01, AXA Tower Singapore 068811 | Independent Non-Executive Director |
| Mr. Pua Seck Guan | c/o 8 Shenton Way, #36-01, AXA Tower Singapore 068811 | Chief Executive Officer and Executive Director |

## 2. REGISTERED OFFICE

The registered office of the Company is at 8 Shenton Way #36-01 AXA Tower Singapore 068811.

## 3. PRINCIPAL ACTIVITIES

The Company is an integrated real estate and healthcare company headquartered and listed in Singapore. It was incorporated under the laws of Singapore on 28 November 2002 and is listed on the Mainboard of the SGX-ST. The principal activities of the Group are those of investment holding, real estate investment and development, asset and property management services, and healthcare services.

## 4. SHARE CAPITAL

### 4.1 Issued share capital

The Company has one (1) class of shares, being ordinary shares. As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S$2,213,249,149.66 comprising 1,661,709,368 Shares (excluding treasury shares). As at the

Latest Practicable Date, the Company holds 3,435,000 treasury shares. The issued Shares are listed and quoted on the Mainboard of the SGX-ST.

4.2 **Capital, dividends and voting**

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution, which is available for inspection at the registered office of the Company at 8 Shenton Way #36-01 AXA Tower Singapore 068811 during normal business hours for the period during which the Offer remains open for acceptance. The relevant provisions of the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been extracted from the Constitution and are set out in **Appendix III** to this Circular. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Constitution.

4.3 **Number of Shares issued since the end of the last financial year**

No Shares have been issued by the Company since 31 December 2019, being the end of the last financial year up to the Latest Practicable Date.

4.4 **Options and convertible instruments**

Save as disclosed below and in this Circular, the Company has not issued any other instruments convertible into, rights to subscribe for, and options in respect of, Shares and securities which carry voting rights affecting Shares that are outstanding as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company has 90,874,000 outstanding Options under the ESOS exercisable into 90,874,000 Shares, the details of which are set out below:

| Date of grant of Options | Expiry date of Options | Number of outstanding Options | Number of Shares represented by the outstanding Options | Exercise price per Share |
|---|---|---|---|---|
| 8 October 2015 | 8 October 2020 | 5,100,000 | 5,100,000 | S$0.95 |
| 12 May 2017 | 12 May 2022 | 19,550,000 | 19,550,000 | S$0.88 |
| 22 March 2018 | 22 March 2023 | 20,860,000 | 20,860,000 | S$0.87 |
| 25 February 2019 | 25 February 2024 | 26,588,500 | 26,588,500 | S$0.68 |
| 4 March 2020 | 4 March 2025 | 18,775,500 | 18,775,500 | S$0.50 |
| Total | | 90,874,000 | 90,874,000 | |

**Notes:**

(1) All Options granted under the ESOS are valid for a term of five (5) years from the date of their grants and are exercisable in the following manner for eligible participants who have been in employment with more than 12 months service as at date of grant:

(a) After 1st anniversary of the date of grant – 25% of Options granted

(b) After 2nd anniversary of the date of grant – 25% of Options granted

(c) After 3rd anniversary of the date of grant – 25% of Options granted

(d) After 4th anniversary of the date of grant – 25% of Options granted

(2) For eligible participants who have been in employment with less than 12 months service as at date of grant:

(a) After 2nd anniversary of the date of grant – 25% of Options granted

(b) After 3rd anniversary of the date of grant – 25% of Options granted

(c) After 4th anniversary of the date of grant – 25% of Options granted

(d) After 4.5th anniversary of the date of grant – 25% of Options granted

As announced by the Offeror on 13 July 2020, the Company had, on 12 July 2020 informed the Offeror that the Remuneration Committee of the Company has, in accordance with the terms of the ESOS, determined that of the 90,874,000 outstanding Options as set out above, subject to the Offer becoming or being declared unconditional, only 39,839,625 Options will be exercisable into Shares (such Options, being the Exercisable Options). The remaining 51,034,375 Options will not be capable of being exercised into Shares and will lapse upon the Offer becoming or declared unconditional.

## 5. DISCLOSURE OF INTERESTS

### 5.1 Interests of the Company in Offeror Securities

The Company does not have any direct or indirect interests in the Offeror Securities as at the Latest Practicable Date.

### 5.2 Dealings in Offeror Securities by the Company

The Company has not dealt for value in the Offeror Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

### 5.3 Interests of Directors in Offeror Securities

Save as disclosed below and in the Offer Document, none of the Directors has any direct or indirect interests in the Offeror Securities as at the Latest Practicable Date.

(a) **Mr. Kuok Khoon Hong**: As at the Latest Practicable Date, KKH has a deemed interest in the 3,653 shares of the Offeror held by HPRY, a company which is wholly-owned by KKH, representing 36.53% of the total shareholding of the Offeror's shares.

(b) **Mr. Ron Sim Chye Hock**: As at the Latest Practicable Date, RS has a deemed interest in the 1,545 shares of the Offeror held by V3, a company which is wholly-owned by RS, representing 15.45% of the total shareholding of the Offeror's shares.

(c) **Mr. Pua Seck Guan**: As at the Latest Practicable Date, PSG has a deemed interest in the 1,041 shares held by PSGH, a company which is wholly-owned by PSG, representing 10.41% of the total shareholding of the Offeror's shares.

### 5.4 Dealings in Offeror Securities by the Directors

None of the Directors has dealt for value in the Offeror Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

### 5.5 Interests of the Directors in the Company Securities

Save as disclosed below, as at the Latest Practicable Date, none of the Directors has any direct or indirect interests in the Company Securities:

**Shares**

| Name of Director | Direct interest | | Deemed interest | | Total interest | |
|---|---|---|---|---|---|---|
| | No. of Shares | %(1) | No. of Shares | %(1) | No. of Shares | %(1) |
| Mr. Kuok Khoon Hong(1) | – | – | 607,031,816 | 36.53 | 607,031,816 | 36.53 |
| Mr. Ron Sim(2) | 5,911,880 | 0.36 | 250,799,819 | 15.09 | 256,711,699 | 15.45 |
| Mr. Ooi Eng Peng | 78,634 | 0.005 | – | – | 78,634 | 0.005 |
| Mr. Lee Suan Hiang(3) | 200,000 | 0.01 | 200,000 | 0.01 | 400,000 | 0.02 |
| Mr. Pua Seck Guan(4) | 74,533,324 | 4.49 | 98,394,270 | 5.92 | 172,927,594 | 10.41 |

**Notes:**

(1) Mr. Kuok Khoon Hong's deemed interest in the Shares arises from his shareholdings in HPRY, Hong Lee Holdings (Pte) Ltd, Longhlin Asia Limited, Kuok Hock Swee & Sons Sdn. Bhd., Pearson Investments Limited, KPW Investments Limited, KMH Investments Limited and Jaygar Holdings Limited.

(2) Mr. Ron Sim's deemed interest in the Shares arises through the 248,740,784 Shares held by V3 and the 2,059,035 Shares held by Madam Teo Sway Heong (Spouse of Mr. Ron Sim).

(3) Mr. Lee Suan Hiang's deemed interest in the Shares arises from the Shares held through bank nominees.

(4) Mr. Pua Seck Guan's deemed interest in the Shares arises from his shareholdings in PSGH and Shares held in the name of bank nominees.

**Options**

| Name of Director | Date of grant | No. of Options | No. of Option Shares | Exercise Price | Exercise Period |
|---|---|---|---|---|---|
| Mr. Eugene Paul Lai Chin Look | 12 May 2017 | 1,000,000 | 1,000,000 | S$0.88 | 13 May 2018 to 12 May 2022 |
| | 22 March 2018 | 1,000,000 | 1,000,000 | S$0.87 | 23 March 2019 to 22 March 2023 |
| | 25 February 2019 | 1,000,000 | 1,000,000 | S$0.68 | 26 February 2020 to 25 February 2024 |

| Name of Director | Date of grant | No. of Options | No. of Option Shares | Exercise Price | Exercise Period |
|---|---|---|---|---|---|
| Mr. Ooi Eng Peng | 12 May 2017 | 1,000,000 | 1,000,000 | S$0.88 | 13 May 2018 to 12 May 2022 |
| | 22 March 2018 | 1,000,000 | 1,000,000 | S$0.87 | 23 March 2019 to 22 March 2023 |
| | 25 February 2019 | 1,000,000 | 1,000,000 | S$0.68 | 26 February 2020 to 25 February 2024 |
| Mr. Lee Suan Hiang | 12 May 2017 | 1,000,000 | 1,000,000 | S$0.88 | 13 May 2018 to 12 May 2022 |
| | 22 March 2018 | 1,000,000 | 1,000,000 | S$0.87 | 23 March 2019 to 22 March 2023 |
| | 25 February 2019 | 1,000,000 | 1,000,000 | S$0.68 | 26 February 2020 to 25 February 2024 |
| Mr. Chua Phuay Hee | 12 May 2017 | 1,000,000 | 1,000,000 | S$0.88 | 13 May 2018 to 12 May 2022 |
| | 22 March 2018 | 1,000,000 | 1,000,000 | S$0.87 | 23 March 2019 to 22 March 2023 |
| | 25 February 2019 | 1,000,000 | 1,000,000 | S$0.68 | 26 February 2020 to 25 February 2024 |
| Mr. Pua Seck Guan | 8 October 2015 | 5,100,000 | 5,100,000 | S$0.95 | 9 October 2016 to 8 October 2020 |
| | 12 May 2017 | 5,100,000 | 5,100,000 | S$0.88 | 13 May 2018 to 12 May 2022 |
| | 22 March 2018 | 5,100,000 | 5,100,000 | S$0.87 | 23 March 2019 to 22 March 2023 |
| | 25 February 2019 | 5,100,000 | 5,100,000 | S$0.68 | 26 February 2020 to 25 February 2024 |

**Notes:**

(1) All Options granted under the ESOS are valid for a term of five (5) years from the date of their grants and are exercisable in the following manner for eligible participants who have been in employment with more than 12 months service as at date of grant:

(a) After 1st anniversary of the date of grant – 25% of Options granted

(b) After 2nd anniversary of the date of grant – 25% of Options granted

(c) After 3rd anniversary of the date of grant – 25% of Options granted

(d) After 4th anniversary of the date of grant – 25% of Options granted

(2) For eligible participants who have been in employment with less than 12 months service as at date of grant:

(a) After 2nd anniversary of the date of grant – 25% of Options granted

(b) After 3rd anniversary of the date of grant – 25% of Options granted

(c) After 4th anniversary of the date of grant – 25% of Options granted

(d) After 4.5th anniversary of the date of grant – 25% of Options granted

In accordance with the terms of the ESOS, the Company has decided that subject to the Offer becoming or being declared to be unconditional in all respects in accordance with its terms:

(a) the Options vesting within 12 months from the Offer Announcement Date held by the Directors (save for PSG whose unvested Options will lapse upon the Offer turning or being declared unconditional), will be accelerated so that they become exercisable into Shares upon the Offer becoming or being declared unconditional; and

(b) the Options vesting after 12 months from the Offer Announcement Date held by the Directors shall not be capable of being exercised into Shares and will lapse and be deemed to have lapsed upon the Offer becoming or being declared unconditional.

5.6 **Dealings in Company Securities by the Directors**

Save as set out below, none of the Directors has dealt for value in the Company Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date:

| Name | Date of Transaction | Number of Shares acquired | Transacted price per Share |
|---|---|---|---|
| Mr. Pua Seck Guan(1) | 14 May 2020 | 15,000,000 | N.A. |
| Mr. Kuok Khoon Hong(2) | 29 May 2020 | 1,174,787 | S$0.675 |
| Mr. Kuok Khoon Hong(3) | 29 May 2020 | 100,000 | S$0.675 |
| Mr. Ron Sim(4) | 30 June 2020 | 120,384,935 | S$ 0.94 |
| Mr. Ron Sim(4) | 1 July 2020 | 128,355,849 | S$ 0.95 |

**Notes:**

(1) The Shares were transferred from the direct CDP securities account of PSGH to a bank nominee for the account of Mr. Pua Seck Guan. Mr. Pua Seck Guan holds 100% interest in PSGH. As such, Mr. Pua Seck Guan is deemed to be interested in all of the Shares in which PSGH has an interest.

(2) The Shares were acquired by HPRY from Madam Yong Lee Lee. Madam Yong Lee Lee is the spouse of Mr. Kuok Khoon Hong.

(3) The Shares were acquired by HPRY from Langton Enterprise Ltd. Langton Enterprise Ltd is wholly-owned by Madam Yong Lee Lee, who is the spouse of Mr. Kuok Khoon Hong.

(4) The Shares were acquired by V3 from Mr. Ron Sim. V3 is wholly-owned by Mr. Ron Sim.

### 5.7 Company Securities owned or controlled by the IFA

As at the Latest Practicable Date, none of the IFA nor any funds whose investments are managed by the IFA on a discretionary basis owns or controls any Company Securities.

### 5.8 Dealings in Company Securities by the IFA

None of the IFA nor any funds whose investments are managed by the IFA on a discretionary basis has dealt for value in any Company Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

### 5.9 Directors' Intentions in relation to the Offer and Options Proposal

As at the Latest Practicable Date, the Directors who hold or have a deemed interest in the Shares and/or Options have indicated their intention in relation to accepting or rejecting the Offer and/or Options Proposal in respect of such Shares and/or Options as follows:

(a) As set out in the Offer Document, pursuant to the Irrevocable Undertakings, each of KKH, RS and PSG have undertaken that, *inter alia*:

  (i) each of them will accept, or (where applicable) procure the acceptance of, the Offer in respect of the Shares that are held or controlled by him; and

  (ii) (in relation to PSG only) he will not exercise, and instead accept the Options Proposal in respect of, all his 20,400,000 Options outstanding as at the Latest Practicable Date which are exercisable into 20,400,000 new Shares and to defer receipt of the consideration payable for these Options to a date after the close of the Offer.

(b) Mr. Ooi Eng Peng has informed the Company that he intends to tender the 78,634 Shares held by him in acceptance of the Offer and intends to accept the Options Proposal in respect of all his 2,250,000 Options held and exercisable by him (including the Exercisable Options).

(c) Mr. Lee Suan Hiang has informed the Company that he intends to tender the 400,000 Shares held by him in acceptance of the Offer and intends to accept the Options Proposal in respect of all his 2,250,000 Options held and exercisable by him (including the Exercisable Options).

(d) Mr. Eugene Paul Lai Chin Look has informed the Company that he intends to accept the Options Proposal in respect of all his 2,250,000 Options held and exercisable by him (including the Exercisable Options).

(e) Mr. Chua Phuay Hee has informed the Company that he intends to accept the Options Proposal in respect of all his 2,250,000 Options held and exercisable by him (including the Exercisable Options).

## 6. OTHER DISCLOSURES

### 6.1 Directors' service contracts

As at the Latest Practicable Date:

(a) there are no service contracts between any of the Directors or proposed directors with the Company or any of its subsidiaries which have more than 12 months to run and which are not terminable by the employing company within the next 12 months without paying any compensation.

(b) there are no such service contracts entered into or amended during the period commencing six months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

### 6.2 Arrangements affecting Directors

As at the Latest Practicable Date, save as disclosed in this Circular and the Offer Document:

(a) there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer;

(b) it is not proposed that any payment or other benefit shall be made or given to any Director or director of any other corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer; and

(c) none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

## 7. MATERIAL CONTRACTS WITH INTERESTED PERSONS

As at the Latest Practicable Date, save as disclosed in any information on the Group which is publicly available (including without limitation the announcements, financial statements and annual reports released by the Company on SGXNET), neither the Company nor any of its subsidiaries has entered into material contracts (other than those entered into in the ordinary course of business) with persons who are interested persons during the period commencing three (3) years before the Offer Announcement Date and ending on the Latest Practicable Date.

## 8. MATERIAL LITIGATION

As at the Latest Practicable Date, save as disclosed in any information on the Group which is publicly available (including without limitation the announcements, financial statements and annual reports released by the Company on SGXNET), none of the Company or its subsidiaries is engaged in any material litigation, either as plaintiff or defendant, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole. As at the Latest Practicable Date, the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any litigation, claims or proceedings, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole.

## 9. FINANCIAL INFORMATION

### 9.1 Consolidated statements of comprehensive income

A summary of the audited consolidated statement of comprehensive income of the Group for FY2017, FY2018 and FY2019 is set out below.

| | Audited FY2019 $'000 | Audited FY2018 $'000 | Audited FY2017 $'000 |
|---|---|---|---|
| Revenue | 124,221 | 78,261 | 74,505 |
| Cost of sales | (76,707) | (47,530) | (26,105) |
| Gross profit | 47,514 | 30,731 | 48,400 |
| Other income | 51,893 | 327,448 | 144,871 |
| Administrative expenses | (45,117) | (37,760) | (25,815) |
| Other operating income/(expenses) | 775 | (491) | (3,671) |
| Results from operating activities | 55,065 | 319,928 | 163,785 |
| Finance income | 15,727 | 12,511 | 20,044 |
| Finance costs | (124,432) | (96,911) | (69,466) |
| Net finance costs | (108,705) | (84,800) | (49,422) |
| Share of results of associates and joint ventures, net of tax | 80,919 | 56,279 | 55,826 |
| Profit before tax | 27,279 | 291,807 | 170,189 |
| Tax expense | (21,822) | (82,302) | (31,344) |
| Profit for the year | 5,457 | 209,505 | 138,845 |
| Attributable to: | | | |
| Owners of the Company | 3,832 | 78,055 | 100,299 |
| Non-controlling interests | 1,625 | 131,450 | 38,546 |
| | 5,457 | 209,505 | 138,845 |
| Other comprehensive income: | | | |
| Items that are or may be reclassified subsequently to profit or loss | | | |
| Net change in fair value of available-for-sale financial assets | – | – | 21,120 |

| | Audited FY2019 $'000 | Audited FY2018 $'000 | Audited FY2017 $'000 |
|---|---|---|---|
| Foreign currency translation differences relating to foreign operations, net of tax | (82,515) | (72,858) | (53,211) |
| Foreign currency translation differences on monetary item forming part of net investment in foreign operations, net of tax | (11,877) | (5,778) | (1,257) |
| Share of other comprehensive income of associates and joint ventures | (52,530) | (42,767) | (35,618) |
| Other comprehensive income of associates reclassified to profit or loss upon disposal | 5,628 | – | – |
| | (141,294) | (121,403) | (68,966) |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Net change in fair value of equity investments, at fair value through other comprehensive income | 4,930 | (14,514) | – |
| Other comprehensive income for the year, net of tax | (136,364) | (135,917) | (68,966) |
| Total comprehensive income for the year | (130,907) | 73,588 | 69,879 |
| Attributable to: | | | |
| Owners of the Company | (97,028) | (27,271) | 55,367 |
| Non-controlling interests | (33,879) | 100,859 | 14,512 |
| | (130,907) | 73,588 | 69,879 |
| Earnings per share (cents) | | | |
| Basic | 0.23 | 4.70 | 6.02 |
| Diluted | 0.23 | 4.70 | 6.02 |
| Dividends per share (cents) | 0.20 | 0.40 | 1.00 |

The above summary is extracted from, and should be read together with, the annual reports of the Company for FY2017, FY2018 and FY2019, and the related notes thereto, copies of which are available for inspection at the Company's registered office as mentioned in **Section 16** of this Circular.

The audited consolidated financial statements of the Group for FY2019 is reproduced in **Appendix IV** to this Circular.

9.2 **Consolidated statement of financial position**

A summary of the audited consolidated statement of financial position of the Group as at 31 December 2019 is set out below.

| | **Audited** |
|---|---|
| | **$'000** |
| **Non-current assets** | |
| Property, plant and equipment | 291,447 |
| Investment properties | 3,378,695 |
| Associates and joint ventures | 2,254,469 |
| Intangible assets and goodwill | 75,741 |
| Trade and other receivables | 9,573 |
| | 6,009,925 |
| **Current assets** | |
| Development properties | 1,094,073 |
| Inventories | 326 |
| Trade and other receivables | 330,947 |
| Cash and cash equivalents | 119,808 |
| | 1,545,154 |
| **Non-current liabilities** | |
| Long and borrowings | 1,669,889 |
| Junior bonds | 30,000 |
| Lease liabilities | 182 |
| Trade and other payables | 152,097 |
| Deferred tax liabilities | 161,736 |
| | 2,013,904 |
| **Current liabilities** | |
| Loans and borrowings | 1,298,729 |
| Lease liabilities | 712 |
| Trade and other payables | 374,377 |
| Current tax liabilities | 15,756 |
| | 1,689,574 |

| | Audited $'000 |
|---|---|
| **Net assets** | 3,851,601 |
| **Equity** | |
| Share capital | 2,208,267 |
| Other reserves | 452,705 |
| Foreign currency translation reserve | (263,316) |
| Retained earnings | 234,778 |
| **Equity attributable to owners of the Company** | 2,632,434 |
| Non-controlling interests | 1,219,167 |
| **Total equity** | 3,851,601 |

The above summary is extracted from, and should be read together with, the annual report of the Company for FY2019 and the relevant financial statements and the related notes thereto, which are reproduced in **Appendix IV** to this Circular.

9.3 **Significant accounting policies**

The audited consolidated financial statements of the Group for FY2019 have been prepared in accordance with the provisions of the Companies Act and the Singapore Financial Reporting Standards (International) ("**SFRS(I)**"). A summary of the significant accounting policies of the Group is set out in Note 2 of the audited consolidated financial statements of the Group for FY2019, which is reproduced in **Appendix IV** to this Circular.

Save as disclosed above, in the notes to the audited consolidated financial statements of the Group for FY2019, there are no significant accounting policies or any matter from the notes of the financial statements of the Group which are of any major relevance for the interpretation of the financial statements of the Group.

9.4 **Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year, save that, in FY2019, the Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time:

(a) SFRS(I) 16 – Leases;

(b) SFRS(I) INT 23 – Uncertainty over Income Tax Treatments;

(c) Amendments to SFRS(I) 1-28 – Long-term Interests in Associates and Joint Ventures;

(d) Amendments to SFRS(I) 9 – Prepayment Features with Negative Compensation;

(e) Amendments to SFRS(I) 3 and 11 – Previously Held Interest in a Joint Operation;

(f) Amendments to SFRS(I) 1-12 – Income Tax Consequences of Payments on Financial Instruments Classified as Equity;

(g) Amendments to SFRS(I) 1-23 – Borrowing Costs Eligible for Capitalisation; and

(h) Amendments to SFRS(I) 1-19 – Plan Amendment, Curtailment or Settlement.

Other than SFRS(I) 16, the application of the above standards, amendments to standards and interpretations do not have a material effect on the financial statements. The nature and effect of the application of SFRS(I) 16 is disclosed below.

**SFRS(I) 16 Leases**

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

**Definition of a lease**

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

**As a lessee**

As a lessee, the Group leases assets including office spaces and other equipment. The Group previously classified leases as operating leases or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

**Leases classified as operating leases under SFRS(I) 1-17**

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if SFRS(I) 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

**As a lessor**

The Group leases out its investment properties. The Group has classified these leases as operating leases. The Group is not required to make any adjustments on transition to SFRS(I) 16 for leases in which it acts as a lessor.

**Impact on financial statements**

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets, including property, plant and equipment, additional lease liabilities, adjustment to trade and other payables, and the difference in retained earnings. The impact on transition is summarised below.

*Impact on transition*

| | **1 January 2019 S$'000** |
|---|---|
| Right-of-use assets – property, plant and equipment | 1,466 |
| Trade and other payables | 92 |
| Lease liabilities | (1,579) |
| Retained earnings | 21 |

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3.78%.

| | **1 January 2019 S$'000** |
|---|---|
| Operating lease commitments at 31 December 2018 under SFRS(I) 1-17 | 1,650 |
| Adjustment on initial application on 1 January 2019:<br>– Discounted using the incremental borrowing rate at 1 January 2019 | (71) |
| Lease liabilities recognised at 1 January 2019 | 1,579 |

As at the Latest Practicable Date, save as disclosed above and in publicly available information on the Group (including without limitation the announcements, financial statements and annual reports released by the Company on SGXNET), there has been no change in the accounting policies of the Group which will cause the figures set out in paragraphs 9.1 and 9.2 of **Appendix II** to this Circular to be not comparable to a material extent.

9.5 **Valuation on Subject Properties**

In connection with the Offer, the Company had commissioned independent valuations of the Subject Properties as at 31 March 2020. As disclosed in the Valuation Reports and/or Certificates, the basis of the valuation for each of the Subject Properties is market value. Copies of the Valuation Reports and/or Certificates are as set out in **Appendix V** of this Circular. The updated valuations of the Subject Properties will result in a net decrease of S$4 million in the net asset value of the Group, compared to the net asset value of the Group as at 31 December 2019.

The Valuation Reports and/or Certificates are available for inspection at the registered address of the Company at the registered address of the office of the Company at 8 Shenton Way #36-01 AXA Tower Singapore 068811. The valuations of the Subject Properties have been included as part of the IFA's consideration in the IFA Letter. As highlighted in the IFA Letter, it should be noted that several of the valuations in the Valuation Reports and/or Certificates are reported based on 'material valuation uncertainty' or higher market uncertainty in relation to Covid-19 and the future impact it may have on the real estate market. Therefore, there is less certainty and a higher degree of caution is attached to the independent valuation provided than would normally be the case.

Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the Subject Properties were to be sold at the amount of the valuation. Based on the Valuation Reports and/or Certificates, the potential net tax liabilities that may be incurred by the Company on the hypothetical disposal of its interests in the Subject Properties on an "as is" basis is approximately S$15.13 million. The Company expects the aforesaid tax liabilities to crystallise (if any) as and when the Company disposes of its interests in the Subject Properties.

As at the Latest Practicable Date, the Company has no current plans to dispose of its interests in the Subject Properties and accordingly, the aforesaid tax liabilities are not likely to crystallise.

9.6 **Material changes in financial position**

Save as disclosed in this Circular and in publicly available information on the Group (including without limitation the announcements, financial statements and annual reports released by the Company on SGXNET), as at the Latest Practicable Date, there has been no known material change in the financial position of the Company since 31 December 2019, being the date of the last published audited financial statements of the Group.

9.7 **Material change in information**

Save as disclosed in this Circular and save for the information relating to the Company and the Offer that is publicly available (including without limitation the announcements, financial statements and annual reports released by the Company on SGXNET), there has been no material change in any information previously published by or on behalf of the Company during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date.

**10. GENERAL**

10.1 **Costs and expenses**

All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

10.2 **Consents**

PricewaterhouseCoopers Corporate Finance Pte Ltd has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name, (ii) the IFA Letter, and all references thereto in the form and context in which they appear in this Circular.

KPMG LLP, named as the auditors of the Company, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the independent auditor's report in relation to the audited financial statements of the Group for FY2019 as set out in **Appendix IV** of this Circular, and the references to its name in the form and context in which they appear in this Circular.

Knight Frank Pte Ltd, named as the valuer in respect of Capitol Singapore (Retail Component), Eden Residences Capitol and The Capitol Kempinski Hotel Singapore, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, its respective Valuation Report and/or Certificate as set out in **Appendix V** to this Circular and all references thereto, in the form and context in which they appear in this Circular.

Savills Real Estate Valuation (Guangzhou) Ltd. Beijing Branch, named as the valuer in respect of Perennial International Health and Medical Hub, Perennial Qingyang Mall, Chengdu East High Speed Railway Integrated Development Plot D2 and Shenyang Longemont Integrated Development, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, its respective Valuation Reports and/or Certificates set out in **Appendix V** to this Circular and all references thereto, in the form and context in which they appear in this Circular.

Savills Valuation and Professional Services (S) Pte. Ltd., named as the valuer in respect of CHIJMES, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, its respective Valuation Report and/or Certificate set out in **Appendix V** to this Circular and all references thereto, in the form and context in which they appear in this Circular.

CBRE Limited, named as the valuer in respect of Perennial Jihua Mall, Xi'an North High Speed Railway Integrated Development Plot 4 (Non-Hotel), Beijing Tongzhou Integrated Development (Phase 1 – Plot 14-1 and 14-2), Beijing Tongzhou Integrated Development (Phase 1 – Plot 13), Xi'an North High Speed Railway Integrated Development Plot 4 (Hotel), and Beijing Tongzhou Integrated Development (Phase 2 – Plot 10, 11, 12), has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, its respective Valuation Reports and/or Certificates set out in **Appendix V** to this Circular and all references thereto, in the form and context in which they appear in this Circular.

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The provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been reproduced below.

All capitalised terms used in the following extracts shall have the same meanings ascribed to them in the Constitution and/or the Companies Act, a copy of which is available for inspection at the registered office of the Company at 8 Shenton Way #36-01 AXA Tower Singapore 068811 during normal business hours for the period during which the Offer remains open for acceptance.

**(A) RIGHTS IN RESPECT OF CAPITAL**

*"3. Subject to the Statutes and these Articles, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to Article 8, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time and subject or not to the payment of any part of the amount (if any) thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, Provided always that:* *Issue of Shares*

*(c) (subject to any direction to the contrary that may be given by the Company in General Meeting) any Issue of shares for cash to members holding shares of any class shall be offered to such members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of Article 8(A) with such adaptations as are necessary share apply; and*

*(d) any other issue of shares, the aggregate of which would exceed the limits referred to in Article 8(B), shall be subject to the approval of the Company in General Meeting.*

*4. (A) Preference shares may be issued subject to such limitation thereof as may be prescribed by the Stock Exchange, provided that the rights attaching to shares of a class other than ordinary shares must be expressed in these Articles. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrear.* *Issue of further preference capital*

*(B) The Company has power to issue further preference capital ranking equally with or in priority to, preference shares already issued.*

5. *The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.* *Treasury Shares*

6. *Whenever the share capital of the Company is divided into different classes of shares, subject to the provisions of the Statutes, preference capital, other than redeemable preference capital, may be repaid and the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so repaid, varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these Articles relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, provided always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, consent in writing if obtained from the holders of three-quarters of the issued shares of the class concerned within two months of such General Meeting shall be as valid and effectual as a Special Resolution carried at such General Meeting. The foregoing provisions of this Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.* *Variation of rights*

7. *The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto.* *Creation or issue of further shares ranking pari passu*

8. *(A) Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted under the listing rules of the Stock Exchange, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose* *Offer of new shares to members*

*of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 8(A).*

*(B) Notwithstanding Article 8(A), the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:*

*(a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or*

*(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and*

*(b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,*

*General authority*

*provided that:*

*(1) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution} shall be subject to such limits and manner of calculation as may be prescribed by the Stock Exchange;*

*(2) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the listing rules of the Stock Exchange for the time being in force (unless such compliance is waived by the Stock Exchange) and these Articles; and*

*(3) (unless revoked or varied by the Company in General Meeting} the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Statutes (whichever is the earliest).*

*(C) Except so far as otherwise provided by the conditions of issue or by these Articles, all new shares shall be subject to the provisions of the Statutes and of these Articles with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.*

*New shares subject to statutes and these Articles*

*Power to consolidate, sub-divide and convert shares*

9. *The Company may by Ordinary Resolution:*

   (a) *consolidate and divide all or any of its shares;*

   (b) *sub-divide its shares, or any of them (subject, nevertheless, to the provisions of the Statutes}, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with!he others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power lo attach to new shares; and*

   (c) *subject to the provisions of the Statutes, convert any class of shares into any other class of shares.*

*Power to reduce capital*

10. (A) *The Company may reduce its share capital or any undistributable reserve in any manner and with and subject to any incident authorised and consent required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Articles, the number of issued shares of the Company shall be diminished by the number of the shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.*

*Share repurchase*

   (B) *The Company may, subject to and in accordance with the Act, purchase or otherwise acquire its issued shares on such terms and in such manner as the Company may from time to time think fit. If required by the Act, any share which is so purchased or acquired by the Company shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act.*

*Absolute owner of shares*

11. *Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these Articles or by law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository or its nominee (as the case may be)) entered in the Register of Members as the registered holder thereof or (as the case may be) the person whose name is entered in the Depository Register in respect of that share.*

12. *Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine (or, in the absence of any such determination, as the Directors may determine) and subject to the provisions of the Statutes, the Company may issue preference shares which are, or at the option of the Company are liable, to be redeemed.* *Rights and privileges of new shares*

13. *Subject to the provisions of these Articles and of the Statutes relating to authority, pre-emption rights and otherwise and of any resolution of the Company in General Meeting passed pursuant thereto, all new shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.* *Power of Directors to issue shares*

14. *The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly brokerage paid shares or partly in one way and partly in the other.* *Power to pay commission and brokerage*

15. *Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within ten Market Days of the closing date (or such other period as may be approved by the Stock Exchange) of any such application. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder or (as the case may be) before that share is entered against the name of a Depositor in the Depository Register, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.* *Allotment of shares*

36. *All transfers of the legal title in shares may be effected by the registered holders thereof by transfer in writing in the form for the time being approved by the Stock Exchange. Transfers of legal titles in shares may also be effected in writing in any other form acceptable to the Directors. The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed, provided that an instrument of transfer in respect of which the transferee is the Depository or its nominee (as the case may be) shall be effective although not signed or witnessed by or on behalf of the Depository or its nominee (as the case may be). The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.* *Form and execution of transfer*

*37. The Register of Members may be closed at such times and for such period as the Directors may from time to time determine, provided always that such Register shall not be closed for more than 30 days in any Year, provided always that the Company shall give prior notice of such closure as may be required to the Stock Exchange, stating the period and purpose or purposes for which the closure is made.* *Closure of transfer books and Register of Members*

*38. (A) There shall be no restriction on the transfer of fully paid-up shares (except where required by law or the listing rules of, or bye-laws and rules, governing, the Stock Exchange). However, the Directors may, in their sole discretion, decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid-up may refuse to register a transfer to a transferee of whom they do not approve, provided always that in the event of the Directors refusing to register a transfer of shares, they shall within one (1) month beginning with the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.* *Directors' power to decline a register of transfer*

*(B) The Directors may in their sole discretion refuse to register any instrument of transfer of shares unless:* *When Directors may refuse to register a transfer*

*(a) such fee not exceeding S$2 as the Directors may from time to time require, is paid to the Company in respect thereof;*

*(b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;*

*(c) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if any), the certificates of the shares to which the transfer relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and*

*(d) the instrument of transfer is in respect of only one class of shares.*

*39. If the Directors refuse to register a transfer of any shares, they shall within ten Market Days after the date on which the transfer was lodged with the Company send to the transferor and the transferee notice of the refusal as required by the Statutes.* *Notice of refusal to register a transfer*

*40. All instruments of transfer which are registered may be retained by the Company, but any instrument of transfer which the Directors may refuse to register shall (except in the case of fraud) be returned to the party presenting the same.* *Retention of transfers*

41. *There shall be paid to the Company in respect of the registration of any instrument of transfer or probate or letters of administration or certificate of marriage or death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding S$2 as the Directors may from time to time require or prescribe.* *Fees for registration of transfer*

42. *The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company; provided always that:* *Destruction of transfers*

(a) *the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;*

(b) *nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and*

(c) *references herein to the destruction of any document include references to the disposal thereof in any manner.*

42A. *Every person who becomes registered in the Register of Members or Depository Register to be the holder of a share is bound by every notice which, prior to that person's name being entered in the Register of Members or Depository Register, was duly given to the person from whom he derives his title to such share.* *Transferees bound by prior notice*

46. *The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares. For the purposes of Articles 46, 47 and 48, the word "stock" shall mean the ordinary stock in the capital of the Company into which issued shares are converted, transferable in such amounts and multiples as the Company may determine.* *Conversion of shares to stock and re-conversion*

*47. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Articles as and subject to which the shares from which the stock arose might previously to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.* *Transfer of stock*

*48. The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards participation in the dividends, profits or assets of the Company) shall be conferred by the number of stock units which would not, if existing in shares, have conferred such privilege or advantage; and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted."* *Rights of stockholders*

**(B) RIGHTS IN RESPECT OF VOTING**

*"51. Any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by 21 days' notice in writing at the least and an Annual General Meeting and any other Extraordinary General Meeting by 14 days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given in the manner hereinafter mentioned to all members other than such as are not under the provisions of these Articles and the Act entitled to receive such notices from the Company; provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:* *Notice of general meeting*

*(a) in the case of an Annual General Meeting by all the members entitled to attend and vote thereat; and*

*(b) in the case of an Extraordinary General Meeting by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent of the total voting rights of all the members having a right to vote at that meeting,*

*Provided also that the accidental omission to give notice to or the non receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. So long as the shares in the Company are listed on any Stock Exchange, at least 14 days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to the Stock Exchange.*

*52. (A) Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a member of the Company.* *Contents of notice for general meeting*

*(B) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.* *Contents of notice for annual general meeting*

*(C) In the case of any General Meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of such business; and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.* *Notice of general meeting for special business and special resolutions*

*54. Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.* *Statement regarding effect of special business*

*55. The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any meeting neither be present within ten minutes after the time appointed for holding the meeting and willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the members present shall choose one of their number) to be chairman of the meeting.* *Chairman of general meeting*

*56. No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two or more members present in person or by proxy. Provided that (i) a proxy representing more than one member shall only count as one member for the purpose of determining the quorum; and (ii) where a member is represented by more than one proxy such proxies shall count as only one member for the purpose of determining the quorum.* *Quorum*

*57. If within 30 minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint. At the adjourned meeting any one or more members present in person or by proxy shall be a quorum.* *If quorum not present, adjournment or dissolution of meeting*

58. *The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for 30 days or more or sine die, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.* *Business at adjourned meeting*

59. *Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.* *Notice of adjournment not required*

60. *If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.* *Amendment of resolutions*

61. (A) *If required by the listing rules of the Stock Exchange, all resolutions at General Meetings shall be voted by poll (unless such requirement is waived by the Stock Exchange), and such poll may be conducted in such manner (including by way of electronic voting) as the Directors may determine.* *Method of voting*

(B) *Subject to Article 61(A), at any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:*

(a) *the chairman of the meeting; or*

(b) *not less than two members present in person or by proxy and entitled to vote at the meeting; or*

(c) *a member present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or*

(d) *a member present in person or by proxy and holding not less than 10 per cent. of the total number of paid-up shares of the Company (excluding treasury shares).*

62. *A demand for a poll made pursuant to Article 61(B) may be withdrawn only with the approval of the Chairman. Unless a poll is required, a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect* *Taking a poll*

*in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was taken. The chairman of the meeting may (and, if required by the listing rules of the Stock Exchange or if so directed by the meeting, shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.*

*63. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands or poll takes place shall be entitled to a casting vote.* *Casting vote of chairman*

*64. A poll on the choice of a chairman or on a question of adjournment shall be taken immediately. A poll on any other question shall be taken either immediately or at such subsequent time (not being more than 30 days from the date of the meeting) and place as the chairman may direct. No notice need be given of a poll not taken immediately. The demand for a poll made pursuant to Article 61(B) shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.* *Timing for taking poll and continuance of business after demand for a poll*

*65. Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to Article 5, each member entitled to vote may vote in person or by proxy. On a show of hands, every member who is present in person or by proxy shall have one vote (provided that in the case of a member who is represented by two proxies, only one of the two proxies as determined by that member or, failing such determination, by the Chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands) and on a poll, every member who is present in person or by proxy shall have one vote for every share which he holds or represents. For the purpose of determining the number of votes which a member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by the Depository to the Company.* *How members may vote*

*66. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or (as the case may be) the Depository Register in respect of the share.* *Voting rights of joint holders*

*68.* *No member shall, unless the Directors otherwise determine, be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid.* *Entitlement of members to vote*

*69.* *No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.* *When objection to admissibility of votes may be made*

*70.* *On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.* *Vote on a poll*

*71.* *(A)* *A member may appoint not more than two proxies to attend and vote at the same General Meeting, provided that if the member is a Depositor, the Company shall be entitled and bound:* *Appointment of proxies*

*(a)* *to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by the Depository to the Company; and*

*(b)* *to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.*

*(B)* *The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.* *Notes and instructions*

*(C)* *In any case where a form of proxy appoints more than one proxy, the proportion of the member's shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, the Company shall be entitled to determine the proportion of the member's shareholding in accordance with the manner provided for in the form of proxy.* *Proportion of shareholdings to be represented by proxies*

*(D)* *A proxy need not be a member of the Company.* *Proxy need not be a member*

*72. (A) An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and:* *Execution of proxies*

*(a) in the case of an individual, shall be signed by the appointor or his attorney; and*

*(b) in the case of a corporation, shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation*

*(B) The signature on such instrument need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Article, failing which the instrument may be treated as invalid.* *Witness and authority*

*73. An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office) not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates; provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates.* *Deposit of proxies*

*74. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the meeting* *Rights of proxies*

*75. A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.* *Intervening death or insanity*

*76. Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall for the purposes of these Articles (but subject to the Act) be deemed to be present in person at any such meeting if a person so authorised is present thereat."* *Corporations acting by representatives*

**(C) RIGHTS IN RESPECT OF DIVIDENDS**

*"121. The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.* *Declaration of dividends*

*122. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.* *Interim dividends*

*123. Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:* *Apportionment of dividends*

*(a) all dividends in respect of shares must be paid in proportion to the number of shares held by a member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and*

*(b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid.*

*For the purposes of this Article, an amount paid or credited as paid on a share in advance of a call is to be ignored.*

*124. No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes.* *Dividends payable out of profits*

*125. No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.* *No interest on dividends*

*126. (A) The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.* *Retention of dividends on shares subject to lien*

*(B) The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.* *Retention of dividends pending transmission*

*127. The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the shareholder (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.* *Waiver of dividends*

*128. The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends and other moneys payable on or in respect of a share that are unclaimed after first becoming payable may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend or any such moneys unclaimed after a period of six years from the date they are first payable may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the moneys so forfeited to the person entitled thereto prior to the forfeiture. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividends or moneys against the Company if a period of six years has elapsed from the date such dividend or other moneys are first payable.* *Unclaimed dividends or other moneys*

*129. The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.* *Payment of dividend in specie*

*130. (A) Whenever the Directors or the Company in General Meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on shares of a particular class in the capital of the Company, the Directors may further resolve that members entitled to such dividend be entitled to elect to receive an allotment of shares of that class credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:* *Scrip dividend scheme*

*(a) the basis of any such allotment shall be determined by the Directors;*

*(b) the Directors shall determine the manner in which members shall be entitled to elect to receive an allotment of shares of the relevant class credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to members, providing for forms of election for completion by members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Article 130;*

*(c) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and*

*(d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on the shares of the relevant class in respect whereof the share election has been duly exercised (the "elected shares") and, in lieu and in satisfaction thereof, shares of the relevant class shall be allotted and credited as fully paid to the holders of the elected shares on the basis of allotment determined as aforesaid. For such purpose and notwithstanding the provisions of Article 135, the Directors shall (i) capitalise and apply out of the amount standing to the credit of any of the Company's reserve accounts or any amount standing to the credit of the profit and loss account or otherwise available for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of shares for allotment and distribution to and among the holders of the elected shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected shares towards payment of the appropriate number of shares of the relevant class for allotment and distribution to and among the holders of the elected shares on such basis.*

*(B) The shares of the relevant class allotted pursuant to the provisions of Article 130(A) shall rank pari passu in all respects with the shares of that class then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.*

(C) *The Directors may, on any occasion when they resolve as provided in Article 130(A), determine that rights of election under that paragraph shall not be made available to the persons who are registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of shares, the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit, and in such event the provisions of Article 130 shall be read and construed subject to such determination.*

(D) *The Directors may, on any occasion when they resolve as provided in Article 130(A), further determine that:*

(a) *no allotment of shares or rights of election for shares under Article 130(A) shall be made available or made to members whose registered addresses entered in the Register of Members or (as the case may be) the Depository Register is outside Singapore or to such other members or class of members as the Directors may in their sole discretion decide and in such event the only entitlement of the members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared; and*

(b) *no allotment of shares or rights of election for shares under Article 130(A) shall be made available or made to a person, or any persons, if such allotment or rights of election would in the opinion of the Directors cause such person, or such persons, to hold or control voting shares in excess of any shareholding or other limits which may from time to time be prescribed in any Statute, without the approval of the applicable regulatory or other authority as may be necessary.*

(E) *Notwithstanding the foregoing provisions of this Article, if at any time after the Directors' resolution to apply the provisions of Article 130(A) in relation to any dividend but prior to the allotment of shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their discretion and as they deem fit in the interest of the Company and without assigning any reason therefor, cancel the proposed application of Article 130(A).*

(F) *The Directors may do all acts and things considered necessary or expedient to give effect to the provisions of Article 130(A), with full power to make such provisions as they think fit in the case of shares of the relevant class becoming distributable in fractions (including, notwithstanding any provision to the contrary in these Articles, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down).*

*131. Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of a member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person at such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.*

*Dividends payable by cheque or warrant*

*132. Notwithstanding the provisions of Article 131 and the provisions of Article 134, the payment by the Company to the Depository of any dividend payable to a Depositor shall, to the extent of the payment made to the Depository, discharge the Company from any liability to the Depositor in respect of that payment.*

*Payment to Depository good discharge*

*133. If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.*

*Payment of dividends to joint holders*

*134. Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.*

*Resolution declaring dividends*

*135. (A) The Directors may, with the sanction of an Ordinary Resolution of the Company (including any Ordinary Resolution passed pursuant to Article 8(B)):*

*Power to issue free bonus shares and/or to capitalise reserves*

*(a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:*

*(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or*

(ii) *(in the case of an Ordinary Resolution passed pursuant to Article 8(B)) such other date as may be determined by the Directors,*

*in proportion to their then holdings of shares; and/or*

(b) *capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:*

(i) *the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or*

(ii) *(in the case of an Ordinary Resolution passed pursuant to Article 8(B)) such other date as may be determined by the Directors,*

*in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full new shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, new shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.*

(B) *The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue and/or capitalisation under Article 135(A), with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned). The Directors may authorise any person to enter on behalf of all the members interested into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.* *Power of Directors to give effect to bonus issues and capitalisations*

136. *In addition and without prejudice to the powers provided for by Article 135, the Directors shall have power to issue shares for which no consideration is payable and/or to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full new shares, in each case on terms that such shares shall, upon issue, be held* *Power to issue free shares and/or to capitalize reserves for employee share-based incentive plans*

*by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in General Meeting and on such terms as the Directors shall think fit."*

**(D) RIGHTS IN RESPECT OF WINDING UP**

*"146. The Directors shall have the power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.* *Power to present winding up petition*

*147. If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the Liquidator may, with the authority of a Special Resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the members of different classes of members. The Liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the Liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.* *Distribution of assets in specie*

*148. In the event of a winding up of the Company every member of the Company who is not for the time being in the Republic of Singapore shall be bound, within 14 days after the passing of an effective resolution to wind up the Company voluntarily, or within the like period after the making of an order for the winding up of the Company, to serve notice in writing on the Company appointing some householder in the Republic of Singapore upon whom all summonses, notices, processes, orders and judgments in relation to or under the winding up of the Company may be served, and in default of such nomination the liquidator of the Company shall be at liberty on behalf of such member to appoint some such person, and service upon any such appointee shall be deemed to be a good personal service on such member for all purposes, and where the liquidator makes any such appointment he shall, with all convenient speed, give notice thereof to such member by advertisement in any leading daily newspaper in the English language in circulation in Singapore or by a registered letter sent through the post and addressed to such member at his address as appearing in the Register of Members or (as the case may be) the Depository Register, and such notice shall be deemed to be served on the day following that on which the advertisement appears or the letter is posted."* *Member outside Singapore*

The audited consolidated financial statements of the Group for FY2019 which are set out below have been reproduced from the Company's annual report for FY2019, and were not specifically prepared for inclusion in this Circular.

All capitalised terms used in Note 2 to the audited consolidated financial statements of the Group for FY2019 set out below shall have the same meanings given to them in the annual report of the Company for FY2019.

A copy of the annual report of the Company for FY2019 is available for inspection at the registered address of the Company at 8 Shenton Way #36-01 AXA Tower Singapore 068811, during normal business hours until the Closing Date.

We are pleased to submit this annual report to the shareholders of Perennial Real Estate Holdings Limited (the "Company") together with the audited financial statements for the financial year ended 31 December 2019.

In our opinion:

(a) the financial statements set out on pages 139 to 209 are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Companies Act") and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement and as disclosed in note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

## DIRECTORS

The directors in office at the date of this statement are as follows:

Kuok Khoon Hong
Ron Sim
Eugene Paul Lai Chin Look
Ooi Eng Peng
Lee Suan Hiang
Chua Phuay Hee
Pua Seck Guan

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except for the disclosure under the "Directors' interests in shares or debentures" and "Share options" sections of this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, and share options in the Company and in related corporations (other than wholly-owned subsidiaries, excluding Perennial Treasury Pte. Ltd.) are as follows:

| | Holdings registered in the name of directors | | Holdings in which directors are deemed to have an interest | |
|---|---|---|---|---|
| **Name of director** | **At beginning of the year** | **At end of the year** | **At beginning of the year** | **At end of the year** |
| **The Company** | | | | |
| **Ordinary shares** | | | | |
| Kuok Khoon Hong[(1)] | – | – | 606,120,716 | 607,031,816 |
| Ron Sim[(2)] | 254,652,664 | 254,652,664 | 2,059,035 | 2,059,035 |
| Ooi Eng Peng | 78,634 | 78,634 | – | – |
| Lee Suan Hiang[(3)] | 200,000 | 200,000 | 200,000 | 200,000 |
| Pua Seck Guan[(4)] | 7,423,668 | 7,423,668 | 164,095,626 | 165,503,926 |
| **$280 million 4-year 4.55% Retail Bonds due 2020** | | | | |
| Kuok Khoon Hong[(5)] | – | – | 33,713,000 | 33,713,000 |
| **$120 million 3-year 3.90% Fixed Rate Notes due 2021** | | | | |
| Kuok Khoon Hong[(6)] | – | – | 50,000,000 | 50,000,000 |
| **$180 million 2-year 5.95% Fixed Rate Notes due 2020** | | | | |
| Kuok Khoon Hong[(7)] | – | – | 30,000,000 | 30,000,000 |
| Ron Sim[(8)] | – | – | 10,000,000 | 10,000,000 |
| Pua Seck Guan | 5,000,000 | 5,000,000 | – | – |
| **Subsidiary** | | | | |
| **Perennial Treasury Pte. Ltd.** | | | | |
| **$125 million 3-year 4.90% Fixed Rate Notes due 2019** | | | | |
| Kuok Khoon Hong[(9)] | – | – | 1,250,000 | – |
| **$100 million 3-year 3.85% Fixed Rate Notes due 2020** | | | | |
| Kuok Khoon Hong[(10)] | – | – | 29,250,000 | 29,250,000 |

Notes:
(1) Mr Kuok Khoon Hong's deemed interest in the Shares arises from his shareholdings in HPRY Holdings Limited ("HPRY"), Hong Lee Holdings (Pte) Ltd, Longhlin Asia Limited, Kuok Hock Swee & Sons Sdn. Bhd., Pearson Investments Limited, and Jaygar Holdings Limited, through trust accounts controlled by him, through Madam Yong Lee Lee (his spouse) and Langton Enterprise Ltd, a company wholly-owned by Madam Yong Lee Lee.
(2) Mr Ron Sim's direct interest includes the Shares held through bank nominees. Mr Ron Sim is deemed interested in the Shares held by Madam Teo Sway Heong (his spouse).
(3) Mr Lee Suan Hiang's deemed interest in the Shares arises from the Shares held through bank nominees.
(4) Mr Pua Seck Guan's deemed interest in the Shares arises from his shareholdings in PSG Holdings Pte. Ltd. and Shares held in the name of bank nominees.
(5) The deemed interest of Mr Kuok Khoon Hong in the Company's 4-Year 4.55% Retail Bonds due 2020 arises from the bonds held through a bank nominee and from his shareholdings in HPRY.
(6) The deemed interest of Mr Kuok Khoon Hong in the Company's 3-Year 3.90% Notes due 2021 arises from his shareholdings in HPRY.
(7) The deemed interest of Mr Kuok Khoon Hong in the Company's 2-Year 5.95% Notes due 2020 arises from his shareholdings in HPRY and Longhlin Asia Limited respectively.
(8) The deemed interest of Mr Ron Sim in the Company's 2-Year 5.95% Notes due 2020 arises from his shareholdings in TWG Tea Company Pte. Ltd.
(9) The deemed interest of Mr Kuok Khoon Hong in the subsidiary's 3-Year 4.90% Notes due 2019 arises from his shareholdings in HPRY. The notes were redeemed on 18 March 2019.
(10) The deemed interest of Mr Kuok Khoon Hong in the subsidiary's 3-Year 3.85% Notes due 2020 arises from his shareholdings in HPRY.

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

| | Holdings registered in the name of directors | |
|---|---|---|
| Name of director | At beginning of the year | At end of the year |
| **Perennial Employee Share Option Scheme 2014** | | |
| *Grant of options to subscribe for ordinary shares exercisable from 16 May 2016 to 15 May 2020 at $1.07 per share* | | |
| Eugene Paul Lai Chin Look | 500,000 | – |
| Lee Suan Hiang | 500,000 | – |
| Chua Phuay Hee | 500,000 | – |
| *Grant of options to subscribe for ordinary shares exercisable from 9 October 2016 to 8 October 2020 at $0.95 per share* | | |
| Pua Seck Guan | 5,100,000 | 5,100,000 |
| *Grant of options to subscribe for ordinary shares exercisable from 13 May 2018 to 12 May 2022 at $0.88 per share* | | |
| Eugene Paul Lai Chin Look | 1,000,000 | 1,000,000 |
| Ooi Eng Peng | 1,000,000 | 1,000,000 |
| Lee Suan Hiang | 1,000,000 | 1,000,000 |
| Chua Phuay Hee | 1,000,000 | 1,000,000 |
| Pua Seck Guan | 5,100,000 | 5,100,000 |
| *Grant of options to subscribe for ordinary shares exercisable from 23 March 2019 to 22 March 2023 at $0.87 per share* | | |
| Eugene Paul Lai Chin Look | 1,000,000 | 1,000,000 |
| Ooi Eng Peng | 1,000,000 | 1,000,000 |
| Lee Suan Hiang | 1,000,000 | 1,000,000 |
| Chua Phuay Hee | 1,000,000 | 1,000,000 |
| Pua Seck Guan | 5,100,000 | 5,100,000 |
| *Grant of options to subscribe for ordinary shares exercisable from 26 February 2020 to 25 February 2024 at $0.68 per share* | | |
| Eugene Paul Lai Chin Look | – | 1,000,000 |
| Ooi Eng Peng | – | 1,000,000 |
| Lee Suan Hiang | – | 1,000,000 |
| Chua Phuay Hee | – | 1,000,000 |
| Pua Seck Guan | – | 5,100,000 |

By virtue of Section 7 of the Companies Act, Mr Kuok Khoon Hong is deemed to have an interest in the shares of all the subsidiaries to the extent held by the Company.

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

There were no changes in any of the above mentioned directors' interests in the Company between the end of the financial year and 21 January 2020.

## SHARE OPTIONS

### Perennial Employee Share Option Scheme 2014 ("Perennial ESOS 2014")

The Perennial ESOS 2014 was approved by shareholders of the Company at an Extraordinary General Meeting held on 10 October 2014.

Under the rules of the Perennial ESOS 2014, all directors (including non-executive and independent directors) and employees of the Company and its subsidiaries are eligible to participate in the Perennial ESOS 2014. Controlling shareholders are also eligible to participate in the Perennial ESOS 2014 subject to the approval of independent shareholders in the form of separate resolutions for each participant.

Under the Perennial ESOS 2014, the option entitles eligible participants to subscribe for ordinary share in the Company at a price equal to the volume-weighted average price of the Company's shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the three consecutive trading days immediately preceding the Date of Grant of that Option ("Market Price") or at a discount to the Market Price (up to a maximum 20%).

The maximum number of shares (in respect of the options) that may be granted under the Perennial ESOS 2014, after taking into account of (i) the total number of new shares allotted and issued and/or to be allotted and issued (excluding treasury shares and subsidiary holdings) pursuant to options granted under the Perennial ESOS 2014; and (ii) the total number of shares subject to any other share option or share incentive schemes of the Company, shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) provided always that all number of shares available to each controlling shareholder or each of their associates shall not exceed 10% of the shares available under the Perennial ESOS 2014.

The Remuneration Committee ("RC") is charged with the administration of the Perennial ESOS 2014 in accordance with the rules of the Perennial ESOS 2014. The number of options to be awarded to a participant is dependent on job grade level, performance and criticality to the long-term growth and profitability of the Group.

On 25 February 2019, the Company granted options to certain directors and employees of the Group to subscribe for a total of 27,719,500 shares at $0.68 per share (based on Market Price). All options granted under the Perennial ESOS 2014 are valid for a term of 5 years from the date of their grants and are exercisable in the following manner for eligible participants who have been in employment with more than 12 months services as at date of grant:

- After 1st anniversary of the date of grant – 25% of options granted
- After 2nd anniversary of the date of grant – 25% of options granted
- After 3rd anniversary of the date of grant – 25% of options granted
- After 4th anniversary of the date of grant – 25% of options granted

For eligible participants who have been in employment with less than 12 months services as at date of grant:

- After 2nd anniversary of the date of grant – 25% of options granted
- After 3rd anniversary of the date of grant – 25% of options granted
- After 4th anniversary of the date of grant – 25% of options granted
- After 4.5th anniversary of the date of grant – 25% of options granted

In respect of the Perennial ESOS 2014, no participant received option which totaled 5% or more of the total number of shares available under the scheme except as disclosed below:

| Name of participant | Options granted during the financial year ended 31/12/2019 '000 | Aggregate options granted since the commencement of the scheme to 31/12/2019 '000 | Aggregate options exercised since the commencement of the scheme to 31/12/2019 '000 | Aggregate options outstanding as at 31/12/2019 '000 |
|---|---|---|---|---|
| Pua Seck Guan | 5,100 | 20,400 | – | 20,400 |

No option has been granted with exercise price set at a discount to the Market Price of the shares at the date of grant.

As at 31 December 2019, the total number of outstanding options under the grant was 72,465,500 (2018: 56,540,000).

## SHARE OPTIONS (continued)

At the end of the financial year, details of the unissued ordinary shares under options are as follows:

**Unissued Shares under Perennial ESOS 2014**

| Date of grant | As at 1/1/2019 '000 | No. of options granted during the year '000 | No. of options lapsed/ cancelled '000 | No. of options exercised '000 | As at 31/12/2019 '000 | Exercise price per share $ | Exercise period |
|---|---|---|---|---|---|---|---|
| 15/5/2015 | 9,790 | – | (9,790) | – | – | 1.07 | 16/5/2016 – 15/5/2020 |
| 8/10/2015 | 5,100 | – | – | – | 5,100 | 0.95 | 9/10/2016 – 8/10/2020 |
| 12/5/2017 | 19,990 | – | (380) | – | 19,610 | 0.88 | 13/5/2018 – 12/5/2022 |
| 22/3/2018 | 21,660 | – | (740) | – | 20,920 | 0.87 | 23/3/2019 – 22/3/2023 |
| 25/2/2019 | – | 27,720 | (884) | – | 26,836 | 0.68 | 26/2/2020 – 25/2/2024 |
| Total | 56,540 | 27,720 | (11,794) | – | 72,466 | | |

The number of outstanding options represents 4.36% of the total number of shares issued (excluding treasury shares and subsidiary holdings) as at 31 December 2019.

During the financial year, except as disclosed in this statement, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries;

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries; and

(iii) no options that entitle the holders to participate, by virtue of the options, in any share issue of any other corporation have been granted.

The information on directors and employees participating in the Perennial ESOS 2014 is as follows:

| | Aggregate options granted during the financial year '000 | Aggregate options granted since commencement of the option scheme to 31/12/2019 '000 | Aggregate options exercised since commencement of the option scheme to 31/12/2019 '000 | Aggregate options lapsed since commencement of the option scheme to 31/12/2019 '000 | Aggregate options outstanding as at 31/12/2019 '000 |
|---|---|---|---|---|---|
| Eugene Paul Lai Chin Look | 1,000 | 3,500 | – | (500) | 3,000 |
| Ooi Eng Peng | 1,000 | 3,000 | – | – | 3,000 |
| Lee Suan Hiang | 1,000 | 3,500 | – | (500) | 3,000 |
| Chua Phuay Hee | 1,000 | 3,500 | – | (500) | 3,000 |
| Pua Seck Guan | 5,100 | 20,400 | – | – | 20,400 |
| Employees | 18,620 | 60,250 | – | (20,184) | 40,066 |
| Total | 27,720 | 94,150 | – | (21,684) | 72,466 |

## AUDIT COMMITTEE

The Audit and Risk Committee ("ARC") comprises four independent directors. The members of the ARC during the year and at the date of this statement are:

Ooi Eng Peng (Chairman)
Eugene Paul Lai Chin Look
Chua Phuay Hee
Lee Suan Hiang

The ARC carried out its functions in accordance with Section 201B of the Companies Act, the SGX-ST Listing Manual and the Code of Corporate Governance.

The ARC has held four meetings since the last directors' statement. In performing its functions, the ARC has met with the Company's external and internal auditors.

## AUDIT COMMITTEE (continued)

The ARC also reviewed the following:

- the appropriateness of quarterly, half-year and full year results announcements;
- reliability and integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;
- at least annually on the adequacy and effectiveness of Group's internal controls, including financial and accounting, operational, compliance and IT controls, and risk management systems;
- the effectiveness and adequacy of internal and external audits;
- the implementation of improvements to internal control systems identified by internal auditors;
- the appointment, re-appointment and removal of external and internal auditors, and approves the remuneration and terms of engagement of the external and internal auditors;
- the Group's compliance with laws and regulations, particularly those of the Companies Act and the SGX-ST Listing Manual;
- the whistle-blowing policy; and
- the procedures established to regulate interested person transactions and ensuring the compliance of such transactions with the SGX-ST Listing Manual.

The ARC has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The ARC also recommends the appointment and re-appointment of the external auditors and reviews the level of audit and non-audit fees.

The ARC has conducted an annual review of the non-audit services provided by KPMG LLP and is satisfied that such services did not affect their independence as external auditors of the Company.

The ARC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

## AUDITORS

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

On behalf of the Board of Directors

**Kuok Khoon Hong**
*Director*

**Pua Seck Guan**
*Director*

13 May 2020

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the financial statements of Perennial Real Estate Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 139 to 209.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### *Basis for opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Valuation of investment properties**
(Refer to Note 6 to the financial statements)

*Risk*

As at 31 December 2019, the Group has investment properties, mainly in Singapore and China, with a total carrying amount of $3.38 billion.

These investment properties are stated at fair values based on external independent valuations. The valuation process involves significant judgement in determining the appropriate valuation methodology to be used and in estimating the underlying assumptions to be applied. The valuations are sensitive to key assumptions applied in deriving future cash flows, average value per square metre, capitalisation rates, discount rates and terminal yield rates. Any changes in the key assumptions will have an impact on the valuation.

*Our response*

We assessed the competency and objectivity of the external independent valuers and held discussion with the valuers to understand their assumptions and basis used.

We considered the valuation methodologies used against those applied by valuers for similar property types. We tested the integrity of inputs of the future cash flows used in the valuation to supporting leases and other documents. We evaluated the appropriateness of the average value per square metre and discount, capitalisation and terminal yield rates applied by comparing them against historical rates and available industry data, taking into consideration comparability and market factors.

*Findings*

The valuers are members of generally-recognised professional body for valuers. The valuation methodologies used are in line with generally accepted market practices. The key assumptions applied are comparable to the historical trends and within the range of available market data.

***Key audit matters*** (continued)

**Valuation of development properties**
(Refer to Note 11 to the financial statements)

*Risk*

Development properties comprise completed commercial properties in Singapore, and development properties under construction and land parcels in China. The development properties are stated at the lower of their cost and net realisable values ("NRV"). NRV represents the estimated selling price, less the estimated costs of completion and estimated costs necessary to make the sale. As at 31 December 2019, the carrying value of development properties amounted to $1.09 billion.

The Group assessed the NRV of the completed commercial properties in Singapore by taking into consideration the expected selling prices.

For the development properties under construction and land parcels in China, the Group engaged external independent valuers to assess the NRV of the development properties. The external independent valuers' assessments take into consideration, among others, unit prices of comparable projects, gross development value of the development properties and the estimated costs to complete the development. In deriving the gross development value, the external independent valuers made certain assumptions, including market rent and capitalisation and discount rates.

*Our response*

For the completed commercial properties in Singapore, we assessed the Group's expected selling prices by comparing them to recent transacted prices for the relevant property or prices of comparable properties located in the same vicinity.

For the development properties under construction and land parcels in China, we independently validated the unit prices of the comparable projects and evaluated the reasonableness of market rent, capitalisation and discount rates by comparing to available industry data, taking into consideration comparability and market factors. We also compared the estimated cost to complete the properties assumed by the external independent valuers against construction costs of the comparable projects.

*Findings*

We found that the assumptions applied in the determination of NRV of the development properties to be within the range of available market data.

**Impairment of intangible assets and goodwill**
(Refer to Note 8 to the financial statements)

*Risk*

The Group has recorded intangible assets and goodwill in relation to its management business, at a carrying value of $75.74 million as at 31 December 2019.

The Group has used the value-in-use approach, using discounted cash flow method, in estimating the recoverable amount of the management business. In applying the discounted cash flow method, the Group applied a number of key assumptions, including cash flow projections of the management business, growth rates and discount rates.

*Our response*

We assessed the key assumptions applied by management, including those relating to cash flow projections and growth rates, taking into consideration management's planned strategies around revenue streams and costs initiatives, and compared them against historical performance and committed management contracts. We also compared the discount rates used by management to available market data.

*Findings*

The key assumptions applied are assessed to be supportable when compared to the range of available market data and historical trends, taking into consideration the committed management contracts.

***Other information***

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

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

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

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Karen Lee Shu Pei.

**KPMG LLP**
*Public Accountants and*
*Chartered Accountants*

**Singapore**
13 May 2020

| | Note | Group 2019 $'000 | Group 2018 $'000 | Company 2019 $'000 | Company 2018 $'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 5 | 291,447 | 297,445 | 154 | 233 |
| Investment properties | 6 | 3,378,695 | 3,349,533 | – | – |
| Subsidiaries | 32 | – | – | 2,650,095 | 2,637,351 |
| Associates and joint ventures | 7 | 2,254,469 | 2,491,511 | – | – |
| Intangible assets and goodwill | 8 | 75,741 | 78,345 | – | – |
| Other financial assets | 9 | – | 72,510 | – | 72,510 |
| Trade and other receivables | 10 | 9,573 | 4,211 | – | – |
| | | 6,009,925 | 6,293,555 | 2,650,249 | 2,710,094 |
| **Current assets** | | | | | |
| Development properties | 11 | 1,094,073 | 1,088,059 | – | – |
| Inventories | | 326 | 1,234 | – | – |
| Trade and other receivables | 10 | 330,947 | 210,630 | 186,854 | 148,951 |
| Cash and cash equivalents | 12 | 119,808 | 76,856 | 785 | 4,582 |
| | | 1,545,154 | 1,376,779 | 187,639 | 153,533 |
| **Total assets** | | 7,555,079 | 7,670,334 | 2,837,888 | 2,863,627 |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 13 | 1,669,889 | 2,176,102 | 119,914 | 615,128 |
| Junior bonds | 14 | 30,000 | 30,000 | – | – |
| Lease liabilities | 33 | 182 | – | – | – |
| Trade and other payables | 16 | 152,097 | 84,171 | – | – |
| Deferred tax liabilities | 17 | 161,736 | 156,166 | – | – |
| | | 2,013,904 | 2,446,439 | 119,914 | 615,128 |
| **Current liabilities** | | | | | |
| Loans and borrowings | 13 | 1,298,729 | 761,960 | 459,515 | – |
| Lease liabilities | 33 | 712 | – | – | – |
| Trade and other payables | 16 | 374,377 | 475,232 | 12,847 | 12,754 |
| Current tax liabilities | | 15,756 | 10,325 | 886 | 869 |
| | | 1,689,574 | 1,247,517 | 473,248 | 13,623 |
| **Total liabilities** | | 3,703,478 | 3,693,956 | 593,162 | 628,751 |
| **Net assets** | | 3,851,601 | 3,976,378 | 2,244,726 | 2,234,876 |
| **Equity** | | | | | |
| Share capital | 18 | 2,208,267 | 2,208,267 | 2,208,267 | 2,208,267 |
| Other reserves | 19 | 452,705 | 459,750 | 9,632 | 16,972 |
| Foreign currency translation reserve | 19 | (263,316) | (158,084) | – | – |
| Retained earnings | | 234,778 | 222,712 | 26,827 | 9,637 |
| **Equity attributable to owners of the Company** | | 2,632,434 | 2,732,645 | 2,244,726 | 2,234,876 |
| Non-controlling interests | 20 | 1,219,167 | 1,243,733 | – | – |
| **Total equity** | | 3,851,601 | 3,976,378 | 2,244,726 | 2,234,876 |

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

| | Note | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| Revenue | 21 | 124,221 | 78,261 |
| Cost of sales | | (76,707) | (47,530) |
| **Gross profit** | | 47,514 | 30,731 |
| | | | |
| Other income | 22 | 51,893 | 327,448 |
| Administrative expenses | | (45,117) | (37,760) |
| Other operating expenses | | 775 | (491) |
| **Results from operating activities** | | 55,065 | 319,928 |
| | | | |
| Finance income | | 15,727 | 12,511 |
| Finance costs | | (124,432) | (96,911) |
| **Net finance costs** | 23 | (108,705) | (84,400) |
| | | | |
| Share of results of associates and joint ventures, net of tax | | 80,919 | 56,279 |
| **Profit before tax** | | 27,279 | 291,807 |
| | | | |
| Tax expense | 24 | (21,822) | (82,302) |
| **Profit for the year** | 25 | 5,457 | 209,505 |
| | | | |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | 3,832 | 78,055 |
| Non-controlling interests | 20 | 1,625 | 131,450 |
| | | 5,457 | 209,505 |
| | | | |
| **Earnings per share (cents)** | | | |
| Basic | 27 | 0.23 | 4.70 |
| | | | |
| Diluted | 27 | 0.23 | 4.70 |

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

| | Note | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|---|
| **Profit for the year** | | 5,457 | 209,505 |
| | | | |
| **Other comprehensive income** | | | |
| *Items that are or may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation differences relating to foreign operations, net of tax | | (82,515) | (72,858) |
| Foreign currency translation differences on monetary item forming part of net investment in foreign operations, net of tax | | (11,877) | (5,778) |
| Share of other comprehensive income of associates and joint ventures | | (52,530) | (42,767) |
| Other comprehensive income of associates reclassified to profit or loss upon disposal | | 5,628 | – |
| | | (141,294) | (121,403) |
| | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Net change in fair value of equity investments, at fair value through other comprehensive income | | 4,930 | (14,514) |
| **Other comprehensive income for the year, net of tax** | | (136,364) | (135,917) |
| | | | |
| **Total comprehensive income for the year** | | (130,907) | 73,588 |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | (97,028) | (27,271) |
| Non-controlling interests | 20 | (33,879) | 100,859 |
| | | (130,907) | 73,588 |

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

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital $'000 | Other reserves $'000 | Foreign currency translation reserve $'000 | Retained earnings $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
| At 1 January 2018 | 2,208,267 | 463,554 | (66,309) | 161,777 | 2,767,289 | 1,148,589 | 3,915,878 |
| **Total comprehensive income for the year** | | | | | | | |
| Profit for the year | – | – | – | 78,055 | 78,055 | 131,450 | 209,505 |
| *Other comprehensive income* | | | | | | | |
| Net change in fair value of equity investments, at fair value through other comprehensive income | – | (14,514) | – | – | (14,514) | – | (14,514) |
| Foreign currency translation differences relating to foreign operations, net of tax | – | – | (44,860) | – | (44,860) | (27,998) | (72,858) |
| Foreign currency translation differences on monetary item forming part of net investment in foreign operations, net of tax | – | – | (3,522) | – | (3,522) | (2,256) | (5,778) |
| Share of other comprehensive income of associates and joint ventures | – | 543 | (43,393) | 420 | (42,430) | (337) | (42,767) |
| Total other comprehensive income | – | (13,971) | (91,775) | 420 | (105,326) | (30,591) | (135,917) |
| **Total comprehensive income for the year** | – | (13,971) | (91,775) | 78,475 | (27,271) | 100,859 | 73,588 |
| **Transactions with owners, recognised directly in equity** | | | | | | | |
| *Contributions by and distributions to owners* | | | | | | | |
| Share-based payment transactions | – | 2,929 | – | – | 2,929 | – | 2,929 |
| Dividends paid (note 19) | – | – | – | (16,618) | (16,618) | – | (16,618) |
| Non-reciprocal capital contribution made to a non-wholly-owned subsidiary | – | (1,193) | – | – | (1,193) | 1,193 | – |
| Capital injection by non-controlling interests | – | – | – | – | – | 21,154 | 21,154 |
| Purchase of treasury shares | – | (1,956) | – | – | (1,956) | – | (1,956) |
| Transfer to statutory reserve | – | 922 | – | (922) | – | – | – |
| Total contributions by and distributions to owners | – | 702 | – | (17,540) | (16,838) | 22,347 | 5,509 |
| *Changes in ownership interests in subsidiaries* | | | | | | | |
| Acquisition of non-controlling interests without change in control | – | 9,465 | – | – | 9,465 | (28,246) | (18,781) |
| Acquisition of subsidiary with non-controlling interests | – | – | – | – | – | 4,114 | 4,114 |
| Disposal of subsidiary with change in control | – | – | – | – | – | (3,930) | (3,930) |
| Total changes in ownership interests in subsidiaries | – | 9,465 | – | – | 9,465 | (28,062) | (18,597) |
| **Total transactions with owners** | – | 10,167 | – | (17,540) | (7,373) | (5,715) | (13,088) |
| **At 31 December 2018** | 2,208,267 | 459,750 | (158,084) | 222,712 | 2,732,645 | 1,243,733 | 3,976,378 |

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

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital $'000 | Other reserves $'000 | Foreign currency translation reserve $'000 | Retained earnings $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
| At 1 January 2019 | 2,208,267 | 459,750 | (158,084) | 222,712 | 2,732,645 | 1,243,733 | 3,976,378 |
| Adjustment on initial application of SFRS(I) 16 (net of tax) (note 3.5) | – | – | – | (21) | (21) | – | (21) |
| Adjusted balance at 1 January 2019 | 2,208,267 | 459,750 | (158,084) | 222,691 | 2,732,624 | 1,243,733 | 3,976,357 |
| **Total comprehensive income for the year** | | | | | | | |
| Profit for the year | – | – | – | 3,832 | 3,832 | 1,625 | 5,457 |
| *Other comprehensive income* | | | | | | | |
| Net change in fair value of equity investments, at fair value through other comprehensive income | – | 4,930 | – | – | 4,930 | – | 4,930 |
| Foreign currency translation differences relating to foreign operations, net of tax | – | – | (50,897) | – | (50,897) | (31,618) | (82,515) |
| Foreign currency translation differences on monetary item forming part of net investment in foreign operations, net of tax | – | – | (7,589) | – | (7,589) | (4,288) | (11,877) |
| Transfer of fair value reserves of equity instruments at FVOCI upon disposal | – | (15,756) | – | 15,756 | – | – | – |
| Share of other comprehensive income of associates and joint ventures | – | (130) | (51,578) | 172 | (51,536) | (994) | (52,530) |
| Other comprehensive income of associates reclassified to profit or loss upon disposal | – | (600) | 4,832 | – | 4,232 | 1,396 | 5,628 |
| Total other comprehensive income | – | (11,556) | (105,232) | 15,928 | (100,860) | (35,504) | (136,364) |
| **Total comprehensive income for the year** | – | (11,556) | (105,232) | 19,760 | (97,028) | (33,879) | (130,907) |
| **Transactions with owners, recognised directly in equity** | | | | | | | |
| *Contributions by and distributions to owners* | | | | | | | |
| Share-based payment transactions | – | 3,485 | – | – | 3,485 | – | 3,485 |
| Dividends paid (note 19) | – | – | – | (6,647) | (6,647) | – | (6,647) |
| Capital injection by non-controlling interests | – | – | – | – | – | 9,313 | 9,313 |
| Transfer to statutory reserve | – | 1,026 | – | (1,026) | – | – | – |
| Total contributions by and distributions to owners | – | 4,511 | – | (7,673) | (3,162) | 9,313 | 6,151 |
| **Total transactions with owners** | – | 4,511 | – | (7,673) | (3,162) | 9,313 | 6,151 |
| **At 31 December 2019** | 2,208,267 | 452,705 | (263,316) | 234,778 | 2,632,434 | 1,219,167 | 3,851,601 |

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

| | Note | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 5,457 | 209,505 |
| Adjustments for: | | | |
| Amortisation of intangible assets | 8 | 2,604 | 2,604 |
| Change in fair value of investment properties | 6 | (48,242) | (309,077) |
| Depreciation of property, plant and equipment | 5 | 13,846 | 4,684 |
| Dividend income | | (1,231) | – |
| Equity-settled share-based payment transactions | 25 | 3,485 | 2,929 |
| Foreign currency exchange gain (net) | | (910) | (205) |
| Gain on disposal of property, plant and equipment | | (108) | – |
| Impairment losses on trade and other receivables | 26 | 169 | – |
| Net finance costs | 23 | 108,705 | 84,400 |
| Net loss on disposal of associates | 7 | 15,233 | – |
| Property, plant and equipment written off | | 243 | – |
| Re-measurement to fair value of pre-existing equity interest in a subsidiary | 22 | – | (13,884) |
| Share of results of associates and joint ventures, net of tax | | (80,919) | (56,279) |
| Tax expense | 24 | 21,822 | 82,302 |
| | | 40,154 | 6,979 |
| **Changes in:** | | | |
| – development properties | | (32,016) | (30,615) |
| – inventories | | 907 | (521) |
| – trade and other receivables | | (68,496) | 68,251 |
| – trade and other payables | | (11,580) | (54,720) |
| **Cash used in operations** | | (71,031) | (10,626) |
| Tax paid | | (5,828) | (4,717) |
| **Net cash used in operating activities** | | (76,859) | (15,343) |
| | | | |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | 5 | (8,912) | (12,681) |
| Acquisition of subsidiaries, net of cash acquired | 28 | – | (94,379) |
| Development expenditure – investment properties | | (45,376) | (71,446) |
| Dividends from associates | 7 | 77,360 | 5,555 |
| Dividends from other financial assets | | 1,231 | 4,074 |
| Interest received | | 4,440 | 5,905 |
| Investment in associates and joint ventures | | (92,860) | (105,123) |
| Loans to associates and joint ventures | | (67,317) | (33,594) |
| Loans to a related corporation | | (5,706) | (23,554) |
| Proceeds from disposal of associates | 7 | 242,736 | – |
| Proceeds from disposal of other financial assets | | 77,440 | – |
| Proceeds from disposal of property, plant and equipment | | 2,195 | – |
| Share capital reduction in associates | 7 | 49,338 | – |
| **Net cash from/(used in) investing activities** | | 234,569 | (325,243) |

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

| | Note | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Acquisition of non-controlling interests | 28 | – | (18,781) |
| Capital injection by non-controlling interests | | 9,313 | 21,154 |
| Dividends paid to owners of the Company | | (6,647) | (16,618) |
| Interest paid | | (125,444) | (99,543) |
| Loans from affiliated company | | – | 142,996 |
| Loans from joint venture and associate | | 41,407 | 20,428 |
| Payment of upfront debt arrangement costs | | (3,816) | (6,944) |
| Purchase of treasury shares | | – | (1,956) |
| Proceeds from loans and borrowings | | 564,578 | 1,891,360 |
| Repayment of loans and borrowings | | (530,944) | (1,293,739) |
| Payment of lease liabilities | | (733) | – |
| (Repayment of loans to)/Loans from a third party | | (29,716) | 30,642 |
| (Repayment of loans to)/Loans from non-controlling interests | | (28,822) | 64,342 |
| Repayment of loan to a former joint venture's shareholder | | – | (395,730) |
| Repayment of loans to an affiliated company | | – | (30,642) |
| **Net cash (used in)/from financing activities** | | (110,824) | 306,969 |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | 46,886 | (33,617) |
| Cash and cash equivalents at beginning of the year | | 76,856 | 111,678 |
| Effect of exchange rate fluctuations on cash held | | (3,934) | (1,205) |
| **Cash and cash equivalents at end of the year** | 12 | 119,808 | 76,856 |

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

These notes form an integral part of the financial statements.

The financial statements were authorised by the Board of Directors on 13 May 2020.

## 1 DOMICILE AND ACTIVITIES

Perennial Real Estate Holdings Limited (the "Company") is a company incorporated in the Republic of Singapore and has its registered address at 8 Shenton Way, #36-01, AXA Tower, Singapore 068811.

The consolidated financial statements as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity-accounted investees.

The principal activities of the Group are those of investment holding, real estate investment and development, asset and property management services, and healthcare services.

## 2 GOING CONCERN

As at 31 December 2019, the Group's total current liabilities exceeded its total current assets by $144.4 million and has capital commitments amounting to $1,165.5 million (see note 34).

The financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its funding requirements and to refinance or repay its borrowing obligations as and when they fall due. The Group's ability to settle its liabilities as and when they are due for settlement within the next twelve months is highly dependent on its ability to obtain new credit facilities, refinance its existing borrowing obligations or divest its assets as part of its capital recycling strategy.

The Group had put in place a $2 billion multicurrency debt issuance programme established on 22 January 2015. As at the date of these financial statements, the uncommitted facilities available to the Group under the programme amounted to $1,441.5 million and other available banking facilities approximately $100 million.

As at the date of this financial statements, the Group has also undertaken the following financing and divestment actions:

(i) On 18 March 2020, the Group obtained a bank loan facility of $250 million to partially fund the repayment of $280 million retail bonds that were due in April 2020. The remaining balance of the retail bonds were funded through the issuance of new debt security to a shareholder in April 2020. At the date of these financial statements, the retail bonds were fully repaid;

(ii) On 30 March 2020, the Group renewed an unsecured loan facility of $200 million that will be due on 31 May 2020. The renewed unsecured loan facility has a new maturity date on 31 May 2021;

(iii) On 16 April 2020, the Group entered into a sale and purchase agreement to dispose its 30% equity interest in Perennial Somerset Investors Pte. Ltd. and its subsidiaries for a total cash consideration of $155.1 million;

(iv) On 6 May 2020, Perennial Shenton Investors Pte. Ltd. ("PSI"), an associate of the Group entered into a share purchase agreement to dispose its 50% equity interest in its subsidiary, Perennial Shenton Holdings Pte. Ltd. ("PSH") to an external party. Concurrently, PSI also entered into another share purchase agreement to dispose its remaining 50% equity interest in PSH to PRE 13 Pte. Ltd. ("PRE 13"), which the Group will reinvest 20% equity interest in it. Arising from these transactions, the Group will hold an effective interest of 10% in PSH and the net proceeds shared by the Group after the reinvestment into PRE 13 will be approximately $137.6 million; and

(v) On 8 May 2020, the Group renewed a secured loan facility of $100 million that was due on the same day. The renewed secured loan facility has a new maturity date on 8 May 2021.

Management believes that the refinancing or repayment of the Group's borrowing obligations will occur as required and is confident that the asset sales as disclosed above will be completed prior to July 2020. Management anticipates that any additional cash required will be met out of operating cash flows or from alternative forms of capital raised such as further asset sales or new loan or debt facilities. In addition, management does not consider that it is probable that a claim will be made against the Group under the financial guarantee contracts issued to certain financial institutions in respect of banking facilities drawn by an associate and a joint venture.

Management acknowledges that uncertainties remain over the ability of the Group to meet its funding requirements and to refinance or repay its borrowing obligations as and when they fall due, particularly in light of the unfavourable effects of COVID-19 over the Group's financial position and performance. However, as described above, management has a reasonable expectation that the Group is able to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

## 3 BASIS OF PREPARATION

### 3.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”).

This is the first set of the Group’s annual financial statements in which SFRS(I) 16 *Leases* has been applied. The related changes to significant accounting policies are described in note 3.5.

### 3.2 Basis of measurement

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

### 3.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company’s functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

### 3.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 4.6 and note 6 – Classification of investment properties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment within the next financial year is included in the following notes:

Note 6 – Determination of fair value of investment properties
Note 8 – Impairment test: key assumptions underlying recoverable amounts of cash-generating unit (“CGU”) containing goodwill
Note 11 – Determination of net realisable value of development properties

***Measurement of fair values***

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

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

Significant valuation matters are reported to the Group’s Audit and Risk Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- ***Level 1:*** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ***Level 2:*** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- ***Level 3:*** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

## 3 BASIS OF PREPARATION (continued)

### 3.4 Use of estimates and judgements (continued)

***Measurement of fair values*** (continued)

Further information about the assumptions made in measuring fair values is included in the following notes:

| | | |
|---|---|---|
| Note 6 | – | Investment properties |
| Note 15 | – | Share-based payment arrangements |
| Note 26 | – | Financial instruments |

### 3.5 Changes in significant accounting polices

**New standards and amendments**

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Other than SFRS(I) 16, the application of these standards, amendments to standards and interpretations does not have a material effect on the financial statements.

**SFRS(I) 16 *Leases***

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

**Definition of a lease**

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

**As a lessee**

As a lessee, the Group leases assets including office spaces and other equipment. The Group previously classified leases as operating leases or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

***Leases classified as operating leases under SFRS(I) 1-17***

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if SFRS(I) 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

## 3 BASIS OF PREPARATION (continued)

### 3.5 Changes in significant accounting polices (continued)

**As a lessee** (continued)

***Leases classified as operating leases under SFRS(I) 1-17*** (continued)

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

**As a lessor**

The Group leases out its investment properties. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to SFRS(I) 16 for leases in which it acts as a lessor.

**Impact on financial statements**

***Impact on transition****

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets, including property, plant and equipment, additional lease liabilities, adjustment to trade and other payables, and the difference in retained earnings. The impact on transition is summarised below.

| | 1 January 2019 $'000 |
|---|---|
| Right-of-use assets – property, plant and equipment | 1,466 |
| Trade and other payables | 92 |
| Lease liabilities | (1,579) |
| Retained earnings | 21 |

* For the impact of SFRS(I) 16 on profit or loss for the period, see note 33. For the impact of SFRS(I) 16 on segment information, see note 29. For the details of accounting policies under SFRS(I) 16 and SFRS(I) 1-17, see note 4.7.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3.78%.

| | 1 January 2019 $'000 |
|---|---|
| Operating lease commitments at 31 December 2018 under SFRS(I) 1-17 | 1,650 |
| Adjustments on initial application on 1 January 2019: | |
| – Discounted using the incremental borrowing rate at 1 January 2019 | (71) |
| Lease liabilities recognised at 1 January 2019 | 1,579 |

## 4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 3.5, which addresses changes in accounting policies.

### 4.1 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) Business combinations and property acquisitions

Where a property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

The Group accounts for an acquisition as a business combination when an integrated set of activities is acquired in addition to the property. In determining whether an integrated set of activities is acquired, management considers whether significant processes, such as strategic management and operational processes, are acquired.

When the Group acquires an asset or a group of assets that does not constitute a business, the acquisition is accounted for as asset acquisition. In such cases, the individual identifiable assets acquired and liabilities assumed are recognised. The cost of acquisition is allocated between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. Such transactions do not give rise to goodwill.

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.1 Basis of consolidation (continued)

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(iv) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the consolidated financial statements of the Group's controlling shareholder. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

(v) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(vi) Investments in associates and joint ventures (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its investment in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(viii) Subsidiaries, associates and joint ventures in the separate financial statements

Investments in subsidiaries, associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

### 4.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.2 Foreign currency (continued)

(i) Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of an equity investment designated as at fair value through other comprehensive income ("FVOCI") are recognised in OCI.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either other income or other operating expenses depending on whether foreign currency movements are in a net gain or net loss position.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the foreign currency translation reserve in equity.

### 4.3 Financial instruments

(i) Recognition and initial measurement

**Non-derivative financial assets and financial liabilities**

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

**Non-derivative financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

***Financial assets at amortised cost***

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

**Non-derivative financial assets** (continued)

***Debt investments at FVOCI***

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

***Equity investments at FVOCI***

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

***Financial assets at FVTPL***

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Financial assets: Business model assessment**

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

**Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

**Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest** (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

**Non-derivative financial assets: Subsequent measurement and gains and losses**

***Financial assets at FVTPL***

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

***Financial assets at amortised cost***

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

***Debt investments at FVOCI***

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

***Equity investments at FVOCI***

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

**Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

(iii) Derecognition

**Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statements of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**Financial liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.3 Financial instruments (continued)

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(vi) Share capital

**Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with SFRS(I) 1-12.

**Repurchase, disposal and reissue of share capital (treasury shares)**

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

(vii) Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

Expected credit losses ("ECLs") are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

### 4.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.4 Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

| | |
|---|---|
| • Leasehold land and buildings | Lease period ranging from 47 to 91 years |
| • Renovation | 3 years or lease term whichever is shorter |
| • Computer equipment and software | 1 – 3 years |
| • Plant and machinery | 5 – 15 years |
| • Furniture, fittings and equipment | 3 – 10 years |
| • Motor vehicles | 10 years |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

### 4.5 Intangible assets and goodwill

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 4.1(i).

***Subsequent measurement***

Goodwill is measured at cost less accumulated impairment losses. In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associates and joint ventures.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current year and comparative years are as follows:

| | |
|---|---|
| • Asset management agreements | 10 years |
| • Property management agreements | 10 years |

Amortisation methods and useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

### 4.6 Investment properties

Investment properties (including investment properties under development) are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Property that is being constructed for future use as investment property is accounted for at fair value.

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.6 Investment properties (continued)

Transfer to, or from, investment properties are made where there is a change in use. Examples of evidence of a change in use include:

- commencement of development with a view to sell, for a transfer from investment properties to development properties;
- commencement of leasing activities, for a transfer from development properties to investment properties;
- commencement of owner-occupation, for a transfer from investment properties to property, plant and equipment; and
- end of owner-occupation, for a transfer from property, plant and equipment to investment properties.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

### 4.7 Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

**Policy applicable from 1 January 2019**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.7 Leases (continued)

**Policy applicable from 1 January 2019** (continued)

(i) As a lessee (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and 'lease liabilities' in the statements of financial position.

*Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16.

**Leases – Policy applicable before 1 January 2019**

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.7 Leases (continued)

**Leases – Policy applicable before 1 January 2019** (continued)

(ii) As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Rental income from investment property is recognised as 'revenue' on a straight-line basis over the term of the lease.

### 4.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

### 4.9 Development properties

Development properties are measured at the lower of cost and net realisable value. Cost includes acquisition costs, development expenditure, capitalised borrowing costs (applicable to performance obligations satisfied at a point in time) and other costs directly attributable to the development activities.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. The write-down to net realisable value is presented as allowance for foreseeable losses.

When a development property is transferred to investment property, any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

### 4.10 Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost and intra-group financial guarantee contracts ("FGC").

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

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

***Simplified approach***

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

***General approach***

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

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

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.10 Impairment (continued)

(i) Non-derivative financial assets (continued)

***General approach*** *(continued)*

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

***Measurement of ECLs***

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

***Credit-impaired financial assets***

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

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

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

***Presentation of allowance for ECLs in the statements of financial position***

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

Loss allowances for FGC are recognised as a financial liability to the extent that they exceed the initial carrying amount of the FGC less the cumulated income recognised.

***Write-off***

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amount of the Group's non-financial assets, other than investment properties, development properties and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.10 Impairment (continued)

(ii) Non-financial assets (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and only to the extent that the recoverable amount increases.

Goodwill that forms part of the carrying amount of an investment in an associate or a joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or a joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or a joint venture may be impaired.

### 4.11 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as employee benefit expense in profit or loss in the periods during which the related services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee benefit expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### Levies

A provision for levies is recognised when the condition that triggers the payment of the levy as specified in the relevant legislation is met. If a levy obligation is subject to minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

### 4.13 Revenue

(i) Rental income

Rental income from investment properties is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period in which they are earned.

(ii) Hotel revenue

Revenue from hotel operations mainly comprises room rental, food and beverage sales, and is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO. Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. Revenue is recognised at a point in time when the goods are delivered or services are rendered.

(iii) Sale of development properties

Revenue is recognised when control over the property has been transferred to the customer. In respect of a development property where the Group has an enforceable right to payment for performance completed to date, revenue is recognised based on the percentage of completion. The percentage of completion is measured by reference to the work performed, based on the ratio of construction costs incurred to-date to the estimated total construction costs. Profits are recognised only in respect of finalised sales contracts to the extent that such profits relate to the progress of the construction work.

In respect of a development property where the Group has no enforceable right to payment until the property is delivered to the customer, revenue is recognised upon handover of units to the customers.

Revenue is measured at the transaction price agreed under the contract. Progress billings to the customer are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones.

Where the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception.

(iv) Revenue from real estate management services

Property management and asset management services are provided as a series of distinct good or services that are substantially the same and transferred over time, either separately or in combination as an integrated offering, and are treated as a single PO. Accordingly, the revenue from property management and asset management services is recognised as the service is performed over time.

Revenue from acquisition, divestment and leasing services is recognised upon completion of the service, at a point in time.

(v) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.14 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income; and
- interest expense.

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### 4.15 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising from the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the carrying amount of the investment property is presumed to be recovered through sale, and the Group has not rebutted this presumption. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.16 Earnings per share

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and directors.

### 4.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' results are reviewed regularly by the Group's Chief Executive Officer ("CEO") (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire investment properties and development properties.

### 4.18 Results from operating activities

Results from operating activities is generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Results from operating activities excludes net finance costs, share of results of equity-accounted investees and income taxes.

### 4.19 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- SFRS(I) 17 *Insurance Contracts*

## 5 PROPERTY, PLANT AND EQUIPMENT

| | Note | Leasehold land and buildings $'000 | Renovation $'000 | Computer equipment and software $'000 | Plant and machinery $'000 | Furniture, fittings and equipment $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **Cost** | | | | | | | | |
| At 1 January 2018 | | – | 951 | 1,775 | 18 | 1,871 | 442 | 5,057 |
| Acquisition of subsidiaries | 28 | – | – | 102 | 180 | 7,913 | – | 8,195 |
| Additions | | – | 4,912 | 2,130 | 2,721 | 2,918 | – | 12,681 |
| Transfer from investment properties | 6 | 218,259 | – | – | 28,503 | 33,048 | – | 279,810 |
| Written-off | | – | – | – | – | (49) | – | (49) |
| Translation differences | | – | (108) | (51) | (60) | (46) | (6) | (271) |
| At 31 December 2018 | | 218,259 | 5,755 | 3,956 | 31,362 | 45,655 | 436 | 305,423 |
| At 1 January 2019 | | 218,259 | 5,755 | 3,956 | 31,362 | 45,655 | 436 | 305,423 |
| Recognition of right-of-use asset on initial application of SFRS(I) 16 | | 1,955 | – | – | – | – | – | 1,955 |
| Adjusted balance at 1 January 2019 | | 220,214 | 5,755 | 3,956 | 31,362 | 45,655 | 436 | 307,378 |
| Additions | | – | 615 | 402 | 524 | 7,371 | – | 8,912 |
| Disposals | | – | (1,694) | (494) | (75) | (235) | – | (2,498) |
| Written-off | | – | (324) | (162) | – | (464) | – | (950) |
| Reclassification | | – | – | (44) | (2,571) | 2,615 | – | – |
| Translation differences | | – | (98) | (45) | (15) | (114) | (7) | (279) |
| At 31 December 2019 | | 220,214 | 4,254 | 3,613 | 29,225 | 54,828 | 429 | 312,563 |
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2018 | | – | 564 | 1,318 | 5 | 1,430 | 83 | 3,400 |
| Depreciation charge for the year | | 851 | 627 | 676 | 684 | 1,802 | 44 | 4,684 |
| Written-off | | – | – | – | – | (49) | – | (49) |
| Translation differences | | – | (14) | (16) | (4) | (21) | (2) | (57) |
| At 31 December 2018 | | 851 | 1,177 | 1,978 | 685 | 3,162 | 125 | 7,978 |
| At 1 January 2019 | | 851 | 1,177 | 1,978 | 685 | 3,162 | 125 | 7,978 |
| Recognition of right-of-use asset on initial application of SFRS(I) 16 | | 489 | – | – | – | – | – | 489 |
| Adjusted balance at 1 January 2019 | | 1,340 | 1,177 | 1,978 | 685 | 3,162 | 125 | 8,467 |
| Depreciation charge for the year | | 4,056 | 804 | 669 | 2,192 | 6,082 | 43 | 13,846 |
| Disposal | | – | (308) | – | (17) | (86) | – | (411) |
| Written-off | | – | (324) | (162) | – | (221) | – | (707) |
| Reclassification | | – | – | (48) | (344) | 392 | – | – |
| Translation differences | | – | (20) | (20) | (2) | (35) | (2) | (79) |
| At 31 December 2019 | | 5,396 | 1,329 | 2,417 | 2,514 | 9,294 | 166 | 21,116 |
| **Carrying amounts** | | | | | | | | |
| At 1 January 2018 | | – | 387 | 457 | 13 | 441 | 359 | 1,657 |
| At 31 December 2018 | | 217,408 | 4,578 | 1,978 | 30,677 | 42,493 | 311 | 297,445 |
| At 31 December 2019 | | 214,818 | 2,925 | 1,196 | 26,711 | 45,534 | 263 | 291,447 |

## 5 PROPERTY, PLANT AND EQUIPMENT (continued)

| | Computer equipment and software $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|
| **Company** | | | |
| **Cost** | | | |
| At 1 January 2018 | – | 197 | 197 |
| Additions | 162 | – | 162 |
| At 31 December 2018 | 162 | 197 | 359 |
| | | | |
| At 1 January 2019 | 162 | 197 | 359 |
| Additions | 20 | – | 20 |
| At 31 December 2019 | 182 | 197 | 379 |
| | | | |
| **Accumulated depreciation** | | | |
| At 1 January 2018 | – | 11 | 11 |
| Depreciation charge for the year | 95 | 20 | 115 |
| At 31 December 2018 | 95 | 31 | 126 |
| | | | |
| At 1 January 2019 | 95 | 31 | 126 |
| Depreciation charge for the year | 79 | 20 | 99 |
| At 31 December 2019 | 174 | 51 | 225 |
| | | | |
| **Carrying amounts** | | | |
| At 1 January 2018 | – | 186 | 186 |
| | | | |
| At 31 December 2018 | 67 | 166 | 233 |
| | | | |
| At 31 December 2019 | 8 | 146 | 154 |

### Right-of-use assets

As at 31 December 2019, the Group's property, plant and equipment includes right-of-use assets of $0.8 million related to leased properties (see note 33).

### Security

As at 31 December 2019, leasehold land and building of the Group with a total carrying amount of $214.0 million (2018: $217.4 million) were pledged as security for loans and borrowings (see note 13).

## 6 INVESTMENT PROPERTIES

| | Note | Group 2019 $'000 | Group 2018 $'000 |
|---|---|---|---|
| At beginning of the year | | 3,349,533 | 1,659,723 |
| Additions | | 56,950 | 84,828 |
| Acquisition of subsidiaries | 28 | – | 776,510 |
| Transfer to property, plant and equipment | 5 | – | (279,810) |
| Transfer from development properties | | – | 865,788 |
| Change in fair value | | 48,242 | 309,077 |
| Translation differences | | (76,030) | (66,583) |
| At end of the year | | 3,378,695 | 3,349,533 |

Investment properties comprise 5 (2018: 5) completed commercial properties which are leased to third parties and 3 (2018: 3) investment properties under development. The leases contain initial lease terms ranging from 1 year to 15 years. Subsequent renewals are negotiated with the lessees. See note 33 for further information.

Contingent rental, based on tenants' turnover, recognised in profit or loss amounted to $4.8 million (2018: $4.9 million).

During the year, borrowing costs capitalised in investment properties under development amounted to $11.6 million (2018: $23.1 million). These borrowing costs were incurred at interest rates ranging from 4.19% – 5.15% (2018: 3.15% – 9.00%) per annum.

### Classification of investment properties

In determining whether a property is classified as investment property or development property, the Group determines the business model of the property (see note 4.6 for transfer to, or from, investment properties).

### Transfer to property, plant and equipment

In 2018, the Group transferred the Capitol Kempinski Hotel, Singapore from investment property to property, plant and equipment (see note 5).

### Transfer from development properties

In 2018, following the change in use of two of its properties in Beijing Tongzhou Development Phase 1 ("Tongzhou Plot 14-1 & 14-2"), the Group transferred the properties from development properties to investment properties under development.

### Measurement of fair value

The fair value of investment properties is determined by external independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued.

The valuers have considered valuation techniques including the residual method, direct comparison method, capitalisation approach and discounted cash flows method in arriving at the open market value as at the reporting date. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sales prices to that, reflective of the investment properties. The capitalisation approach capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates. The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value.

In deriving residual method of valuation, the estimated gross development costs and developer's profit are deducted from the gross development value to arrive at the residual value of land. The gross development value is the estimated value of the property assuming satisfactory completion of the development as at the date of the valuation. The gross development value is derived based on valuation techniques above.

Changes in fair values are recognised as gains in profit or loss and included in other income. All gains are unrealised.

### Fair value hierarchy

As at 31 December 2019, the fair value measurement for the investment properties of $3,378.7 million (2018: $3,349.5 million) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 3.4).

### Level 3 fair values

The Level 3 fair value table which shows a reconciliation from the opening to the ending balance is set out in the table above.

## 6 INVESTMENT PROPERTIES (continued)

### Valuation technique and significant unobservable inputs

The following table shows the Group's valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable input and fair value measurement |
|---|---|---|---|
| Investment properties – Singapore | Capitalisation approach | • Capitalisation rate 4.25% – 5.00% (2018: 4.50% – 5.00%) | The estimated fair value increases with decreases in the capitalisation rate. |
| | Direct comparison | • Average value of \$26,372 – \$37,694 (2018: Not applicable) per square metre | The estimated fair value increases with increases in average value of a similar class of assets. |
| Investment properties – People's Republic of China ("PRC") | Capitalisation approach | • Capitalisation rate 5.00% (2018: 5.25%) | The estimated fair value increases with decreases in the capitalisation rate. |
| | Direct comparison | • Average value of RMB9,274 – RMB17,712 (2018: RMB9,400 – RMB14,000) per square metre | The estimated fair value increases with increases in average value of a similar class of assets. |
| | Discounted cash flow method | • Discount rate 8.00% – 8.50% (2018: 8.00% – 8.75%)<br>• Terminal yield rate 5.00% – 5.50% (2018: 5.50% – 6.50%) | The estimated fair value increases with decreases in the discount rate and terminal yield rate. |
| Investment properties under development – PRC | Capitalisation approach | • Capitalisation rate 3.75% – 5.25% (2018: 3.75% – 5.25%) | The estimated fair value increases with decreases in the capitalisation rate. |
| | Direct comparison | • Not applicable (2018: RMB10,800 – RMB12,800) per square metre | The estimated fair value increases with increases in average value of a similar class of assets. |
| | Discounted cash flow method | • Discount rate 7.25% – 8.75% (2018: 7.25% – 8.75%)<br>• Terminal yield rate 4.00% – 5.50% (2018: 4.00% – 5.50%) | The estimated fair value increases with decreases in the discount rate and terminal yield rate. |

### Security

As at 31 December 2019, investment properties together with land use rights with a total carrying amount of \$3,132.6 million (2018: \$3,110.8 million) were pledged as security for loans and borrowings (see note 13) and junior bonds (see note 14).

## 7 ASSOCIATES AND JOINT VENTURES

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Interests in associates | 640,201 | 1,001,693 |
| Interests in joint ventures | 1,438,398 | 1,401,233 |
| Loans to associates | 66,737 | 68,748 |
| Loans to joint ventures | 109,133 | 19,837 |
| | 2,254,469 | 2,491,511 |

Loans to associates and joint ventures are classified as financial assets at amortised cost. There is no allowance for impairment losses arising from these loans as the ECL is insignificant.

The loan to a joint venture of \$89.4 million (2018: \$Nil) is unsecured, bears interest rate of 5% per annum and has no fixed terms of repayment. The loans to associates and remaining amounts of loans to joint ventures are unsecured, interest-free and have no fixed terms of repayment. The settlement of these loans is neither planned nor likely to occur in the foreseeable future and hence the loans are classified as non-current.

## 7 ASSOCIATES AND JOINT VENTURES (continued)

The Group's interests in the associates included investment in junior bonds of $118.6 million and redeemable preference shares of $28.7 million (2018: junior bonds of $118.6 million and redeemable preference shares of $28.7 million) which are stapled together with the equity investment of the associates. The junior bonds bear interest at the lower of 10% per annum and excess fund (determined based on the profits for the period before interest on junior bonds).

### Associates

The Group has 5 (2018: 6) associates that are material and a number of associates that are individually immaterial to the Group. The material associates own and develop commercial, retail, hospitality and residential related real estate assets and healthcare services which are aligned to the Group's principal activities. All associates are equity-accounted. The following are material associates:

| Name of associates | Principal activities | Country of incorporation | Ownership interests held by the Group | |
|---|---|---|---|---|
| | | | 2019 | 2018 |
| | | | % | % |
| Nation Mind Development Limited and its subsidiaries[(a)(d)^] ("Nation Mind") | Investment holding and property development | Hong Kong | 30.0 | 30.0 |
| Perennial Tongzhou Holdings Pte. Ltd. and its subsidiaries[(b)] ("Perennial Tongzhou Holdings") | Investment holding and property development | Singapore | 46.6 | 46.6 |
| Perennial Shenton Investors Pte. Ltd. and its subsidiaries[(b)] ("Perennial Shenton") | Investment and property holding | Singapore | 31.2 | 31.2 |
| Perennial Somerset Investors Pte. Ltd. and its subsidiaries[(a)^] ("Perennial Somerset") | Investment and property holding | Singapore | 30.0 | 30.0 |
| Perennial Chinatown Point LLP and its subsidiaries[(b)(c)] ("Chinatown Point") | Investment and property holding | Singapore | 45.5 | 45.5 |
| Yanlord Investment (Singapore) Pte. Ltd.[(a)(e)(f)^] ("YIS") | Investment holding | Singapore | – | 45.0 |

(a) Audited by other auditors.
(b) Audited by KPMG LLP, Singapore.
(c) As at 31 December 2018, the Group held 50.6% effective interest with the same percentage of voting rights of the entity. The entity is considered to be an associate as the Group does not have the ability to direct the relevant activities of the entity. The said associate disposed off all its subsidiaries, inclusive of its investment properties on 31 May 2019.
(d) Effective interest held by the Group is 20%.
(e) Effective interest held by the Group was 32.5%. The entire equity interest was fully disposed on 25 October 2019.
(f) Formerly known as Yanlord Perennial Investment (Singapore) Pte. Ltd. ("YPIS").
^ This associate is not considered significant to the Group as defined under the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual. For this purpose, an associated company is considered significant as defined under SGX-ST Listing Manual if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

### Acquisition of associates

(i) On 1 March 2018, the Group's associate, YPIS, acquired 19.9% equity interest in WBL Corporation Limited ("WBL"), for a cash consideration of $116.1 million. As a result, YPIS's equity interest in WBL increased from 10.0% to 29.9%. The Group has an effective interest of 9.7% in WBL.

The Group recognised a gain on bargain purchase amounting to $21.2 million. The gain was included in the share of results of associates in the consolidated statement of profit or loss for the year ended 31 December 2018. The gain on bargain purchase represented the excess of fair values of the identifiable net assets over total purchase consideration.

### Disposal of associates

(i) On 31 May 2019, the Group's associate, Perennial Chinatown Point LLP disposed all its subsidiaries based on an agreed property price of $520.0 million.

(ii) On 19 September 2019, the Group disposed its entire equity interest in its associate, Shenzhen Aidigong Modern Maternal and Child Health Management Co., Ltd. ("Aidigong") for a cash consideration of $40.0 million, resulting in a gain on disposal of $9.8 million included in the consolidated statement of profit or loss for the year ended 31 December 2019.

(iii) On 25 October 2019, the Group disposed its entire equity interest in its associate, YIS for a cash consideration of $202.7 million, resulting in a loss on disposal of $25.1 million included in the consolidated statement of profit or loss for the year ended 31 December 2019.

## 7 ASSOCIATES AND JOINT VENTURES (continued)

### Associates (continued)

The following summarises the financial information of each of the Group's material associates based on their respective (consolidated) financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also analyses, in aggregate, the carrying amount and share of profit or loss and OCI of the remaining individually immaterial associates.

| | Nation Mind $'000 | Perennial Tongzhou Holdings $'000 | Perennial Shenton $'000 | Perennial Somerset $'000 | Chinatown Point $'000 | YIS $'000 | Immaterial associates $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **31 December 2019** | | | | | | | | |
| Revenue | – | – | 51,887 | 158,478 | 13,056 | – | | |
| (Loss)/Profit after tax | (260) | (14) | 7,046 | (1,241) | 38,177 | 2,890 | | |
| OCI | (2,504) | (16,610) | – | – | – | (5,940) | | |
| **Total comprehensive income** | (2,764) | (16,624) | 7,046 | (1,241) | 38,177 | (3,050) | | |
| Attributable to associate's shareholders | (2,764) | (16,624) | 7,046 | (1,241) | 38,177 | (3,050) | | |
| Non-current assets | 38 | 560,778 | 132,600 | 533 | – | – | | |
| Current assets | 837,714 | 8,348 | 1,195,321 | 1,066,955 | 8,140 | – | | |
| Non-current liabilities | (246,381) | – | (856,854) | (4,443) | – | – | | |
| Current liabilities | (266,309) | (240) | (20,264) | (668,650) | (5,084) | – | | |
| **Net assets** | 325,062 | 568,886 | 450,803 | 394,395 | 3,056 | – | | |
| Attributable to associate's shareholders | 325,062 | 568,886 | 450,803 | 394,395 | 3,056 | – | | |
| Carrying amount of interest in associate at end of the year | 97,519 | 265,108 | 140,650 | 118,319 | 1,180 | – | | |
| **Group's interest in net assets of associate at beginning of the year** | 98,348 | 272,856 | 138,452 | 118,691 | 108,142 | 218,879 | 46,325 | 1,001,693 |
| Group's share of: | | | | | | | | |
| – (Loss)/Profit after tax | (78) | (7) | 2,198 | (372) | 19,340 | 1,299 | 1,978 | 24,358 |
| – OCI | (751) | (7,741) | – | – | – | (2,671) | (138) | (11,301) |
| **Total comprehensive income** | (829) | (7,748) | 2,198 | (372) | 19,340 | (1,372) | 1,840 | 13,057 |
| Additions during the year | – | – | – | – | – | 5,220 | – | 5,220 |
| Capital reduction during the year | – | – | – | – | (49,338) | – | – | (49,338) |
| Dividends received during the year | – | – | – | – | (76,964) | – | (396) | (77,360) |
| Disposals during the year | – | – | – | – | – | (222,727) | (29,614) | (252,341) |
| Other adjustments | – | – | – | – | – | – | (730) | (730) |
| **Carrying amount of interest in associate at end of the year** | 97,519 | 265,108 | 140,650 | 118,319 | 1,180 | – | 17,425 | 640,201 |

## 7 ASSOCIATES AND JOINT VENTURES (continued)

**Associates** (continued)

| | Nation Mind $'000 | Perennial Tongzhou Holdings $'000 | Perennial Shenton $'000 | Perennial Somerset $'000 | Chinatown Point $'000 | YIS $'000 | Immaterial associates $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **31 December 2018** | | | | | | | | |
| Revenue | – | – | 50,112 | 44,023 | 31,717 | – | | |
| (Loss)/Profit after tax | (168) | 11 | 2,011 | 184 | 57,727 | 47,967 | | |
| OCI | 6,287 | (15,148) | – | – | – | (7,723) | | |
| **Total comprehensive income** | 6,119 | (15,137) | 2,011 | 184 | 57,727 | 40,244 | | |
| Attributable to associate's shareholders | 6,119 | (15,137) | 2,011 | 184 | 57,727 | 40,244 | | |
| Non-current assets | 41 | 576,772 | 118,500 | 103 | 477,007 | 874,188 | | |
| Current assets | 699,470 | 8,975 | 1,174,218 | 1,131,720 | 37,312 | 6,568 | | |
| Non-current liabilities | (111,241) | – | (825,405) | (709,325) | (296,109) | – | | |
| Current liabilities | (260,443) | (236) | (23,556) | (26,862) | (4,642) | (394,359) | | |
| **Net assets** | 327,827 | 585,511 | 443,757 | 395,636 | 213,568 | 486,397 | | |
| Attributable to associate's shareholders | 327,827 | 585,511 | 443,757 | 395,636 | 213,568 | 486,397 | | |
| Carrying amount of interest in associate at end of the year | 98,348 | 272,856 | 138,452 | 118,691 | 108,142 | 218,879 | | |
| **Group's interest in net assets of associate at beginning of the year** | 96,512 | 279,910 | 137,825 | 118,636 | 83,453 | 30,007 | 46,521 | 792,864 |
| Group's share of: | | | | | | | | |
| – (Loss)/Profit after tax | (50) | 5 | 627 | 55 | 29,210 | 21,585 | 2,059 | 53,491 |
| – OCI | 1,886 | (7,059) | – | – | – | (3,475) | (1,221) | (9,869) |
| **Total comprehensive income** | 1,836 | (7,054) | 627 | 55 | 29,210 | 18,110 | 838 | 43,622 |
| Additions during the year | – | – | – | – | – | 6,300 | – | 6,300 |
| Capitalisation of loan to associate | – | – | – | – | – | 164,462 | – | 164,462 |
| Dividends received during the year | – | – | – | – | (4,521) | – | (1,034) | (5,555) |
| **Carrying amount of interest in associate at end of the year** | 98,348 | 272,856 | 138,452 | 118,691 | 108,142 | 218,879 | 46,325 | 1,001,693 |

## 7 ASSOCIATES AND JOINT VENTURES (continued)

### Joint ventures

The Group has 5 (2018: 5) joint ventures that are material and a number of joint ventures that are individually immaterial to the Group. The material joint ventures own and develop commercial, retail, hospitality and residential related real estate assets and healthcare services which are aligned to the Group's principal activities. All joint ventures are equity accounted. The following are material joint ventures:

| Name of joint ventures | Principal activities | Country of incorporation | Ownership interests held by the Group | |
|---|---|---|---|---|
| | | | 2019 % | 2018 % |
| Chengdu Huifeng Commercial Real Estate Co., Ltd.[(b)] ("Chengdu Huifeng") | Property development | PRC | 50.0 | 50.0 |
| Chengdu Changfeng Real Estate Development Co., Ltd.[(b)] ("Chengdu Changfeng") | Property development | PRC | 50.0 | 50.0 |
| Shenyang Summit Real Estate Development Co., Ltd.[(b)] ("Shenyang Summit") | Investment and property holding | PRC | 50.0 | 50.0 |
| Shanghai Yixian Renshoutang Eldercare Group Co., Ltd. (formerly known as Shanghai RST Chinese Medicine Co., Ltd.)[(c)^] ("Renshoutang") | Investment holding | PRC | 49.9 | 49.9 |
| Perennial HC Holdings Pte. Ltd.[(a)] ("PHCH") | Investment holding | Singapore | 45.0 | 45.0 |

(a) Audited by KPMG LLP, Singapore.
(b) Audited by other member firms of KPMG International.
(c) Audited by other auditors.
^ This joint venture is not considered significant to the Group as defined under the SGX-ST Listing Manual. For this purpose, a joint venture company is considered significant as defined under SGX-ST Listing Manual if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

### Incorporation and acquisition of joint ventures

(i) In 2018, the Group increased its investment in Renshoutang by $29.4 million, of which $21.6 million is included in trade and other payables as at 31 December 2018 (see note 16).

(ii) On 3 January 2018, the Group entered into a joint venture agreement to invest in, acquire and develop predominantly healthcare integrated mixed-use developments in China. Pursuant to the agreement, the Group holds 45.0% equity interest in the joint venture, PHCH which was previously incorporated as a subsidiary of the Group. PHCH has an initial committed capital of USD500 million.

During the year, the Group invested USD13.7 million (approximately $18.5 million) (2018: USD62.3 million (approximately $84.8 million)) in PHCH.

## 7 ASSOCIATES AND JOINT VENTURES (continued)

### Joint ventures (continued)

The following summarises the financial information of each of the Group's material joint ventures based on their respective (consolidated) financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also analyses, in aggregate, the carrying amount and share of profit or loss and OCI of the remaining individually immaterial joint ventures.

| | Chengdu Huifeng $'000 | Chengdu Changfeng $'000 | Shenyang Summit $'000 | Renshoutang $'000 | PHCH $'000 | Immaterial joint ventures $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **31 December 2019** | | | | | | | |
| Revenue | – | – | 45,041 | – | – | | |
| (Loss)/Profit after tax[a] | – | 2,467 | 24,789 | 5,033 | 91,241 | | |
| OCI | (10,253) | (10,724) | (45,178) | (9,385) | (8,931) | | |
| **Total comprehensive income** | (10,253) | (8,257) | (20,389) | (4,352) | 82,310 | | |
| Attributable to NCI | – | – | – | (90) | – | | |
| Attributable to joint venture's shareholder | (10,253) | (8,257) | (20,389) | (4,262) | 82,310 | | |
| [a] Includes: | | | | | | | |
| – Depreciation and amortisation | – | – | (15) | (2,470) | (4) | | |
| – Interest expense | – | – | – | (4,224) | (292) | | |
| – Tax expense | (1,045) | – | (4,465) | (32) | (12,458) | | |
| Non-current assets | – | 485,932 | 1,633,195 | 395,737 | 268,997 | | |
| Current assets[b] | 340,191 | 110,347 | 209,565 | 48,710 | 58,413 | | |
| Non-current liabilities[c] | – | (32,743) | (280,973) | (89,868) | (12,242) | | |
| Current liabilities[d] | (8) | (207,235) | (57,965) | (40,692) | (2,127) | | |
| **Net assets** | 340,183 | 356,301 | 1,503,822 | 313,887 | 313,041 | | |
| Attributable to NCI | – | – | – | 1,483 | – | | |
| Attributable to joint venture's shareholder | 340,183 | 356,301 | 1,503,822 | 312,404 | 313,041 | | |
| Carrying amount of interest in joint venture at end of the year | 170,092 | 178,151 | 751,912 | 156,202 | 140,868 | | |
| [b] Includes cash and cash equivalents | 1,229 | 31 | 6,928 | 6,234 | 45,198 | | |
| [c] Includes non-current financial liabilities (excluding trade and other payables and provisions) | – | – | – | (89,107) | – | | |
| [d] Includes current financial liabilities (excluding trade and other payables and provisions) | – | – | – | – | – | | |
| **Group's interest in net assets of joint venture at beginning of the year** | 175,218 | 182,279 | 762,106 | 158,333 | 85,216 | 38,081 | 1,401,233 |
| Group's share of: | | | | | | | |
| – (Loss)/Profit after tax | – | 1,234 | 12,395 | 2,562 | 41,188 | (818) | 56,561 |
| – OCI | (5,126) | (5,362) | (22,589) | (4,693) | (4,074) | 615 | (41,229) |
| **Total comprehensive income** | (5,126) | (4,128) | (10,194) | (2,131) | 37,114 | (203) | 15,332 |
| Additions/Acquisitions during the year | – | – | – | – | 18,538 | 1,702 | 20,240 |
| Capitalisation of loan to joint venture | – | – | – | – | – | 1,600 | 1,600 |
| Other adjustments | – | – | – | – | – | (7) | (7) |
| **Carrying amount of interest in joint venture at end of the year** | 170,092 | 178,151 | 751,912 | 156,202 | 140,868 | 41,173 | 1,438,398 |

## 7 ASSOCIATES AND JOINT VENTURES (continued)

### Joint ventures (continued)

| | Capitol Singapore $'000 | Chengdu Huifeng $'000 | Chengdu Changfeng $'000 | Shenyang Summit $'000 | Renshoutang $'000 | PHCH $'000 | Immaterial joint ventures $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **31 December 2018** | | | | | | | | |
| Revenue | 3,982 | – | – | 43,420 | 53,749 | – | | |
| (Loss)/Profit after tax[a] | (8,460) | (1) | (468) | 23,577 | 426 | (1,151) | | |
| OCI | – | (9,350) | (9,728) | – | (6,506) | 1,997 | | |
| **Total comprehensive income** | (8,460) | (9,351) | (10,196) | 23,577 | (6,080) | 846 | | |
| Attributable to NCI | – | – | – | – | (165) | – | | |
| Attributable to joint venture's shareholder | (8,460) | (9,351) | (10,196) | 23,577 | (5,915) | 846 | | |
| [a] Includes: | | | | | | | | |
| – Depreciation and amortisation | (24) | – | – | (10) | (5,203) | – | | |
| – Interest expense | (9,049) | – | – | – | (4,684) | (218) | | |
| – Tax expense | – | – | (2) | (2,952) | (521) | – | | |
| Non-current assets | 758,432 | – | 391,058 | 1,683,359 | 373,938 | 149,854 | | |
| Current assets[b] | 299,049 | 350,445 | 113,524 | 179,371 | 76,142 | 40,683 | | |
| Non-current liabilities[c] | (4,670) | – | (29,689) | (289,441) | (90,248) | – | | |
| Current liabilities | (819,823) | (8) | (110,335) | (49,078) | (42,736) | (1,169) | | |
| **Net assets** | 232,988 | 350,437 | 364,558 | 1,524,211 | 317,096 | 189,368 | | |
| Attributable to NCI | – | – | – | – | 430 | – | | |
| Attributable to joint venture's shareholder | 232,988 | 350,437 | 364,558 | 1,524,211 | 316,666 | 189,368 | | |
| Carrying amount of interest in joint venture | 116,494 | 175,218 | 182,279 | 762,106 | 158,016 | 85,216 | | |
| Other adjustments | (116,494) | – | – | – | 317 | – | | |
| Carrying amount of interest in joint venture at end of the year | – | 175,218 | 182,279 | 762,106 | 158,333 | 85,216 | | |
| [b] Includes cash and cash equivalents | – | 13 | 1,603 | 6,465 | 10,000 | 40,669 | | |
| [c] Includes non-current financial liabilities (excluding trade and other payables and provisions) | – | – | – | – | (89,464) | – | | |
| **Group's interest in net assets of joint venture at beginning of the year** | 120,724 | 179,894 | 187,377 | 770,634 | 131,927 | – | 35,789 | 1,426,345 |
| Group's share of: | | | | | | | | |
| – (Loss)/Profit after tax | (4,230) | (1) | (234) | 11,789 | 295 | (518) | (4,313) | 2,788 |
| – OCI | – | (4,675) | (4,864) | (20,317) | (3,249) | 899 | (692) | (32,898) |
| Total comprehensive income | (4,230) | (4,676) | (5,098) | (8,528) | (2,954) | 381 | (5,005) | (30,110) |
| Additions/Acquisitions during the year | – | – | – | – | 29,360 | 84,835 | 5,644 | 119,839 |
| Carrying amount of interest in joint venture acquired as subsidiary | (116,494) | – | – | – | – | – | – | (116,494) |
| Other adjustments | – | – | – | – | – | – | 1,653 | 1,653 |
| **Carrying amount of interest in joint venture at end of the year** | – | 175,218 | 182,279 | 762,106 | 158,333 | 85,216 | 38,081 | 1,401,233 |

The share in a joint venture was pledged as security for loans and borrowings (see note 13).

## 8 INTANGIBLE ASSETS AND GOODWILL

| | Goodwill<br>$'000 | Management contracts<br>$'000 | Total<br>$'000 |
|---|---|---|---|
| **Group** | | | |
| **Cost** | | | |
| At 1 January 2018, 31 December 2018 and 31 December 2019 | 63,155 | 26,040 | 89,195 |
| **Accumulated amortisation** | | | |
| At 1 January 2018 | – | (8,246) | (8,246) |
| Amortisation charge for the year | – | (2,604) | (2,604) |
| At 31 December 2018 | – | (10,850) | (10,850) |
| Amortisation charge for the year | – | (2,604) | (2,604) |
| At 31 December 2019 | – | (13,454) | (13,454) |
| **Carrying amounts** | | | |
| At 1 January 2018 | 63,155 | 17,794 | 80,949 |
| At 31 December 2018 | 63,155 | 15,190 | 78,345 |
| At 31 December 2019 | 63,155 | 12,586 | 75,741 |

**Amortisation**

The amortisation of management contracts is included in administrative expenses.

**Impairment testing for CGUs containing goodwill**

For the purposes of impairment testing, goodwill has been allocated to the Group's CGU as follows:

| | Group | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| Management business | 63,155 | 63,155 |

The recoverable amount of this CGU was based on value in use. Value in use was determined by discounting future cash flows to be generated from the continuing use of the CGU based on the most recent forecasts approved by management for the next five years.

The key assumptions used in the estimation of the recoverable amount are set out below.

| | Group | |
|---|---|---|
| | 2019<br>% | 2018<br>% |
| Discount rate | 9.3 – 10.6 | 10.2 – 11.7 |
| Terminal value growth rate | 3.0 | 3.0 |
| Budgeted EBITDA growth rate | 3.0 | 3.0 |

The discount rate used was pre-tax and reflected specific risks relating to the management business segment. The cash flow projections included specific estimates for the years and terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated revenue growth for the next five years.

## 8 INTANGIBLE ASSETS AND GOODWILL (continued)

As at 31 December 2019, the recoverable amount of the CGU exceeded its carrying amount by $24.4 million (2018: recoverable amount of the CGU exceeded its carrying amount by an insignificant amount).

As at 31 December 2019, management has identified that a reasonably possible change in a key assumption could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which this assumption would need to change for the estimated recoverable amount to be equal to the carrying amount.

| | 2019<br>% | 2018<br>% |
|---|---|---|
| **Change required for carrying amount to equal the recoverable amount** | | |
| Increase in discount rate | 2.2 | – |

## 9 OTHER FINANCIAL ASSETS

| | Group and Company | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| Equity investments at FVOCI | – | 72,510 |

**Equity investment designated at FVOCI**

The Group and the Company designated the investments in quoted equity securities as equity investments at FVOCI because these equity investments represent investments that the Group and the Company intend to hold for the long-term for strategic purposes.

Dividend income related to equity investments at FVOCI held during the year amounted to $0.2 million (2018: $3.5 million).

During the financial year ended 31 December 2019, the Group disposed the entire investments in quoted equity securities as the underlying investment was no longer aligned with the Group's long-term investment strategy. These investments had a fair value of $77.4 million at the date of disposal, and the cumulative gain on disposal amounted to $15.8 million, net of tax. The cumulative gain on disposal was reclassified from fair value reserve to retained earnings.

The fair value of quoted equity securities is based on quoted bid price.

At 31 December 2018, equity investments of $71.4 million were pledged as security to obtain credit facilities (see note 13).

Information about the Group and the Company's exposures to market risks and fair value measurement related to equity investments at FVOCI are disclosed in note 26.

## 10 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 | 2019<br>$'000 | 2018<br>$'000 |
| Trade receivables | 20,741 | 12,252 | 9 | 1 |
| Trade amounts due from: | | | | |
| – subsidiaries | – | – | 21,909 | 22,036 |
| – associates | 1,464 | 1,399 | 2 | 2 |
| – joint ventures | 4,989 | 5,184 | 4 | 6 |
| Non-trade amounts due from: | | | | |
| – subsidiaries | – | – | 49,218 | 40,447 |
| – associates | 13,951 | 13,305 | – | – |
| – joint ventures | – | * | – | – |
| – an affiliated company | 500 | 500 | – | – |
| – non-controlling interests | 83,499 | 36,423 | – | – |
| Loans to associates | 33,755 | 23,083 | – | – |
| Loans to joint ventures | 87,197 | 31,596 | – | – |
| Loans to a related corporation | 5,571 | 23,554 | – | – |
| Interest receivables | 17,938 | 6,705 | 109,880 | 83,836 |
| Other receivables | 43,674 | 44,335 | 1,994 | 2,283 |
| Deposits | 9,558 | 4,070 | 3,759 | 280 |
| | 322,837 | 202,406 | 186,775 | 148,891 |
| Prepayments | 17,683 | 12,435 | 79 | 60 |
| | 340,520 | 214,841 | 186,854 | 148,951 |
| Non-current | 9,573 | 4,211 | – | – |
| Current | 330,947 | 210,630 | 186,854 | 148,951 |
| | 340,520 | 214,841 | 186,854 | 148,951 |

* amount less than $1,000

Non-trade amounts due from subsidiaries, associates, joint ventures, an affiliated company and non-controlling interests are unsecured, interest-free and repayable on demand.

Loans to associates are unsecured, bear interest rates between 4.35% – 9.00% (2018: 4.35% – 9.00%) per annum and are repayable on demand.

Loans to joint ventures and related corporations are unsecured, interest-free and repayable on demand. In 2018, loans to a related corporation of $22.0 million bore interest rate of 5.00% per annum.

There is no allowance for impairment losses arising from the non-trade balances with subsidiaries and related parties as the ECL is insignificant.

The Group and the Company's exposure to credit and market risks related to trade and other receivables are disclosed in note 26.

## 11 DEVELOPMENT PROPERTIES

| | Group 2019 $'000 | Group 2018 $'000 |
|---|---|---|
| Development properties, at cost | 1,094,073 | 1,088,059 |

Development properties consist of completed commercial properties for sale and land parcels that the Group has intention to develop and sell upon completion. The Group assessed the net realisable value of the completed properties for sale by reference to the recent transacted prices for the property or comparable properties and prevailing property market conditions. The net realisable value of the land parcels was assessed by reference to the gross development value of the properties and estimated costs to complete the development. The assessment of the gross development value involved making certain assumptions, including market rental, capitalisation and discount rates. Changes in market condition may affect the net realisable value of the development properties and accordingly, the carrying value of the development properties may have to be written down in the future periods.

During the year, borrowing costs capitalised in development properties amounted to $4.7 million (2018: $3.9 million). These borrowing costs were incurred at interest rates ranging from 4.19% – 5.15% (2018: 4.55% – 5.15%) per annum.

Development properties of the Group recognised as cost of sales, excluding foreseeable losses amounted to $8.7 million (2018: Nil).

### Transfer to investment properties

In 2018, the Group transferred Tongzhou Plot 14-1 & 14-2 from development properties to investment properties under development (see note 6).

### Security

As at 31 December 2019, development properties with a total carrying amount of $720.7 million (2018: $708.0 million) were pledged as security for loans and borrowings (see note 13) and junior bonds (see note 14).

## 12 CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| Cash at bank and in hand | 77,841 | 68,194 | 785 | 4,582 |
| Short-term deposits | 41,967 | 8,662 | – | – |
| Cash and cash equivalents in the statements of financial position | 119,808 | 76,856 | 785 | 4,582 |

Cash and cash equivalents amounting to $42.8 million (2018: $36.9 million) are charged or assigned by way of security for credit facilities granted to the Group (see note 13).

## 13 LOANS AND BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| **Non-current liabilities** | | | | |
| Bank loans (secured) | 1,335,189 | 1,184,266 | – | 36,741 |
| Bank loans (unsecured) | 214,786 | 313,664 | – | – |
| Medium term notes (unsecured) | 119,914 | 398,562 | 119,914 | 298,777 |
| Retail bonds (unsecured) | – | 279,610 | – | 279,610 |
| | 1,669,889 | 2,176,102 | 119,914 | 615,128 |
| **Current liabilities** | | | | |
| Bank loans (secured) | 105,895 | 226,493 | – | – |
| Bank loans (unsecured) | 633,391 | 410,518 | – | – |
| Medium term notes (unsecured) | 279,541 | 124,949 | 179,613 | – |
| Retail bonds (unsecured) | 279,902 | – | 279,902 | – |
| | 1,298,729 | 761,960 | 459,515 | – |

## 13 LOANS AND BORROWINGS (continued)

The Group and the Company's exposure to liquidity and market risks related to loans and borrowings are disclosed in note 26.

### Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

| | Currency | Nominal interest rate per annum % | Year of maturity | Face value $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **31 December 2019** | | | | | |
| Bank loans (secured) | RMB | 5.15 – 5.39 | 2020 – 2032 | 181,849 | 181,355 |
| Bank loans (secured) | SGD | 2.91 – 4.09 | 2020 – 2022 | 1,264,651 | 1,259,729 |
| Bank loans (unsecured) | SGD | 3.60 – 5.06 | 2020 – 2022 | 849,414 | 848,177 |
| Medium term notes (unsecured)(1) | SGD | 3.85 | 2020 | 100,000 | 99,928 |
| Medium term notes (unsecured)(1) | SGD | 3.90 | 2021 | 120,000 | 119,914 |
| Medium term notes (unsecured)(1) | SGD | 5.95 | 2020 | 180,000 | 179,613 |
| Retail bonds (unsecured) | SGD | 4.55 | 2020 | 280,000 | 279,902 |
| | | | | 2,975,914 | 2,968,618 |
| **Company** | | | | | |
| **31 December 2019** | | | | | |
| Medium term notes (unsecured)(1) | SGD | 3.90 | 2021 | 120,000 | 119,914 |
| Medium term notes (unsecured)(1) | SGD | 5.95 | 2020 | 180,000 | 179,613 |
| Retail bonds (unsecured) | SGD | 4.55 | 2020 | 280,000 | 279,902 |
| | | | | 580,000 | 579,429 |
| **Group** | | | | | |
| **31 December 2018** | | | | | |
| Bank loans (secured) | RMB | 4.90 – 5.39 | 2019 – 2027 | 110,392 | 110,270 |
| Bank loans (secured) | SGD | 2.10 – 4.55 | 2019 – 2022 | 1,307,987 | 1,300,489 |
| Bank loans (unsecured) | SGD | 2.51 – 5.11 | 2019 – 2021 | 725,080 | 724,182 |
| Medium term notes (unsecured)(1) | SGD | 4.90 | 2019 | 125,000 | 124,949 |
| Medium term notes (unsecured)(1) | SGD | 3.85 | 2020 | 100,000 | 99,785 |
| Medium term notes (unsecured)(1) | SGD | 3.90 | 2021 | 120,000 | 119,828 |
| Medium term notes (unsecured)(1) | SGD | 5.95 | 2020 | 180,000 | 178,949 |
| Retail bonds (unsecured) | SGD | 4.55 | 2020 | 280,000 | 279,610 |
| | | | | 2,948,459 | 2,938,062 |
| **Company** | | | | | |
| **31 December 2018** | | | | | |
| Bank loans (secured) | SGD | 2.89 – 3.20 | 2021 | 37,291 | 36,741 |
| Medium term notes (unsecured)(1) | SGD | 3.90 | 2021 | 120,000 | 119,828 |
| Medium term notes (unsecured)(1) | SGD | 5.95 | 2020 | 180,000 | 178,949 |
| Retail bonds (unsecured) | SGD | 4.55 | 2020 | 280,000 | 279,610 |
| | | | | 617,291 | 615,128 |

(1) Medium term notes issued by the Company and Perennial Treasury Pte. Ltd., a subsidiary of the Group, under its $2 billion multicurrency debt issuance programme established on 22 January 2015. The notes are unconditionally and irrevocably guaranteed by the Company.

## 13 LOANS AND BORROWINGS (continued)

### Security

As at 31 December 2019, the bank loans are secured on the following:

- Legal mortgage over certain property, plant and equipment (see note 5), the investment properties and land use rights of the investment properties under development (see note 6) and development properties (see note 11);
- First fixed charge over the bank accounts and other assets of certain subsidiaries (see note 12);
- An assignment of all the rights, benefit, title and interest of the Group in relation to the sale and purchase agreements and tenancy agreements (including sale proceeds and rental proceeds) relating to investment properties;
- Assignments of rights under all material agreements and contracts (including tenancy agreements and construction agreements), property management agreement, insurance policies (as applicable);
- First legal mortgage over receivables from investment properties including all rights under, and all proceeds arising from tenancy agreements, sales agreements and property management agreement; and
- Share charges over all the shares in certain subsidiaries and joint venture.

### Reconciliation of liabilities arising from financing activities

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | 1 January 2018 $'000 | Financing cash flows $'000 | Interest expense $'000 | Foreign exchange movement $'000 | Other changes $'000 | 31 December 2018 $'000 |
| Loans and borrowings | 2,344,761 | 590,677[1] | 7,160 | (4,536) | – | 2,938,062 |
| Interest payables | 10,246 | (99,543) | 114,127 | (216) | (565) | 24,049 |
| Non-trade amounts due to a joint venture | 63,013 | 20,428 | – | (2,139) | – | 81,302 |
| Non-trade amounts due to non-controlling interests | 29,742 | 64,342 | – | (2,078) | 1,061 | 93,067 |
| Non-trade amounts due to an affiliated company | – | 112,354 | – | (2,755) | – | 109,599 |
| Non-trade amounts due to a third party | – | 30,642 | – | (752) | – | 29,890 |

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | 1 January 2019 $'000 | Financing cash flows $'000 | Interest expense $'000 | Foreign exchange movement $'000 | Other changes $'000 | 31 December 2019 $'000 |
| Loans and borrowings | 2,938,062 | 29,818[1] | 6,904 | (6,166) | – | 2,968,618 |
| Interest payables | 24,049 | (125,444) | 133,786 | (390) | – | 32,001 |
| Non-trade amounts due to a joint venture | 81,302 | 41,407 | – | (2,235) | – | 120,474 |
| Non-trade amounts due to non-controlling interests | 93,067 | (28,822) | – | (1,942) | – | 62,303 |
| Non-trade amounts due to an affiliated company | 109,599 | – | – | (3,207) | – | 106,392 |
| Non-trade amounts due to a third party | 29,890 | (29,716) | – | (174) | – | – |
| Lease liabilities | 1,579 | (733) | 48 | – | – | 894 |

(1) Net proceeds from loans and borrowings, repayment of loans and borrowings, and payment of transaction costs related to loans and borrowings.

## 14 JUNIOR BONDS

| | Group 2019 $'000 | Group 2018 $'000 |
|---|---|---|
| Junior bonds (secured) | 30,000 | 30,000 |

The junior bonds were issued by certain subsidiaries of the Group (the "Subsidiaries").

### Terms and debt repayment schedule

| Group | Currency | Nominal interest rate % | Year of maturity | Face value 2019 $'000 | Face value 2018 $'000 | Carrying amount 2019 $'000 | Carrying amount 2018 $'000 |
|---|---|---|---|---|---|---|---|
| Junior bonds (secured) | SGD | Lower of 10% per annum and excess fund* | 2025 (2018: 2020) | 30,000 | 30,000 | 30,000 | 30,000 |

* Excess fund is determined based on the profits of the Subsidiaries for the year before interest on junior bonds.

### Security

The junior bonds are secured on the following but subordinated to senior borrowings of the Subsidiaries:

(i) a legal mortgage over an investment property (see note 6);

(ii) an assignment of the insurance policy relating to an investment property; and

(iii) an assignment of all the rights, benefit, title and interest of the Subsidiaries in relation to the sale and purchase agreements and tenancy agreements (including sale proceeds and rental proceeds) relating to an investment property.

## 15 SHARE-BASED PAYMENT ARRANGEMENTS

### Perennial Employee Share Option Scheme 2014 ("Perennial ESOS 2014")

The Perennial ESOS 2014 was approved by shareholders of the Company at an Extraordinary General Meeting held on 10 October 2014.

Under the rules of the Perennial ESOS 2014, all directors (including non-executive and independent directors) and employees of the Company and its subsidiaries are eligible to participate in the Perennial ESOS 2014. Controlling shareholders are also eligible to participate in the Perennial ESOS 2014 subject to the approval of independent shareholders in the form of separate resolutions for each participant.

Under the Perennial ESOS 2014, the option entitles eligible participants to subscribe for ordinary share in the Company at a price equal to the volume-weighted average price of the Company's shares on the SGX-ST for the three consecutive trading days immediately preceding the Date of Grant of that Option ("Market Price") or at a discount to the Market Price (up to a maximum 20%).

The maximum number of shares (in respect of the options) that may be granted under the Perennial ESOS 2014, after taking into account of (i) the total number of new shares allotted and issued and/or to be allotted and issued (excluding treasury shares) pursuant to options granted under the Perennial ESOS 2014; and (ii) the total number of shares subject to any other share option or share incentive schemes of the Company, shall not exceed 15% of the total number of issued shares (excluding treasury shares) provided always that all number of shares available to each controlling shareholder or each of their associates shall not exceed 10% of the shares available under the Perennial ESOS 2014.

The Remuneration Committee ("RC") is charged with the administration of the Perennial ESOS 2014 in accordance with the rules of the Perennial ESOS 2014. The number of options to be awarded to a participant is dependent on job grade level, performance and criticality to the long-term growth and profitability of the Group.

## 15 SHARE-BASED PAYMENT ARRANGEMENTS (continued)

On 25 February 2019, the Company granted options to certain directors and employees of the Group to subscribe for a total of 27,719,500 shares at $0.68 per share (based on Market Price). All options granted under the Perennial ESOS 2014 are valid for a term of 5 years from the date of their grants and are exercisable in the following manner for eligible participants who have been in employment with more than 12 months services as at date of grant:

- After 1st anniversary of the date of grant – 25% of options granted
- After 2nd anniversary of the date of grant – 25% of options granted
- After 3rd anniversary of the date of grant – 25% of options granted
- After 4th anniversary of the date of grant – 25% of options granted

For eligible participants who have been in employment with less than 12 months services as at date of grant:

- After 2nd anniversary of the date of grant – 25% of options granted
- After 3rd anniversary of the date of grant – 25% of options granted
- After 4th anniversary of the date of grant – 25% of options granted
- After 4.5th anniversary of the date of grant – 25% of options granted

In respect of the Perennial ESOS 2014, no participant received option which totaled 5% or more of the total number of shares available under the scheme except as disclosed below:

| Name of participant | Options granted during the financial year ended 31/12/2019 '000 | Aggregate options granted since the commencement of the scheme to 31/12/2019 '000 | Aggregate options exercised since the commencement of the scheme to 31/12/2019 '000 | Aggregate options outstanding as at 31/12/2019 '000 |
|---|---|---|---|---|
| Pua Seck Guan | 5,100 | 20,400 | – | 20,400 |

No option has been granted with exercise price set at a discount to the Market Price of the shares at the date of grant.

As at 31 December 2019, the total number of outstanding options under the grant was 72,465,500 (2018: 56,540,000).

At the end of the financial year, details of the unissued ordinary shares under options are as follows:

**Unissued Shares under Perennial ESOS 2014**

| Date of grant | As at 1/1/2019 '000 | No. of options granted during the year '000 | No. of options lapsed/ cancelled '000 | No. of options exercised '000 | As at 31/12/2019 '000 | Exercise price per share $ | Exercise period |
|---|---|---|---|---|---|---|---|
| 15/5/2015 | 9,790 | – | (9,790) | – | – | 1.07 | 16/5/2016 – 15/5/2020 |
| 8/10/2015 | 5,100 | – | – | – | 5,100 | 0.95 | 9/10/2016 – 8/10/2020 |
| 12/5/2017 | 19,990 | – | (380) | – | 19,610 | 0.88 | 13/5/2018 – 12/5/2022 |
| 22/3/2018 | 21,660 | – | (740) | – | 20,920 | 0.87 | 23/3/2019 – 22/3/2023 |
| 25/2/2019 | – | 27,720 | (884) | – | 26,836 | 0.68 | 26/2/2020 – 25/2/2024 |
| Total | 56,540 | 27,720 | (11,794) | – | 72,466 | | |

The number of outstanding options represents 4.36% (2018: 3.40%) of the total number of shares issued (excluding treasury shares) as at 31 December 2019.

## 15 SHARE-BASED PAYMENT ARRANGEMENTS (continued)

***Measurement of fair values – Equity-settled share-based payment arrangements***

The fair value of the share options is measured using the Binomial Option Pricing Model which include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour, expected dividends, and the risk-free interest rate (based on government bonds).

The fair values and assumptions are set out below:

| Year of grant | 2019 | 2018 | 2017 | 2015 |
|---|---|---|---|---|
| Fair value at grant date ($) | 0.134 | 0.128 | 0.168 | 0.226 – 0.247 |
| Share price at grant date ($) | 0.685 | 0.865 | 0.880 | 0.960 – 1.090 |
| Exercise price ($) | 0.680 | 0.870 | 0.880 | 0.950 – 1.070 |
| Expected volatility (%) | 18.73 | 19.16 | 19.46 | 27.2 – 27.5 |
| Expected life (years) | 5.0 | 5.0 | 5.0 | 5.0 |
| Expected dividend yield (%) | 0.62 | 1.13 | 0.60 | 1.50 |
| Risk-free interest rate (%) | 2.00 | 2.15 | 1.75 | 1.50 – 1.85 |

***Expense recognised in profit or loss***

For details on the related employee benefit expenses, see note 25.

***Reconciliation of outstanding share options***

The number and weighted-average exercise prices of share options are as follows:

| | Weighted average exercise price per share 2019 $ | Number of options 2019 '000 | Weighted average exercise price per share 2018 $ | Number of options 2018 '000 |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 0.92 | 56,540 | 0.95 | 38,330 |
| Granted during the year | 0.68 | 27,720 | 0.87 | 23,740 |
| Lapsed/cancelled during the year | 0.97 | (11,794) | 0.93 | (5,530) |
| Outstanding at end of the year | 0.82 | 72,466 | 0.92 | 56,540 |
| Exercisable at end of the year | 0.95 | 20,135 | 0.97 | 16,165 |

The options outstanding at 31 December 2019 have a weighted-average exercise price of $0.82 (2018: $0.92) per share and a weighted-average contractual life of 3.1 (2018: 3.2) years.

## 16 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade payables | 10,006 | 8,477 | – | – |
| Accrued development expenditures | 56,373 | 75,387 | – | – |
| Accrued operating expenses | 19,541 | 16,166 | 3,779 | 3,523 |
| Interest payables | 32,001 | 24,049 | 8,072 | 8,115 |
| Other payables | 60,872 | 63,756 | 74 | 518 |
| Security deposits | 16,037 | 14,453 | – | – |
| Non-trade amounts due to: | | | | |
| – joint ventures | 120,474 | 81,302 | – | – |
| – an associate | 6 | 6 | – | – |
| – subsidiaries | – | – | 922 | 598 |
| – a related corporation | 39,636 | 40,620 | – | – |
| – an affiliated company | 106,392 | 109,599 | – | – |
| – non-controlling interests | 62,303 | 93,067 | – | – |
| – a third party | – | 29,890 | – | – |
| | 523,641 | 556,772 | 12,847 | 12,754 |
| Advance rental received | 2,833 | 2,631 | – | – |
| | 526,474 | 559,403 | 12,847 | 12,754 |
| Non-current | 152,097 | 84,171 | – | – |
| Current | 374,377 | 475,232 | 12,847 | 12,754 |
| | 526,474 | 559,403 | 12,847 | 12,754 |

Non-trade amounts due to joint ventures consist of the following:

(i) Loan of $119.5 million (2018: $51.4 million), which are unsecured, interest-free and repayable more than 12 months, except for an interest bearing amount of $23.2 million (2018: $51.4 million), which bears interest rate of 4.57% – 6.00% (2018: 0.01%) per annum; and

(ii) The remaining amount of $1 million (2018: $29.9 million), which are unsecured, interest-free and repayable on demand, except for an interest bearing amount of $29.9 million in 2018, which bore interest rate of 0.01% per annum.

Non-trade amounts due to an associate, subsidiaries and a related corporation are unsecured, interest-free and repayable on demand.

Non-trade amount due to an affiliated company is unsecured, bears interest rate at 5.15% per annum and repayable on demand.

Non-trade amounts due to non-controlling interests consist of the following:

(i) Loan of $22.5 million (2018: $23.2 million) which is unsecured, interest-free and repayable on demand. As at 31 December 2019, the non-controlling shareholders had undertaken not to demand settlement of the amounts for the next twelve months;

(ii) Loan of $6.2 million (2018: $6.2 million) which is unsecured, interest-free and repayable on demand;

(iii) Loan of $28.3 million (2018 $58.6 million) which is unsecured, bears interest rate at 5.15% per annum and repayable on demand; and

(iv) The remaining amount of $5.3 million (2018: $5.1 million) which is unsecured, interest-free and repayable on demand.

In 2018, non-trade amount due to a third party was unsecured, bore interest rate at 9.00% per annum and repayable in 2019. The amount was fully repaid in 2019.

Included in other payables are:

(i) Additional investment of $8.6 million (2018: $21.6 million) in Renshoutang (see note 7); and

(ii) Retention sums of $17.1 million (2018: $13.4 million).

The Group and the Company's exposures to liquidity and market risks relating to trade and other payables are disclosed in note 26.

## 17 DEFERRED TAX LIABILITIES

### Recognised deferred tax liabilities

Movements in deferred tax liabilities during the year are as follows:

| | Balance as at 1/1/2018 $'000 | Recognised in profit or loss (note 24) $'000 | Acquisition of subsidiaries (note 28) $'000 | Foreign exchange differences $'000 | Balance as at 31/12/2018 $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Investment properties | 81,373 | 77,185 | 1,753 | (4,145) | 156,166 |

| | Balance as at 1/1/2019 $'000 | Recognised in profit or loss (note 24) $'000 | Acquisition of subsidiaries (note 28) $'000 | Foreign exchange differences $'000 | Balance as at 31/12/2019 $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Investment properties | 156,166 | 10,405 | – | (4,835) | 161,736 |

### Unrecognised deferred tax liabilities

At 31 December 2019, a deferred tax liability of $2.1 million (2018: $1.5 million) for temporary differences of $41.5 million (2018: $30.9 million) related to investments in subsidiaries and a joint venture were not recognised because the Group controls the dividend policy of its subsidiaries and is able to veto the payment of dividends of its joint venture – i.e. the Group controls the timing of reversal of the related taxable temporary differences and it is satisfied they will not reverse in the foreseeable future.

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item:

| | Group | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| Tax losses | 36,712 | 23,081 |

Tax losses with expiry dates are as follows:

| | Group | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| Within 5 years | 9,842 | 11,883 |

The remaining tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of this item because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

## 18 SHARE CAPITAL

| | Ordinary shares | |
|---|---|---|
| | 2019 | 2018 |
| | Number of shares '000 | Number of shares '000 |
| **Company** | | |
| In issue at beginning and end of the year, including treasury shares | 1,665,144 | 1,665,144 |
| Less: Treasury shares | (3,435) | (3,435) |
| In issue at end of the year, excluding treasury shares | 1,661,709 | 1,661,709 |

(a) All issued ordinary shares (excluding treasury shares) are fully paid, with no par value. All shares rank equally with regards to the Company's residual assets.

(b) The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meeting of the Company. All rights attached to the treasury shares are suspended until those shares are reissued.

(c) Movement in the Company's treasury shares was as follows:

| | Ordinary shares | |
|---|---|---|
| | 2019 | 2018 |
| | Number of shares '000 | Number of shares '000 |
| **Company** | | |
| At beginning of the year | 3,435 | 1,169 |
| Purchase of treasury shares | – | 2,266 |
| At end of the year | 3,435 | 3,435 |

## 19 RESERVES

### Other reserves

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 |
| Capital reserve | 440,441 | 440,441 | – | – |
| Fair value reserve | – | 11,179 | – | 10,825 |
| Equity compensation reserve | 12,512 | 9,005 | 12,609 | 9,124 |
| Statutory reserve | 2,729 | 2,102 | – | – |
| Reserve for own shares | (2,977) | (2,977) | (2,977) | (2,977) |
| | 452,705 | 459,750 | 9,632 | 16,972 |

***Capital reserve***

Capital reserve comprises mainly the difference between the paid up capital of the shares issued and the fair value of the initial acquisition and reserve arising from the non-reciprocal capital contribution made to a non-wholly-owned subsidiary.

***Fair value reserve***

Fair value reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI.

***Equity compensation reserve***

Equity compensation reserve comprises the cumulative value of employee services received for the issue of the options under the Company's share plan (note 15).

## 19 RESERVES (continued)

### Other reserves (continued)

#### *Statutory reserve*

Statutory reserve comprises at least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations, allocated to statutory reserve until the cumulative total of the reserve reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The statutory reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

#### *Reserve for own shares*

The reserve of the Company's own shares comprises the cost of the Company's share held by the Group. As at 31 December 2019, the Group held 3,435,000 (2018: 3,435,000) of the Company's shares.

### Foreign currency translation reserve

Foreign currency translation reserve comprises exchange differences arising from the translation of financial statements of foreign operations, share of currency translation reserve of foreign equity-accounted investees and exchange differences on monetary items which form part of the Group's net investment on foreign operations, provided certain conditions are met.

### Dividends

The Board of Directors of the Company has proposed a tax-exempt ordinary dividend of 0.2 Singapore cents per share in respect of the financial year ended 31 December 2019. This would translate to a payout of approximately $3.3 million based on the number of issued shares (excluding treasury shares) as at 31 December 2019. The tax-exempt dividends are subject to shareholders' approval at the forthcoming annual general meeting of the Company and have not been provided for as at 31 December 2019.

For the financial year ended 31 December 2018, a tax-exempt ordinary dividend of 0.4 Singapore cent per share was approved at the annual general meeting held on 25 April 2019. The said dividends of $6.6 million were paid in May 2019.

## 20 NON-CONTROLLING INTERESTS

The following subsidiaries have non-controlling interests ("NCI") that are material to the Group:

| Name of subsidiaries | Country of incorporation | Ownership interests held by NCI | |
|---|---|---|---|
| | | 2019 | 2018 |
| | | % | % |
| Chengdu Ruifeng Real Estate Development Co., Ltd. ("Chengdu Ruifeng") | PRC | 20.0 | 20.0 |
| Xi'an Perennial Cheng Tou West Real Estate Co., Ltd. ("Xi'an West") | PRC | 49.0 | 49.0 |
| Xi'an Perennial Cheng Tou East Real Estate Co., Ltd. ("Xi'an East") | PRC | 34.3 | 34.3[1] |
| Perennial (CHIJMES) Pte. Ltd. and its subsidiaries ("Perennial CHIJMES") | Singapore | 48.4 | 48.4 |
| Perennial Tongzhou Development Pte. Ltd. and its subsidiaries ("Perennial Tongzhou Development") | Singapore | 47.4 | 47.4 |
| Perennial Hengqin Investment Group Pte. Ltd. ("Perennial Hengqin") | Singapore | 33.3 | 33.3 |
| Perennial UW Pte. Ltd. ("Perennial UW") | Singapore | 27.8 | 27.8 |

(1) In 2018, the Group acquired additional 14.7% equity interest in Xi'an East from a non-controlling shareholder.

## 20 NON-CONTROLLING INTERESTS (continued)

The following summarises the financial information for the above subsidiaries prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

| | Chengdu Ruifeng $'000 | Xi'an West $'000 | Xi'an East $'000 | Perennial CHIJMES $'000 | Perennial Tongzhou Development $'000 | Perennial Hengqin $'000 | Perennial UW $'000 | Other immaterial NCI $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **31 December 2019** | | | | | | | | | |
| Revenue | 14,943 | – | – | 14,509 | – | – | – | | |
| Profit/(Loss) after tax | 8,696 | 7,724 | (267) | 252 | 5,193 | 1,972 | (23,778) | | |
| OCI | (13,066) | (11,008) | (5,421) | – | (36,544) | (2,763) | – | | |
| **Total comprehensive income** | (4,370) | (3,284) | (5,688) | 252 | (31,351) | (791) | (23,778) | | |
| Attributable to NCI: | | | | | | | | | |
| – Profit/(Loss) after tax | 1,739 | 3,785 | (92) | 122 | 1,877 | 649 | (6,605) | 150 | 1,625 |
| – OCI | (3,098) | (5,394) | (1,859) | – | (21,926) | (921) | – | (2,306) | (35,504) |
| **Total comprehensive income** | (1,359) | (1,609) | (1,951) | 122 | (20,049) | (272) | (6,605) | (2,156) | (33,879) |
| Non-current assets | 766,517 | 246,128 | 64 | 335,568 | 1,455,628 | 164,256 | – | | |
| Current assets | 35,623 | 169,019 | 181,022 | 7,832 | 522,803 | 54 | 202,710 | | |
| Non-current liabilities | (194,165) | (23,103) | – | (259,825) | (518,157) | (22,469) | – | | |
| Current liabilities | (92,325) | (17,065) | (1,275) | (4,916) | (240,900) | (44,942) | (7) | | |
| **Net assets** | 515,650 | 374,979 | 179,811 | 78,659 | 1,219,374 | 96,899 | 202,703 | | |
| **Net assets attributable to NCI** | 103,130 | 183,740 | 61,675 | 38,060 | 730,828 | 32,300 | 56,306 | 13,128 | 1,219,167 |
| Cash flows from operating activities | (9,870) | (7,263) | (1,551) | 9,744 | (10,173) | (8) | (7) | | |
| Cash flows from investing activities | (3,648) | (4,027) | 33 | (1,492) | (21,289) | – | 4,563 | | |
| Cash flows from financing activities | 13,302 | 15,454 | 69 | (8,335) | 34,005 | – | (4,563) | | |
| **Net increase/(decrease) in cash and cash equivalents** | (216) | 4,164 | (1,449) | (83) | 2,543 | (8) | (7) | | |
| **31 December 2018** | | | | | | | | | |
| Revenue | 5,821 | – | – | 13,780 | – | – | – | | |
| Profit/(Loss) after tax | 15,679 | 22,253 | (311) | 408 | 179,977 | 1,863 | 21,578 | | |
| OCI | (11,670) | (9,690) | (5,449) | – | (32,979) | 52 | (3,475) | | |
| **Total comprehensive income** | 4,009 | 12,563 | (5,760) | 408 | 146,998 | 1,915 | 18,103 | | |
| Attributable to NCI: | | | | | | | | | |
| – Profit/(Loss) after tax | 5,187 | 10,904 | (125) | 197 | 108,745 | 604 | 5,994 | (56) | 131,450 |
| – OCI | (2,653) | (4,748) | (1,020) | – | (19,787) | 17 | (965) | (1,435) | (30,591) |
| **Total comprehensive income** | 2,534 | 6,156 | (1,145) | 197 | 88,958 | 621 | 5,029 | (1,491) | 100,859 |
| Non-current assets | 762,544 | 238,827 | 103 | 334,382 | 1,462,025 | 167,096 | 218,879 | | |
| Current assets | 39,699 | 159,157 | 186,532 | 7,914 | 513,977 | 62 | 693 | | |
| Non-current liabilities | (174,301) | (21,130) | – | (259,045) | (440,223) | (23,145) | – | | |
| Current liabilities | (105,497) | (15,005) | (1,136) | (4,844) | (282,904) | (46,297) | (8) | | |
| **Net assets** | 522,445 | 361,849 | 185,499 | 78,407 | 1,252,875 | 97,716 | 219,564 | | |
| **Net assets attributable to NCI** | 104,489 | 177,306 | 63,626 | 37,939 | 750,907 | 32,572 | 60,990 | 15,904 | 1,243,733 |
| Cash flows from operating activities | (27,941) | (30,515) | (981) | 7,872 | (3,551) | (6) | (6) | | |
| Cash flows from investing activities | (26,737) | 9 | 6 | (829) | (3,461) | 22 | (6,300) | | |
| Cash flows from financing activities | 55,108 | 24,619 | 3,207 | (7,474) | 7,273 | (1,729) | 5,400 | | |
| **Net increase/(decrease) in cash and cash equivalents** | 430 | (5,887) | 2,232 | (431) | 261 | (1,713) | (906) | | |

## 21 REVENUE

| | Group 2019 $'000 | Group 2018 $'000 |
|---|---|---|
| Revenue from sale of development properties | 9,716 | – |
| Revenue from hotel operations | 18,991 | 1,501 |
| Revenue from real estate management services | 18,971 | 14,256 |
| | 47,678 | 15,757 |
| Property rental and related income | 76,543 | 62,504 |
| | 124,221 | 78,261 |

**Disaggregation of revenue from contracts with customers**

In the following table, revenue from contracts with customers is disaggregated by timing of revenue recognition.

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Point in time $'000 | Over time $'000 | Total $'000 | Point in time $'000 | Over time $'000 | Total $'000 |
| Revenue from sale of development properties | 9,716 | – | 9,716 | – | – | – |
| Revenue from hotel operations | 18,991 | – | 18,991 | 1,501 | – | 1,501 |
| Revenue from real estate management services | 4,414 | 14,557 | 18,971 | 3,327 | 10,929 | 14,256 |
| | 33,121 | 14,557 | 47,678 | 4,828 | 10,929 | 15,757 |

## 22 OTHER INCOME

| | Group 2019 $'000 | Group 2018 $'000 |
|---|---|---|
| Change in fair value of investment properties | 48,242 | 309,077 |
| Re-measurement to fair value of pre-existing equity interest in a subsidiary | – | 13,884 |
| Others | 3,651 | 4,487 |
| | 51,893 | 327,448 |

## 23 NET FINANCE COSTS

| | Group 2019 $'000 | Group 2018 $'000 |
|---|---|---|
| Interest income on loans to associates and joint ventures | 4,674 | 4,884 |
| Interest income on junior bonds of associates | 10,614 | 5,178 |
| Interest income on bank deposits | 439 | 2,449 |
| **Finance income** | 15,727 | 12,511 |
| | | |
| Interest expense on financial liabilities measured at amortised cost | 140,738 | 123,947 |
| Less: Borrowing costs capitalised in: | | |
| – investment properties | (11,574) | (23,142) |
| – development properties | (4,732) | (3,894) |
| **Finance costs** | 124,432 | 96,911 |
| | | |
| **Net finance costs recognised in profit or loss** | 108,705 | 84,400 |

## 24 TAX EXPENSE

| | Note | Group 2019 $'000 | Group 2018 $'000 |
|---|---|---|---|
| **Current tax expense** | | | |
| Current year | | 11,945 | 4,992 |
| Changes in estimates related to prior years | | (528) | 125 |
| | | 11,417 | 5,117 |
| **Deferred tax expense** | | | |
| Origination and reversal of temporary differences | | 10,563 | 77,185 |
| Changes in estimates related to prior years | | (158) | – |
| | 17 | 10,405 | 77,185 |
| **Total tax expense** | | 21,822 | 82,302 |
| ***Reconciliation of effective tax rate*** | | | |
| Profit before tax | | 27,279 | 291,807 |
| Less: Share of results of associates and joint ventures, net of tax | | (80,919) | (56,279) |
| | | (53,640) | 235,528 |
| Tax using Singapore tax rate of 17% (2018: 17%) | | (9,119) | 40,040 |
| Effect of tax rates in foreign jurisdictions | | 13,161 | 25,327 |
| Non-deductible expenses | | 23,964 | 15,060 |
| Tax exempt income | | (7,938) | (2,777) |
| Current year losses for which no deferred tax asset was recognised | | 2,317 | 5,029 |
| Changes in estimates related to prior years | | (686) | 125 |
| Others | | 123 | (502) |
| | | 21,822 | 82,302 |

## 25 PROFIT FOR THE YEAR

The following items have been included in arriving at profit for the year:

| | Group 2019 $'000 | Group 2018 $'000 |
|---|---|---|
| Audit fees paid/payable to: | | |
| – auditors of the Company | 774 | 716 |
| – other auditors | 55 | 66 |
| Direct operating expenses arising from rental of investment properties | 42,595 | 33,718 |
| Depreciation and amortisation expense | 16,450 | 7,288 |
| Employee benefits expense (see below) | 43,029 | 33,209 |
| Loss on disposal of associates | 15,233 | – |
| **Employee benefits expense** | | |
| Salaries, bonuses and other costs | 35,593 | 27,446 |
| Contributions to defined contribution plans | 3,951 | 2,834 |
| Equity-settled share-based payment transactions | 3,485 | 2,929 |
| | 43,029 | 33,209 |

## 26 FINANCIAL INSTRUMENTS

### Financial risk management

***Overview***

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risks limits and controls, and to monitor risks and adherence to limits. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit and Risk Committee ("ARC") oversees the effectiveness of the compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The ARC is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc review of risk management controls and procedures, the results of which are reported to the ARC.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's receivables from tenants of its operating assets and balances with related parties.

The carrying amounts of financial assets represent the Group and the Company's maximum exposures to credit risk, before taking into account any collateral held. The Group and the Company do not hold any collateral in respect of their financial assets, except for balances with tenants where security deposits are obtained.

***Risk management policy***

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. It is the Group's policy that all tenants are subject to credit verification procedure. Credit evaluations are performed by management before lease agreements are entered into with tenants. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

*Exposure to credit risk*

The maximum exposure to credit risk for trade and other receivables (excluding prepayments) at the reporting date by geographical region and type of counterparty was:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 | 2019<br>$'000 | 2018<br>$'000 |
| **By geographical areas** | | | | |
| Singapore | 58,421 | 46,722 | 186,775 | 148,891 |
| PRC | 194,730 | 136,960 | – | – |
| Malaysia | 67,149 | 14,329 | – | – |
| Others | 2,537 | 4,395 | – | – |
| | 322,837 | 202,406 | 186,775 | 148,891 |
| **By type of counterparty** | | | | |
| Related parties | 230,928 | 137,293 | 181,013 | 146,327 |
| Non-related parties | 91,909 | 65,113 | 5,762 | 2,564 |
| | 322,837 | 202,406 | 186,775 | 148,891 |

As at 31 December 2019, the Group's most significant counterparties, two associates, two joint ventures and three non-controlling interests (2018: an associate, two joint ventures, a non-controlling interests and a related corporation), account for $205.4 million (2018: $114.9 million) of trade and other receivables carrying amount. Other than balances with related parties, there is no concentration of customer risk at the Company level.

## 26 FINANCIAL INSTRUMENTS (continued)

**Credit risk** (continued)

***Expected credit loss assessment***

*Trade receivables*

The Group uses an allowance matrix to measure the ECLs of trade receivables.

Loss rates are based on actual credit loss experience over the past four years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECLs for trade receivables:

| | Group | | Company | |
|---|---|---|---|---|
| | Gross carrying amount $'000 | Impairment loss allowance $'000 | Gross carrying amount $'000 | Impairment loss allowance $'000 |
| **2019** | | | | |
| Current (not past due) | 23,707 | – | 137 | – |
| 1 – 30 days past due | 2,495 | – | – | – |
| 31 – 60 days past due | 491 | – | – | – |
| 61 – 90 days past due | 695 | (194) | 21,787 | – |
| | 27,388 | (194) | 21,924 | – |
| **2018** | | | | |
| Current (not past due) | 14,959 | – | 3,287 | – |
| 1 – 30 days past due | 2,232 | – | – | – |
| 31 – 60 days past due | 572 | – | – | – |
| 61 – 90 days past due | 1,130 | (58) | 18,758 | – |
| | 18,893 | (58) | 22,045 | – |

*Movements in allowance for impairment in respect of trade and other receivables*

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

| | Group | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| Balance at 1 January | 58 | 663 |
| Impairment loss recognised | 169 | – |
| Amounts written off | (33) | (605) |
| Balance at 31 December | 194 | 58 |

*Other receivables*

The Group assesses on a forward-looking basis for the expected credit losses associated with financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group considers that the credit risk for these counterparties has not increased.

## 26 FINANCIAL INSTRUMENTS (continued)

**Credit risk** (continued)

***Expected credit loss assessment*** (continued)

*Amounts due from subsidiaries, associates, joint ventures, related corporation, affiliated company and non-controlling interests*

These balances are amounts lent to related parties to satisfy short term funding requirements. The Group and the Company use an approach that is based on an assessment of qualitative and quantitative factors that are indicative of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections, if available, and applying experienced credit judgement). There is no significant increase in credit risk for these exposures. Therefore impairment on these balances has been measured on the 12 month expected credit loss basis; and the amount of the allowance is insignificant.

*Guarantees*

At the reporting date, the Company has issued a guarantee to certain banks in respect of credit facilities granted to subsidiaries, an associate and a joint venture (see note 30). These guarantees are subject to the impairment assessment under SFRS(I) 9. The Company has assessed that these subsidiaries, associate and joint venture have strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses from these guarantees. The Company's assessment is based on qualitative and quantitative factors that are indicative of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections, if available, and applying experienced credit judgement).

*Cash and cash equivalents*

The Group and Company held cash and cash equivalents of $119.8 million and $0.8 million respectively at 31 December 2019 (2018: $76.9 million and $4.6 million), which represent its maximum credit exposure on these assets. The cash and cash equivalents are held with banks with sound credit ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was insignificant.

**Liquidity risk**

***Risk management policy***

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group has contractual commitments to incur capital expenditure with regards to its investment properties under development, development properties and investments in joint ventures (see note 34).

As at 31 December 2019, the Group has approximately $133.0 million available bank facilities. The Group had put in place a $2 billion multicurrency debt issuance programme established on 22 January 2015 (see note 13). As at 31 December 2019, the uncommitted facilities available to the Group under the programme amounted to $1,475.0 million. The Group's ability to settle its liabilities as and when they are due for settlement within the next twelve months is highly dependent on its ability to obtain new credit facilities, refinance its existing borrowing obligations or divest its assets as part of its capital recycling strategy.

## 26 FINANCIAL INSTRUMENTS (continued)

### Liquidity risk (continued)

***Exposure to liquidity risk***

The following are the contractual maturities of financial liabilities, including estimated interest payments:

| | Carrying amount $'000 | Contractual cash flows $'000 | Cash flows<br>Within 1 year $'000 | 2 to 5 years $'000 | More than 5 years $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **31 December 2019** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Loans and borrowings | 2,968,618 | (3,159,846) | (1,388,612) | (1,634,235) | (136,999) |
| Junior bonds | 30,000 | (36,575) | (1,300) | (5,204) | (30,071) |
| Lease liabilities | 894 | (916) | (733) | (183) | – |
| Trade and other payables[1] | 523,641 | (531,773) | (379,673) | (150,654) | (1,446) |
| | 3,523,153 | (3,729,110) | (1,770,318) | (1,790,276) | (168,516) |
| **31 December 2018** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Loans and borrowings | 2,938,062 | (3,163,564) | (812,899) | (2,325,303) | (25,362) |
| Junior bonds | 30,000 | (31,283) | (1,219) | (30,064) | – |
| Trade and other payables[1] | 556,772 | (556,966) | (548,231) | (6,996) | (1,739) |
| | 3,524,834 | (3,751,813) | (1,362,349) | (2,362,363) | (27,101) |

(1) Excludes advanced rental received.

| | Carrying amount $'000 | Contractual cash flows $'000 | Cash flows<br>Within 1 year $'000 | 2 to 5 years $'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **31 December 2019** | | | | |
| **Non-derivative financial liabilities** | | | | |
| Loans and borrowings | 579,429 | (596,107) | (475,940) | (120,167) |
| Trade and other payables | 12,847 | (12,847) | (12,847) | – |
| | 592,276 | (608,954) | (488,787) | (120,167) |
| **31 December 2018** | | | | |
| **Non-derivative financial liabilities** | | | | |
| Loans and borrowings | 615,128 | (664,821) | (29,306) | (635,515) |
| Trade and other payables | 12,754 | (12,754) | (12,754) | – |
| | 627,882 | (677,575) | (42,060) | (635,515) |

The maturity analyses show the undiscounted cash flows of the financial liabilities of the Group and the Company on the basis of their earliest possible contractual maturity.

It is not expected that the cash flows included in the maturity analysis above could occur significantly earlier, or at significantly different amounts.

In addition to the above table, the Company has exposure to liquidity risk from financial guarantees issued to certain financial institutions, in respect of banking facilities and debt securities drawn by its subsidiaries, an associate and a joint venture of $1,303.1 million (2018: $1,323.4 million). At reporting date, the Company does not consider that it is probable that a claim will be made against the Company under the financial guarantee contracts. Accordingly, the Company does not expect any net cash outflows resulting from the financial guarantee contracts. See note 30 for further information.

## 26 FINANCIAL INSTRUMENTS (continued)

### Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

When necessary, the Group uses financial instruments such as foreign currency borrowings for the purposes of managing certain financial risks and does not engage in speculation.

#### *Currency risk*

*Risk management policy*

The Group is exposed to currency risk mainly arising from sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk include United States Dollar ("USD"), Chinese Renminbi ("RMB") and Malaysia Ringgit ("MYR").

The Group management monitors the Group's currency risk exposure and does not hedge foreign currency exposure.

The Group's exposure to currency risk is as follows:

| | USD<br>$'000 | RMB<br>$'000 | MYR<br>$'000 |
|---|---|---|---|
| **Group** | | | |
| **31 December 2019** | | | |
| Cash and cash equivalents | 13,656 | 29 | – |
| Trade and other receivables | 11,684 | 3,507 | 67,159 |
| Trade and other payables | (7,793) | (41,285) | – |
| | 17,547 | (37,749) | 67,159 |
| **31 December 2018** | | | |
| Cash and cash equivalents | 434 | 30 | – |
| Trade and other receivables | 11,853 | 3,552 | 14,375 |
| Trade and other payables | (1,090) | (42,533) | – |
| | 11,197 | (38,951) | 14,375 |

*Sensitivity analysis*

A reasonable possible strengthening/(weakening) of the above currencies against the respective functional currencies of Group entities at the reporting date would have increased/(decreased) profit or loss (before any tax effects) by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

| | Group<br>Profit or loss<br>2019<br>$'000 | <br><br>2018<br>$'000 |
|---|---|---|
| USD (5% strengthening) | 877 | 560 |
| RMB (5% strengthening) | (1,887) | (1,948) |
| MYR (5% strengthening) | 3,358 | 719 |
| USD (5% weakening) | (877) | (560) |
| RMB (5% weakening) | 1,887 | 1,948 |
| MYR (5% weakening) | (3,358) | (719) |

## 26 FINANCIAL INSTRUMENTS (continued)

### Market risk (continued)

#### *Interest rate risk*

*Risk management policy*

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates.

The Group manages its interest rate exposure by entering into a mixture of fixed rate instruments and variable rate instruments.

*Exposure to interest rate risk*

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

| | | Group Nominal amount | | Company Nominal amount | |
|---|---|---|---|---|---|
| | Note | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| **Fixed rate instruments** | | | | | |
| Cash and cash equivalents | 12 | 41,967 | 8,662 | – | – |
| Loans and borrowings | 13 | (680,000) | (805,000) | (580,000) | (580,000) |
| Lease liabilities | 33 | (894) | – | – | – |
| | | (638,927) | (796,338) | (580,000) | (580,000) |
| **Variable rate instruments** | | | | | |
| Loans to subsidiaries | 32 | – | – | 498,137 | 485,641 |
| Interest in associates – Junior bonds | 7 | 118,620 | 118,620 | – | – |
| Cash and cash equivalents | 12 | 77,841 | 68,194 | 785 | 4,582 |
| Loans and borrowings | 13 | (2,295,914) | (2,143,459) | – | (37,291) |
| Junior bonds | 14 | (30,000) | (30,000) | – | – |
| | | (2,129,453) | (1,986,645) | 498,922 | 452,932 |

*Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at FVTPL. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

*Cash flow sensitivity analysis for variable rate instruments*

An increase of 10 basis points in the interest rates at the reporting date would have decreased profit or loss (before any tax effects) by $2.1 million (2018: $2.0 million) and $0.5 million (2018: $0.5 million) for the Group and the Company respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. A decrease of 10 basis points in the interest rates at the reporting date would have had the equal but opposite effect, on the basis that all other variables remain constant.

#### *Other market price risk*

*Risk management policy*

Market price risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

Equity price risk arises from equity investments at FVOCI. Management monitors its investment portfolio based on its fair value and responds to fluctuation in market prices as and when necessary to optimise the Group's return.

*Sensitivity analysis*

The Group and the Company are exposed to price changes from its quoted equity securities in 2018. If the prices of the investments were to increase/decrease by 10% at 31 December 2018, fair value reserve would increase/decrease by approximately $7.3 million.

## 26 FINANCIAL INSTRUMENTS (continued)

### Capital management

The primary objective of the Group's capital management is to ensure that it maintains an optimal capital structure so as to maximise shareholders' value. Capital consists of all equity.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, and obtain new borrowings to leverage on lower cost of borrowings versus the Group's weighted-average cost of capital or divest assets to reduce borrowings.

Management monitors capital based on a set of financial ratios with the primary focus on gearing ratio.

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings less cash and cash equivalents.

Following the adoption of SFRS(I) 16 Leases, the recognition of right-of-use assets and lease liabilities on 1 January 2019 (see note 3.5) has no significant impact to the net debt to adjusted equity of the Group.

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

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

### Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. For the current year, the fair value disclosure of lease liabilities is not required.

| | | Carrying amount | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| **Group** | **Note** | **Amortised cost $'000** | **Other financial liabilities $'000** | **Total $'000** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
| **31 December 2019** | | | | | | | | |
| **Financial assets not measured at fair value** | | | | | | | | |
| Loans to associates and joint ventures | 7 | 175,870 | – | 175,870 | | | | |
| Interest in associates | | | | | | | | |
| – Junior bonds | 7 | 118,620 | – | 118,620 | | | | |
| – Redeemable preference shares | 7 | 28,682 | – | 28,682 | | | | |
| Trade and other receivables[1] | 10 | 322,837 | – | 322,837 | | | | |
| Cash and cash equivalents | 12 | 119,808 | – | 119,808 | | | | |
| | | 765,817 | – | 765,817 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Loans and borrowings | | | | | | | | |
| – Secured and unsecured bank loans | 13 | – | (2,289,261) | (2,289,261) | | | | |
| – Medium term notes | 13 | – | (399,455) | (399,455) | – | (388,531) | – | (388,531) |
| – Retail bonds | 13 | – | (279,902) | (279,902) | (278,029) | – | – | (278,029) |
| Junior bonds | 14 | – | (30,000) | (30,000) | – | – | (30,000) | (30,000) |
| Lease liabilities | 33 | – | (894) | (894) | | | | |
| Trade and other payables[2] | 16 | – | (507,604) | (507,604) | | | | |
| Security deposits | 16 | – | (16,037) | (16,037) | – | – | (13,578) | (13,578) |
| | | – | (3,523,153) | (3,523,153) | | | | |

## 26 FINANCIAL INSTRUMENTS (continued)

### Accounting classifications and fair values (continued)

| Group | Note | Carrying amount | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Amortised cost $'000 | FVOCI – equity instruments $'000 | Other financial liabilities $'000 | Total $'000 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| **31 December 2018** | | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | | |
| Other financial assets | 9 | – | 72,510 | – | 72,510 | 72,510 | – | – | 72,510 |
| **Financial assets not measured at fair value** | | | | | | | | | |
| Loans to associates and joint ventures | 7 | 88,585 | – | – | 88,585 | | | | |
| Interest in associates | | | | | | | | | |
| – Junior bonds | 7 | 118,620 | – | – | 118,620 | | | | |
| – Redeemable preference shares | 7 | 28,682 | – | – | 28,682 | | | | |
| Trade and other receivables[(1)] | 10 | 202,406 | – | – | 202,406 | | | | |
| Cash and cash equivalents | 12 | 76,856 | – | – | 76,856 | | | | |
| | | 515,149 | – | – | 515,149 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | | |
| Loans and borrowings | | | | | | | | | |
| – Secured and unsecured bank loans | 13 | – | – | (2,134,941) | (2,134,941) | | | | |
| – Medium term notes | 13 | – | – | (523,511) | (523,511) | – | (516,655) | – | (516,655) |
| – Retail bonds | 13 | – | – | (279,610) | (279,610) | (275,052) | – | – | (275,052) |
| Junior bonds | 14 | – | – | (30,000) | (30,000) | – | – | (30,000) | (30,000) |
| Trade and other payables[(2)] | 16 | – | – | (542,319) | (542,319) | | | | |
| Security deposits | 16 | – | – | (14,453) | (14,453) | – | – | (12,870) | (12,870) |
| | | – | – | (3,524,834) | (3,524,834) | | | | |

## 26 FINANCIAL INSTRUMENTS (continued)

### Accounting classifications and fair values (continued)

| Company | Note | Carrying amount: Amortised cost $'000 | Carrying amount: Other financial liabilities $'000 | Carrying amount: Total $'000 | Fair value: Level 1 $'000 | Fair value: Level 2 $'000 | Fair value: Level 3 $'000 | Fair value: Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **31 December 2019** | | | | | | | | |
| **Financial assets not measured at fair value** | | | | | | | | |
| Loans to subsidiaries | 32 | 1,815,343 | – | 1,815,343 | | | | |
| Trade and other receivables[1] | 10 | 186,775 | – | 186,775 | | | | |
| Cash and cash equivalents | 12 | 785 | – | 785 | | | | |
| | | 2,002,903 | – | 2,002,903 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Loans and borrowings | | | | | | | | |
| – Medium term notes | 13 | – | (299,527) | (299,527) | – | (290,838) | – | (290,838) |
| – Retail bonds | 13 | – | (279,902) | (279,902) | (278,029) | – | – | (278,029) |
| Trade and other payables | 16 | – | (12,847) | (12,847) | | | | |
| | | – | (592,276) | (592,276) | | | | |

| Company | Note | Carrying amount: Amortised cost $'000 | Carrying amount: FVOCI – equity instruments $'000 | Carrying amount: Other financial liabilities $'000 | Carrying amount: Total $'000 | Fair value: Level 1 $'000 | Fair value: Level 2 $'000 | Fair value: Level 3 $'000 | Fair value: Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **31 December 2018** | | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | | |
| Other financial assets | 9 | – | 72,510 | – | 72,510 | 72,510 | – | – | 72,510 |
| **Financial assets not measured at fair value** | | | | | | | | | |
| Loans to subsidiaries | 32 | 1,802,847 | – | – | 1,802,847 | | | | |
| Trade and other receivables[1] | 10 | 148,891 | – | – | 148,891 | | | | |
| Cash and cash equivalents | 12 | 4,582 | – | – | 4,582 | | | | |
| | | 1,956,320 | – | – | 1,956,320 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | | |
| Loans and borrowings | | | | | | | | | |
| – Secured bank loans | 13 | – | – | (36,741) | (36,741) | | | | |
| – Medium term notes | 13 | – | – | (298,777) | (298,777) | – | (294,815) | – | (294,815) |
| – Retail bonds | 13 | – | – | (279,610) | (279,610) | (275,052) | – | – | (275,052) |
| Trade and other payables | 16 | – | – | (12,754) | (12,754) | | | | |
| | | – | – | (627,882) | (627,882) | | | | |

(1) Excludes prepayments
(2) Excludes security deposit and advanced rental received

## 26 FINANCIAL INSTRUMENTS (continued)

### Measurement of fair values

#### (i) Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and 3 fair values, as well as the significant unobservable inputs used.

***Financial instruments not measured at fair value***

| Type | Valuation technique |
|---|---|
| Medium term notes | The fair value is determined based on quoted price of the notes in markets that are not active. |
| Security deposits and junior bonds | Discounted cash flows: The valuation model considers the present value of future principal and interest cash flows, discounted using a risk adjusted discount rate. The discount rate used is 3.96% (2018: 2.73% – 3.76 %). |

#### (ii) Transfers between the levels

There were no transfers between the levels during the year.

## 27 EARNINGS PER SHARE

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| **Earnings per share (cents)** | | |
| Basic | 0.23 | 4.70 |
| Diluted | 0.23 | 4.70 |

### Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and weighted-average number of ordinary shares in issue during the year, calculated as follows:

| | Group | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| Profit for the year attributable to owners of the Company | 3,832 | 78,055 |

*Weighted-average number of ordinary shares*

| | Group | |
|---|---|---|
| | 2019<br>Number of shares<br>'000 | 2018<br>Number of shares<br>'000 |
| Weighted-average number of ordinary shares in issue during the year | 1,661,709 | 1,662,312 |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | 1,661,709 | 1,662,312 |

### Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares existing during the year. At 31 December 2019, 72,465,500 (2018: 56,540,000) share options were excluded from the diluted weighted-average number of ordinary shares calculation as their effect would have been anti-dilutive.

## 28 ACQUISITION OF SUBSIDIARIES

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property, and together, they are capable of being managed to provide returns to the Group. When the acquisition of a subsidiary does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities.

### (A) Business combination

In 2018, the following acquisition of the Group has been accounted for as business combination:

On 8 May 2018, the Group acquired 50% equity interest in Capitol Singapore, which owns an integrated development, including retail mall, theatre, residential and hotel. As a result, the Group's equity interest in Capitol Singapore increased from 50% to 100%, thereby obtaining control of Capitol Singapore which was previously accounted for as a joint venture.

From the date of acquisition to 31 December 2018, Capitol Singapore contributed revenue of $8.8 million and loss of $22.5 million to the Group's results. If the acquisition had occurred on 1 January 2018, management estimates that the contribution from Capitol Singapore in terms of revenue and loss would have been $12.8 million and $3.9 million respectively. In determining these amounts, management has assumed that the fair value adjustments that arose at the date of acquisition would have been the same if the acquisition had occurred on 1 January 2018.

*Consideration transferred*

The consideration for the acquisition was $129.6 million and was settled in cash. No contingent consideration was recognised at the date of acquisition.

*Identifiable assets acquired and liabilities assumed*

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition, and the effect of cash flows.

| | Note | $'000 |
|---|---|---|
| Property, plant and equipment | 5 | 8,195 |
| Investment properties | 6 | 776,510 |
| Development properties | | 243,475 |
| Inventories | | 715 |
| Cash and cash equivalents | | 35,227 |
| Trade and other receivables | | 20,347 |
| Deferred tax liabilities | 17 | (1,753) |
| Trade and other payables | | (822,732) |
| **Total identifiable net assets as at 8 May 2018** | | 259,984 |
| Less: Fair value of pre-existing interest in the acquiree | | (130,378) |
| Total consideration transferred | | 129,606 |
| Less: Cash and cash equivalents acquired | | (35,227) |
| **Net cash outflow** | | 94,379 |

The re-measurement to fair value of the Group's pre-existing 50% interest in Capitol Singapore resulted in a gain of $13.9 million. This amount has been recognised in other income (see note 22).

### (B) Acquisition of non-controlling interests

On 4 June 2018, the Group acquired additional 14.7% equity interest in Xi'an East for a cash consideration of $18.8 million. As a result, the Group's equity interest in Xi'an East increased from 51% to 65.7%.

| | $'000 |
|---|---|
| Carrying amount of NCI acquired | 28,246 |
| Consideration paid | (18,781) |
| Increase in equity attributable to owners of the Company | 9,465 |

The increase in equity attributable to owners of the Company was recorded in capital reserve.

## 29 OPERATING SEGMENTS

Management determines the operating segments based on the reports reviewed and used by the Group's CEO for strategic decisions making and resources allocation. For management purposes, the Group is organised into Singapore, China, management businesses and corporate and others.

The China segment comprises mainly large scale integrated mixed use projects which are under development, 2 operational retail malls and 2 operational integrated development as well as contribution from healthcare services. The Singapore segment comprises mainly income producing projects located in downtown civic district, central business district and Orchard Road precinct. Management businesses include asset management, development and/or project management, as well as property management. Other developing markets together with corporate function are included under corporate and others.

Management monitors the operating results of each of its business units for the purpose of making decisions on resource allocation and performance assessment. Performance is measured based on segment earnings before interest and tax ("EBIT"). EBIT is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Tax expenses are managed on a group basis and are not allocated to operating segments. Inter-segment pricing is determined on arm's length basis.

### Information about reportable segments

| | Singapore $'000 | China $'000 | Management businesses $'000 | Corporate and others $'000 | Eliminations $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **31 December 2019** | | | | | | |
| **Revenue:** | | | | | | |
| Sales to external customers | 56,225 | 50,902 | 17,022 | 72 | – | 124,221 |
| Inter-segment | – | – | 14,775 | 12,040 | (26,815) | – |
| Total revenue | 56,225 | 50,902 | 31,797 | 12,112 | (26,815) | 124,221 |
| **Results:** | | | | | | |
| Segment results | (14,184) | 77,900 | 14,668 | (5,864) | (17,455) | 55,065 |
| Share of results of associates and joint ventures, net of tax | 22,105 | 59,208 | – | (394) | – | 80,919 |
| Net finance cost | (39,943) | (61,062) | 234 | (9,395) | 1,461 | (108,705) |
| Profit before tax | | | | | | 27,279 |
| Tax expense | | | | | | (21,822) |
| Profit for the year | | | | | | 5,457 |
| **Assets and liabilities:** | | | | | | |
| Segment assets | 1,473,433 | 3,707,990 | 290,241 | 4,511,319 | (4,688,015) | 5,294,968 |
| Associates and joint ventures | 364,978 | 1,867,842 | – | 21,649 | – | 2,254,469 |
| Unallocated assets | | | | | | 5,642 |
| Total assets | | | | | | 7,555,079 |
| Segment liabilities | 1,712,281 | 3,161,818 | 350,707 | 765,677 | (3,409,839) | 2,580,644 |
| Unallocated liabilities | | | | | | 1,122,834 |
| Total liabilities | | | | | | 3,703,478 |
| **Capital expenditure** | 23,685 | 87,393 | 210 | 20 | – | 111,308 |

## 29 OPERATING SEGMENTS (continued)

### Information about reportable segments (continued)

| | Singapore $'000 | China $'000 | Management businesses $'000 | Corporate and others $'000 | Eliminations $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **31 December 2018** | | | | | | |
| **Revenue:** | | | | | | |
| Sales to external customers | 22,600 | 41,408 | 14,063 | 190 | – | 78,261 |
| Inter-segment | – | – | 8,921 | 12,728 | (21,649) | – |
| Total revenue | 22,600 | 41,408 | 22,984 | 12,918 | (21,649) | 78,261 |
| **Results:** | | | | | | |
| Segment results | 9,463 | 318,432 | 5,565 | (8,278) | (5,254) | 319,928 |
| Share of results of associates and joint ventures, net of tax | 46,502 | 10,622 | – | (845) | – | 56,279 |
| Net finance cost | (37,728) | (42,771) | 612 | (5,584) | 1,071 | (84,400) |
| Profit before tax | | | | | | 291,807 |
| Tax expense | | | | | | (82,302) |
| Profit for the year | | | | | | 209,505 |
| **Assets and liabilities:** | | | | | | |
| Segment assets | 1,431,909 | 3,599,782 | 232,332 | 4,459,571 | (4,546,882) | 5,176,712 |
| Associates and joint ventures | 598,400 | 1,872,813 | – | 20,298 | – | 2,491,511 |
| Unallocated assets | | | | | | 2,111 |
| Total assets | | | | | | 7,670,334 |
| Segment liabilities | 1,841,550 | 2,998,858 | 297,516 | 726,564 | (3,293,653) | 2,570,835 |
| Unallocated liabilities | | | | | | 1,123,121 |
| Total liabilities | | | | | | 3,693,956 |
| **Capital expenditure** | 3,527 | 176,697 | 1,535 | 746 | – | 182,505 |

The Group initially applied SFRS(I)16 on 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases (see note 3.5). As a result, the Group recognised $1,466,000 of right-of-use assets and $1,579,000 of liabilities from those lease contracts. The assets and liabilities are included in the Management Businesses segments as at 31 December 2019. The Group has applied SFRS(I) 16 using the modified retrospective approach, under which comparative information is not restated (see note 3.5).

## 30 FINANCIAL GUARANTEE CONTRACTS

### *Intra-group financial guarantees*

Intra-group financial guarantees comprise guarantees given by the Company to banks in respect of banking facilities and debt securities drawn by subsidiaries, an associate and a joint venture. The maximum exposure of the Company is $1,303.1 million (2018: $1,323.4 million). At the reporting date, the Company has not recognised an ECL provision. The Company does not consider it probable that a claim will be made against the Company under the guarantees. The periods in which the financial guarantees will expire are as follows:

| | Company 2019 $'000 | Company 2018 $'000 |
|---|---|---|
| Within one year | 827,367 | 744,327 |
| Between one and five years | 475,755 | 579,112 |
| | 1,303,122 | 1,323,439 |

## 31 RELATED PARTIES

### Key management personnel remuneration

Key management personnel compensation comprised:

| | Group 2019 $'000 | Group 2018 $'000 |
|---|---|---|
| Salaries, bonuses and other costs | 4,176 | 4,755 |
| Contributions to defined contribution plans | 97 | 94 |
| Share-based payments | 1,617 | 925 |
| Directors' fees | 420 | 420 |
| | 6,310 | 6,194 |

### Other related party transactions

During the financial year, other than as disclosed elsewhere in the financial statements, the following were significant related party transactions based on agreed terms:

| | Group 2019 $'000 | Group 2018 $'000 |
|---|---|---|
| **Associates and joint ventures** | | |
| Acquisition fee | 1,030 | 1,274 |
| Divestment fee income | 1,271 | 171 |
| Leasing fee income | 2,048 | 1,886 |
| Property and asset management fee income | 10,649 | 10,051 |
| Project management fee income | 192 | 684 |

## 32 SUBSIDIARIES

| | Company 2019 $'000 | Company 2018 $'000 |
|---|---|---|
| Equity investments, at cost | 834,752 | 834,504 |
| Loans to subsidiaries: | | |
| – Interest-bearing | 498,137 | 485,641 |
| – Interest-free | 1,317,206 | 1,317,206 |
| | 2,650,095 | 2,637,351 |

The loans are unsecured, bear interest rates ranging from 3.02% – 6.51% (2018: 2.13% – 6.51%) per annum and are not expected to be repaid within the next twelve months from 31 December 2019.

As at 31 December 2019, the shares in certain subsidiaries were pledged as security for loans and borrowings (see note 13).

## 32 SUBSIDIARIES (continued)

| Name of subsidiaries | Country of incorporation | Ownership interests | |
|---|---|---|---|
| | | 2019 | 2018 |
| | | % | % |
| **Directly held by the Company** | | | |
| Perennial Treasury Pte. Ltd.[(1)] | Singapore | 100.0 | 100.0 |
| Perennial China Retail Trust[(1)(4)] | Singapore | 100.0 | 100.0 |
| Perennial China Investment Holdings Pte. Ltd[(1)] | Singapore | 100.0 | 100.0 |
| Perennial Singapore Investment Holdings Pte. Ltd.[(1)] | Singapore | 100.0 | 100.0 |
| Perennial Management Investment Holdings Pte. Ltd.[(1)] | Singapore | 100.0 | 100.0 |
| Perennial EM Holdings Pte. Ltd.[(1)] | Singapore | 100.0 | 100.0 |
| Perennial Healthcare Pte. Ltd.[(1)] | Singapore | 100.0 | 100.0 |
| **Directly or indirectly held by Perennial China Retail Trust** | | | |
| Perennial China Retail Pte. Ltd.[(1)] | Singapore | 100.0 | 100.0 |
| Shenyang Retail 1 (BVI) Limited[(2)] | British Virgin Islands ("BVI") | 100.0 | 100.0 |
| Shenyang Retail 2 (BVI) Limited[(2)] | BVI | 100.0 | 100.0 |
| Perennial (Chengdu) Industries Co., Ltd.[(1)] | PRC | 100.0 | 100.0 |
| Perennial Foshan Retail Co., Ltd.[(1)] | PRC | 100.0 | 100.0 |
| Chengdu Ruifeng Real Estate Development Co., Ltd.[(1)] | PRC | 80.0 | 80.0 |
| **Directly or indirectly held by Perennial China Investment Holdings Pte. Ltd.** | | | |
| Perennial Xi'an Development Holding 1 Pte. Ltd.[(1)] | Singapore | 100.0 | 100.0 |
| Xi'an Perennial Cheng Tou West Real Estate Co., Ltd.[(1)] | PRC | 51.0 | 51.0 |
| Perennial Xi'an Development Holding 2 Pte. Ltd.[(1)] | Singapore | 100.0 | 100.0 |
| Xi'an Perennial Cheng Tou East Real Estate Co., Ltd.[(1)] | PRC | 65.7 | 65.7 |
| Perennial Hengqin Investment Pte. Ltd.[(1)] | Singapore | 100.0 | 100.0 |
| Perennial Hengqin Investment Group Pte. Ltd.[(1)] | Singapore | 66.7 | 66.7 |
| Perennial Tongzhou Development Pte. Ltd.[(1)(5)] | Singapore | 52.6 | 52.6 |
| Perennial Mei Rong Jia 1 Real Estate (Beijing) Company Limited[(1)] | PRC | 76.0 | 76.0 |
| Perennial Mei Rong Jia 2 Real Estate (Beijing) Company Limited[(1)] | PRC | 76.0 | 76.0 |
| Perennial Mei Rong Jia 3 Real Estate (Beijing) Company Limited[(1)] | PRC | 76.0 | 76.0 |
| Perennial Chenghua C Pte. Ltd.[(1)] | Singapore | 100.0 | 100.0 |
| Perennial Chenghua D Pte. Ltd.[(1)] | Singapore | 100.0 | 100.0 |
| PRE 2 Investments Pte. Ltd.[(1)] | Singapore | 100.0 | 100.0 |
| Guangdong Pengxiang Management Co., Ltd.[(2)] | PRC | 70.0 | 70.0 |
| Peng Xi (Beijing) Eldercare Co. Ltd.[(2)] | PRC | 100.0 | 100.0 |

## 32 SUBSIDIARIES (continued)

| Name of subsidiaries | Country of incorporation | Ownership interests 2019 % | 2018 % |
|---|---|---|---|
| **Directly or indirectly held by Perennial Singapore Investment Holdings Pte. Ltd.** | | | |
| Perennial (CHIJMES) Pte. Ltd.[1] | Singapore | 51.6 | 51.6 |
| PRE 8 Investments Pte. Ltd.[1] | Singapore | 51.6 | 51.6 |
| Perennial (Capitol) Pte. Ltd.[1] | Singapore | 100.0 | 100.0 |
| New Capitol Pte. Ltd.[1] | Singapore | 100.0 | 100.0 |
| Capitol Singapore[1] | Singapore | 100.0 | 100.0 |
| Perennial TYN Investment Pte. Ltd.[1] | Singapore | 100.0 | 100.0 |
| Perennial UW Pte. Ltd.[1] | Singapore | 72.2 | 72.2 |
| PRE 9 Pte. Ltd.[1] | Singapore | 100.0 | 100.0 |
| PRE 10 Pte. Ltd.[6] | Singapore | 100.0 | 100.0 |
| **Directly or indirectly held by Perennial Management Investment Holdings Pte. Ltd.** | | | |
| Perennial Real Estate Pte. Ltd.[1] | Singapore | 100.0 | 100.0 |
| Perennial China Retail Trust Management Pte. Ltd.[1] | Singapore | 100.0 | 100.0 |
| Perennial (Singapore) Asset Management Pte. Ltd.[1] | Singapore | 100.0 | 100.0 |
| Perennial (Singapore) Retail Management Pte. Ltd.[1] | Singapore | 100.0 | 100.0 |
| Perennial (China) Retail Management Pte. Ltd.[1] | Singapore | 100.0 | 100.0 |
| Perennial (Shanghai) Retail Management Co., Ltd.[3] | PRC | 100.0 | 100.0 |
| Perennial Qiaojian (Guangzhou) Management Co., Ltd.[2] | PRC | 70.0 | 70.0 |
| Perennial Healthcare Real Estate Management Pte. Ltd.[1] | Singapore | 90.0 | 100.0 |
| **Directly or indirectly held by Perennial EM Holdings Pte. Ltd.** | | | |
| Skillplus Investments Ltd.[2] | BVI | 55.0 | 55.0 |
| Perennial Ghana Development Ltd.[3] | Ghana | 100.0 | 100.0 |
| Perennial Penang Pte. Ltd.[1] | Singapore | 100.0 | 100.0 |
| Perennial SL Pte. Ltd.[1] | Singapore | 100.0 | 100.0 |
| Perennial BSL Pte. Ltd.[1] | Singapore | 100.0 | 100.0 |
| Perennial MTP Pte. Ltd.[1] | Singapore | 100.0 | – |
| Perennial CBL Pte. Ltd.[1] | Singapore | 100.0 | – |
| **Directly or indirectly held by Perennial Healthcare Pte. Ltd.** | | | |
| Chengdu Penghong Management Co., Ltd.[2] | PRC | 100.0 | 100.0 |
| Chengdu Pengyi Management Co., Ltd.[3] | PRC | 100.0 | 100.0 |
| Perennial (Shanghai) Health Management Co., Ltd.[2] | PRC | 100.0 | 100.0 |

(1) KPMG LLP is the auditor of all significant Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries. For this purpose, a subsidiary is considered significant as defined under the SGX-ST Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net assets, or if its pre-tax profits account for 20% of more of the Group's consolidated pre-tax profits.
(2) Not subject to audit by law of country of incorporation.
(3) Audited by other auditors.
(4) Includes 2.3% interest indirectly held through Perennial China Retail Trust Management Pte. Ltd.
(5) Includes 13.3% interest indirectly held through Perennial China Retail Trust.
(6) Not subject to audit for financial year ended 31 December 2019.

## 33 LEASES

### Leases as lessee (SFRS(I) 16)

The Group leases office premises. The leases typically run for a period of 3 years, with an option to renew the lease after that date. Lease payments are renegotiated at renewal to reflect market rentals. Previously, the leases were classified as operating leases under SFRS(I) 1-17.

The Group also leases certain equipment, which are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

### Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 5).

| | Land and buildings $'000 |
|---|---|
| **Group** | |
| At 1 January 2018 and 31 December 2018 | – |
| Recognition of right-of-use assets on initial application of SFRS(I) 16 | 1,466 |
| Adjusted balance at 1 January 2019 | 1,466 |
| Depreciation charge for the year | (652) |
| At 31 December 2018 | 814 |

### Lease liabilities

| | Group 2019 $'000 | Group 2018 $'000 |
|---|---|---|
| **Non-current liabilities** | | |
| Lease liabilities | 182 | – |
| **Current liabilities** | | |
| Lease liabilities | 712 | – |
| | 894 | – |

### Terms and debt repayment schedule

Terms and conditions of outstanding lease liabilities are as follows:

| Group | Currency | Nominal interest rate per annum % | Year of maturity | Face value 2019 $'000 | Face value 2018 $'000 | Carrying amount 2019 $'000 | Carrying amount 2018 $'000 |
|---|---|---|---|---|---|---|---|
| Lease liabilities | SGD | 3.78 | 2021 | 916 | – | 894 | – |

The Group's exposures to liquidity and interest rate risks related to lease liabilities are disclosed in note 26.

## 33 LEASES (continued)

**Amounts recognised in consolidated statement of profit or loss**

| | $'000 |
|---|---|
| **2019 – Leases under SFRS(I) 16** | |
| Interest on lease liabilities | 48 |
| Expenses relating to short-term leases and leases of low-value assets | 486 |
| **2018 – Operating leases under SFRS(I) 1-17** | |
| Lease expense | 847 |

**Amounts recognised in consolidated statement of cash flows**

| | 2019<br>$'000 |
|---|---|
| **Total cash outflow for leases** | 733 |

**Extension options**

The property leases contain extension options exercisable by the Group. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $2.1 million.

**Leases as lessor**

The Group leases out its investment properties consisting of its owned commercial properties (see note 6). All leases are classified as operating leases from a lessor perspective.

**Operating lease**

The Group leases out its investment properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 6 sets out information about the operating leases of investment property.

Rental income from investment property recognised by the Group during 2019 was $76,543,000 (2018: $62,504,000).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

| | $'000 |
|---|---|
| **2019 – Operating leases under SFRS(I) 16** | |
| Less than one year | 64,972 |
| One to two years | 53,120 |
| Two to three years | 41,576 |
| Three to four years | 33,744 |
| Four to five years | 31,338 |
| More than five years | 150,023 |
| **Total** | 374,773 |
| **2018 – Operating leases under SFRS(I) 1-17** | |
| Less than one year | 51,304 |
| Between one and five years | 131,866 |
| More than five years | 170,599 |
| **Total** | 353,769 |

## 34 COMMITMENTS

At the reporting date, the Group has the following commitments in respect of:

| | | Group | |
|---|---|---|---|
| | | 2019 | 2018 |
| | | $'000 | $'000 |
| (a) | capital and development expenditures contracted but not provided for | 930,448 | 825,091 |
| (b) | capital contributions in joint ventures | 235,095 | 257,634 |
| | | 1,165,543 | 1,082,725 |

As at 31 December 2018, the Group had a call option to acquire a 20% equity interest in Aroland Holdings Limited. The call option which was exercisable upon confirmation of the execution of redevelopment plans by its owners had expired on 31 July 2019.

## 35 EVENTS OCCURRING AFTER THE REPORTING DATE

(i) On 31 January 2020, the Group entered into a joint venture to invest in a mixed-used development in Colombo, Sri Lanka. Total expected capital contribution by the Group for the joint venture is USD17.5 million (approximately $23.6 million).

(ii) On 26 February 2020, the Group entered into a sale and purchase agreement for the acquisition of an additional 14.7% shares in Xi'an Perennial Cheng Tou West Real Estate Co., Ltd for a consideration of RMB190 million (approximately $36.7 million).

(iii) On 4 March 2020, the Group granted options to employees of the Group to subscribe for a total of 19,010,500 shares at $0.50 per share (based on Market Price). All options granted under the Perennial ESOS 2014 are valid for a term of 5 years from the date of their grants.

(iv) On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the Group's 31 December 2019 financial statements, the COVID-19 outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Group cannot reasonably estimate the impact these events will have on the Group's financial position, results of operations or cash flows in the future.

(v) On 16 April 2020, the Group has entered a sale and purchase agreement to dispose its 30% equity interests in Perennial Somerset Investors Pte. Ltd. and its subsidiaries ("Perennial Somerset") for a total cash consideration of $155.1 million.

(vi) In 2018, TYN Investment Pte. Ltd. ("TYN Investment"), a subsidiary of a joint venture of the Company, was served with a writ of summons by Griffin Real Estate Investment Holdings Pte. Ltd. (In Liquidation) ("GREIH") for wrongful receipt of S$14.3 million from GREIH prior to TYN Investment being acquired by the Company, through a joint venture, TYN Investment Group Pte. Ltd. ("TYN Group"). TYN Group is owned in equal proportions by Perennial TYN Investment Pte. Ltd., a subsidiary of the Company and Charles Quay International Pte. Ltd.

In 2019, TYN Group commenced a claim for conspiracy against GREIH and Mr Ong Siew Kwee, a former director of both TYN Investment and GREIH, in connection with TYN Group's acquisition of TYN Investment (the "Acquisition") from ERC Holdings Pte. Ltd. ("ERC Holdings"), the former holding company of TYN Investment. TYN Group also commenced arbitration proceedings against ERC Holdings in connection with the Acquisition.

On 9 April 2020, GREIH, TYN Group and TYN Investment agreed to an amicable resolution of the claims between them on terms that: (i) TYN Investment is to pay GREIH an agreed sum; (ii) GREIH is to discontinue its claim against TYN Investment; (iii) TYN Group is to discontinue its claim against GREIH and (iv) parties are to maintain confidentiality of the settlement terms.

On 6 May 2020, TYN Investment has made payment to GREIH of the agreed sum.

(vii) On 6 May 2020, Perennial Shenton Investors Pte. Ltd. ("PSI"), an associate of the Group entered into a share purchase agreement to dispose its 50% equity interest in its subsidiary, Perennial Shenton Holdings Pte. Ltd. ("PSH") to an external party. Concurrently, PSI also entered into another share purchase agreement to dispose its remaining 50% equity interest in PSH to PRE 13 Pte. Ltd. ("PRE 13"), which the Group will reinvest 20% equity interest in it. Arising from these transactions, the Group will hold an effective interest of 10% in PSH and the net proceeds shared by the Group after the reinvestment into PRE 13 will be approximately $137.6 million.

This **Appendix V** sets out the Valuation Reports and/or Certificates in respect of the Subject Properties as set out in the list below. The Valuation Reports and/or Certificates in respect of the respective Subject Properties are available for inspection at the registered address of the office of the Company at 8 Shenton Way #36-01 AXA Tower Singapore 068811 during normal business hours for the period during which the Offer remains open for acceptance.

## List of Subject Properties

| | **Properties** | **Address** | **Country** | **Valuer** |
|---|---|---|---|---|
| 1. | Capitol Singapore (Retail Component) | 13 Stamford Road Singapore 178905/ 17 Stamford Road Singapore 178906 | Singapore | Knight Frank Pte Ltd |
| 2. | Eden Residences Capitol | 11 Stamford Road Singapore 178884 | Singapore | Knight Frank Pte Ltd |
| 3. | The Capitol Kempinski Hotel Singapore | 15 Stamford Road, Singapore 178906 | Singapore | Knight Frank Pte Ltd |
| 4. | CHIJMES | 30 Victoria Street, CHIJMES, Singapore 187996 | Singapore | Savills Valuation and Professional Services (S) Pte. Ltd. |
| 5. | Perennial International Health and Medical Hub | Chengdu East High Speed Railway Integrated Development Perennial International Health and Medical Hub, East of Qionglaishan Road, Chenghua District, Chengdu, Sichuan Province, PRC | China | Savills Real Estate Valuation (Guangzhou) Ltd. Beijing Branch |
| 6. | Perennial Qingyang Mall | Perennial Qingyang Mall, Guanghua North 3rd Rd, Qingyang District, Chengdu, Sichuan Province, PRC | China | Savills Real Estate Valuation (Guangzhou) Ltd. Beijing Branch |
| 7. | Perennial Jihua Mall | Perennial Jihua Mall, intersection of Jihua No. 7 Road and Guiland Road, Nanhai, Foshan, Guangdong Province, PRC | China | CBRE Limited |
| 8. | Xi'an North High Speed Railway Integrated Development Plot 4 (Hotel) | Perennial Xi'an North HSR Integrated Development – Plot 4, North of Shangxin Road, South of Railway North Station, Xi'an, PRC | China | CBRE Limited |

| | Properties | Address | Country | Valuer |
|---|---|---|---|---|
| 9. | Xi'an North High Speed Railway Integrated Development Plot 4 (Non-Hotel) | Perennial Xi'an North HSR Integrated Development – Plot 4, North of Shangxin Road, South of Railway North Station, Xi'an, PRC | China | CBRE Limited |
| 10. | Beijing Tongzhou Integrated Development (Phase 1 – Plot 14-1 and 14-2) | Perennial Beijing Tongzhou Phase 1, Junction of Dongguan Avenue and Xinhua Avenue, Tongzhou District, Beijing, PRC | China | CBRE Limited |
| 11. | Beijing Tongzhou Integrated Development (Phase 1 – Plot 13) | Perennial Beijing Tongzhou Phase 1, Junction of Dongguan Avenue and Xinhua Avenue, Tongzhou District, Beijing, PRC | China | CBRE Limited |
| 12. | Beijing Tongzhou Integrated Development (Phase 2 – Plot 10, 11, 12) | Perennial Beijing Tongzhou Phase 2, Junction of Dongguan Avenue and Xinhua Avenue, Tongzhou District, Beijing, PRC | China | CBRE Limited |
| 13. | Chengdu East HSR Integrated Development Plot D2 | Plot D2, Chengdu East High-Speed Railway Integrated Development, Jianganhe Road, Chenghua District, Chengdu, Sichuan Province, PRC | China | Savills Real Estate Valuation (Guangzhou) Ltd. Beijing Branch |
| 14. | Shenyang Longemont Integrated Development | Majority Portion of Shenyang Longemont Shopping Mall, Pangjiang Street, Dadong District, Shenyang, PRC<br><br>Shenyang Longemont Office Tower 1&2, No. 18 and No. 22 Pangjiang Street, Dadong District, Shenyang, PRC<br><br>Majority portion of Red Star Macalline Furniture Mall, No. 24 Pangjiang Street, Dadong District, Shenyang, PRC | China | Savills Real Estate Valuation (Guangzhou) Ltd. Beijing Branch |

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## Valuation certificate

**Property** : 11, 13, 15 and 17 Stamford Road "Capitol Singapore" (excluding residential sold units) Singapore 178884, 178905, 178906 and 178907

**Instructing party/Relying party** : Perennial Real Estate Holdings Limited

**Purpose of valuation** : For the proposed privatisation and delisting of Perennial Real Estate Holdings Limited ("PREHL") from the SGX-ST pursuant to the voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of PREHL.

**Legal description** : Land Lot Nos. : 387N, 80001L(1) and 80002C(1)
Town Subdivision : 10

*Notes:*
*1. Subterranean Lots.*
*2. Individual Strata Certificate of Titles from Singapore Land Authority have been issued for Capitol Singapore (total 43 strata lots and 38 accessory lots).*

**Tenure** Lease Term : 99 years with effect from 24 January 2011 (Balance of about 89.6 years as at 31 May 2020)

State Title No. : Lease 28001 dated 29 August 2011
Supplemental Deed to State Title dated 28 November 2012 and 20 February 2013

**Basis of valuation** : Market Value on an "As Is" basis, subject to existing tenancies and occupational arrangements.

**Registered owners** : Capitol Retail Management Pte. Ltd. (In Trust), Capitol Hotel Management Pte. Ltd. (In Trust) and Capitol Residential Development Pte. Ltd. as tenants in common in unequal shares.

**Master plan 2019** : "Commercial", part gross plot ratio of 3.5 (building height subject to detailed control) and part Conservation Area.

***Note**: The official Master Plan Zoning, Road and Drainage Interpretation Plans have not been applied for.*

**Brief description** : "Capitol Singapore" is located at the junction of Stamford Road/North Bridge Road, within the traffic restricted zone of the Central Business District and the Civic District. It is an integrated development which comprises a retail podium block with conservation buildings - Capitol Building and Stamford House which have been restored into a hotel and commercial use; a residential tower block and a cinema-cum-performance theatre. The retail podium block and the commercial use within the conservation buildings is known as "Capitol Piazza", the residential tower block is known as "Eden Residences Capitol". The cinema-cum-performance theatre is known as "Capitol Theatre" and the hotel is known as "The Capitol Kempinski Hotel Singapore". Car parking lots are provided at Basement 3, 4, 5 and 6. Basement 4 car park is solely for the residents of Eden Residences Capitol. The Property includes balance 23 unsold residential units within Eden Residences Capitol.

There is an underground pedestrian walkway connecting the Basement 2 of the Property to the City Hall MRT Interchange station. The underground pedestrian walkway has to be kept open for public use during the operating hours of the Rapid Transit System.

The Property was completed in phases. The Temporary Occupation Permits were issued on 26 February 2015, 27 March 2015, 9 April 2015, 15 May 2015, 13 October 2015 and 29 February 2016. Asset enhancement initiatives works for the retail podium block and minor hotel refurbishment works were completed in end 2019.

**Tenancy profile** : Capitol Piazza is currently multi-tenanted.

**Land area of subject development** :

| Town Subdivision 10 Lot No. | Land area (sm) | Remarks |
|---|---|---|
| 387N | 14,328.8 | Main parcel |
| 80001L | 2,058.7 | Subterranean land |
| 80002C | 125.7 | Subterranean land |
| **Total** | **16,513.2** | |

***Source**: Certificate of Title from Singapore Land Authority.*

Knight Frank Pte Ltd 10 Collyer Quay #08-01 Ocean Financial Centre Singapore 049315
Tel: +65 6222 1333 Fax: +65 6224 5843 Reg.No: 198205243Z CEA Licence No: L3005536J
KnightFrank.com.sg
Other Offices:
Knight Frank Property Asset Management Pte Ltd 160 Paya Lebar Road #05-05 Orion@Paya Lebar Singapore 409022
KF Property Network Pte Ltd 491B River Valley Road #07-02 Valley Point Singapore 248373

Newmark Knight Frank

Knight Frank

## Valuation certificate cont.

**Net lettable area/ Strata area/ Number of guest rooms** :

| Use | Net lettable area/Strata area (sm) | Number of rooms |
|---|---|---|
| Retail | 12,644.1 | |
| Theatre | 3,613.0 | |
| Residential | 7,989.0 | |
| Hotel | | 157 guest rooms and suites |

*Notes:*
*1. Residential - Balance 23 unsold units, including void of 285.0 sm.*
*2. Floor area - As provided by Perennial Real Estate Holdings Limited and subject to survey.*

**Valuation methodology** : Capitalisation Approach and Direct Comparison Method, where appropriate.

**Valuation date** : 31 May 2020

**Market Value** : **S$968,300,000/-**
**(Singapore Dollars Nine Hundred Sixty-Eight Million And Three Hundred Thousand Only)**
This valuation is exclusive of GST.

**Material Valuation Uncertainty due to COVID-19** : The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11 March 2020, is causing heightened uncertainty in both local and global market conditions. Travel restrictions have been implemented by many countries.

In Singapore, market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Consequently, less certainty - and a higher degree of caution - should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.

For the avoidance of doubt, the inclusion of the Material Valuation Uncertainty declaration above does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that - in the current extraordinary circumstances - less certainty can be attached to the valuation than would otherwise be the case. The Material Valuation Uncertainty clause is a disclosure, not a disclaimer.

**Assumptions, disclaimers, limitations & qualifications** : *This valuation certificate is provided subject to the assumptions, disclaimers, limitations and qualifications detailed throughout this certificate which are made in conjunction with those included within the General Terms of Business for Valuations located at the end of this certificate. Reliance on this certificate and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. Use by, or reliance upon this document for any other purpose if not authorised, Knight Frank Pte Ltd is not liable for any loss arising from such unauthorised use or reliance. The document should not be reproduced without our written authority. The valuers have no pecuniary interest that would conflict with the proper valuation of the Property.*

**Prepared by** : Knight Frank Pte Ltd

Low Kin Hon
B.Sc.(Estate Management) Hons.,FSISV
Deputy Group Managing Director
Head, Valuation & Advisory
Appraiser's Licence No. AD 041-2003752I
For and on behalf of Knight Frank Pte Ltd

Sherri Fong
B.Sc.(Estate Management) Hons.,MSISV
Senior Director
Valuation & Advisory
(Appraiser's Licence No: AD 041-2008950C)
For and on behalf of Knight Frank Pte Ltd

KF Ref: 1659/PER/2/20/KH/sl
Date of Issue: 6 July 2020

Knight Frank

## General Terms of Business for Valuations

These General Terms of Business and our Terms of Engagement letter together form the agreement between us ("Agreement"). The following General Terms of Business apply to all valuations and appraisals undertaken by Knight Frank Pte Ltd unless specifically agreed otherwise in the Terms of Engagement letter and so stated within the main body of the valuation report and/or certificate.

**1. Knight Frank Pte Ltd ("the company")**

Knight Frank Pte Ltd is a privately owned company with registration number 198205243Z. Any work done by an individual is in the capacity as an employee of the Company.

Our GST registration number is M2-0058829-X.

**2. Limitations on Liability**

The Valuer's responsibility in connection with this valuation report and/or certificate is limited to the party to whom the valuation report and/or certificate is addressed for the stated purpose. The Valuer disclaims all responsibility and will accept no liability to any third party for the whole or any part of its contents saved on the basis of written and agreed instructions; this will incur an additional fee.

Our maximum total liability for any direct loss or damage whether caused by our negligence or breach of contract or otherwise is limited to the lower of S$1 million or 3 times Knight Frank Pte Ltd's fee under the instruction.

We do not accept liability for any indirect or consequential loss (such as loss of profits).

**3. Disclosure and Publication**

If our opinion of value is disclosed to persons other than the addressees of our valuation report and/or certificate, the basis of valuation should be stated. Reproduction of this valuation report and/or certificate in any manner whatsoever in whole or in part or any reference to it in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any websites) without the Valuer's prior written approval of the form and context in which may appear is prohibited.

**4. Our Fees**

If any invoice remains unpaid after the date on which it is due to be paid, we reserve the right to charge interest, calculated daily, from the date when payment was due until payment is made at 1.5% per month. If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.

If before the valuation is concluded :-
(a) you end this instruction, we will charge abortive fees; or
(b) you delay the instruction by more than [1] month or materially alter the instruction so that additional work is required at any stage we will charge additional fees,

And in each case such fees will be calculated on the basis of reasonable time and expenses incurred.

Where the valuation is for loan security purposes, and we agree to accept payment of our fee from the borrower, the fee remains due from yourselves until payment is received by us. Additionally, payment of our fee is not conditional upon the loan being drawn down or any conditions of the loan being met.

**5. Valuation Standards**

Valuations and appraisals will be carried out in accordance with the Singapore Institute of Surveyors and Valuers (SISV) Valuation Standards and Practice Guidelines and International Valuation Standards (IVS), and all codes, standards and requirements of professionalism will be met.

**6. Valuation Basis**

Valuations and appraisals are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions outlined in the valuation report and/or certificate. The basis of valuation will be agreed with you for the instruction.

The opinion expressed in this valuation report and/or certificate is made strictly in accordance with the terms and for the purpose expressed therein and the values assessed and any allocation of values between portions of the property need not be applicable in relation to some other assessment.

**7. Titles and Burdens**

We do not read documents of title although, where provided, we consider and take account of matters referred to in solicitor's reports or certificates of title. We would normally assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoings, planning proposals, onerous restrictions or regulatory intentions which affect the property, nor any material litigation pending.

All liens and encumbrances, if any, affecting the property have been disregarded unless otherwise stated and it is assumed that the current use of the property is not in contravention of any planning or other governmental regulation or law.

The Valuer does not warrant to the party to whom the valuation report and/or certificate is addressed and any other person the title or the rights of any person with regard to the property.

**8. Disposal Costs and Liabilities**

No allowance is made in our valuation for expenses of realisation or for taxation which may arise in the event of a disposal and our valuation is expressed as exclusive of any GST that may become chargeable. Properties are valued disregarding any mortgages or other charges.

**9. Sources of Information**

We rely upon the information provided to us, by the sources listed, as to details of tenure and tenancies (subject to "leases" below), planning consents and other relevant matters, as summarised in our valuation report and/or certificate. We do not check with the relevant government departments or other appropriate authorities on the legality of the structures, approved gross floor area or other information provided to us. We assume that this information is complete and correct and the Valuer shall not be held responsible or liable if this should prove not to be so.

Unless otherwise stated, all information has been obtained by our search of records and examination of documents or by enquiry from Government departments or other appropriate authorities. When it is stated in this valuation report and/or certificate that information has been supplied to the Valuer by another party, this information is believed to be reliable and the Valuer shall not be held responsible or liable if this should prove not to be so.

10. **Boundaries**

Plans accompanying valuation report are for identification purposes and should not be relied upon to define boundaries, title or easements. The extent of the site is outlined in accordance with information given to us and/or our understanding of the boundaries.

11. **Planning and Other Statutory Regulations**

Enquiries of the relevant planning authorities in respect of matters affecting the property, where considered appropriate, are normally only obtained verbally and this information is given to us, and accepted by us, on the basis that it should not be relied upon. Where reassurance is required on planning matters, we recommend that formal written enquiries should be undertaken by the client's solicitors who should also confirm the position with regard to any legal matters referred to in our report. We assume that properties have been constructed, or are being constructed, and are occupied or used in accordance with the appropriate consents and that there are no outstanding statutory notices.

12. **Property Insurance**

Our valuation assumes that the property would, in all respects, be insurable against all usual risks at normal, commercially acceptable premiums.

13. **Building Areas and Age**

Where so instructed, areas provided from a quoted source will be relied upon. Where the age of the building is estimated, this is for guidance only.

14. **Structural Condition**

Building structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal remit of a valuation. Since we will not have carried out any of these investigations, except where separately instructed to do so, we are unable to report that the property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report referred to us or any defects or items of disrepair of which we are advised or which we note during the course of our valuation inspections but otherwise assume properties to be free from defect.

15. **Ground Conditions**

We assume there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

16. **Environmental Issues**

Investigations into environmental matters would usually be commissioned of suitably qualified environmental specialists by most responsible purchasers of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Anyone averse to risk is strongly recommended to have a property environmental investigation undertaken and, besides, a favourable report may be of assistance to any future sale of the property. Where we are provided with the conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

We are not, however, environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation will be on the assumption that the property is unaffected.

17. **Leases**

The client should confirm to us in writing if they require us to read leases. Where we do read leases reliance must not be placed on our interpretation of these documents without reference to solicitors, particularly where purchase or lending against the security of a property is involved.

18. **Covenant**

We reflect our general appreciation of potential purchasers' likely perceptions of the financial status of tenants. We do not, however, carry out detailed investigations as to the financial standing of the tenants, except where specifically instructed, and assume, unless informed otherwise, that in all cases there are no significant arrears of payment and that they are capable of meeting their obligations under the terms of leases and agreements.

19. **Loan Security**

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

20. **Build Cost Information**

Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. We do not hold ourselves out to have expertise in assessing build costs and any property valuation advice provided by us will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. There are severe limitations on the accuracy of build costs applied by this approach and professional advice on the build costs should be sought by you. The reliance which can be placed upon our advice in these circumstances is severely restricted. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our advice.

21. **Reinstatement Assessments**

A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If advice is required as a check against the adequacy of existing cover this should be specified as part of the initial instruction. Any indication given is provided only for guidance and must not be relied upon as the basis for insurance cover. Our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be considered.

22. **Attendance in Court**

The Valuer is not obliged to give testimony or to appear in Court with regard to this valuation report and/or certificate, with reference to the property unless specific arrangement has been made therefor.

Our Ref: 2020/1819/CORP

3 July 2020

Perennial Real Estate Holdings Limited
8 Shenton Way #36-01
AXA Tower
Singapore 068811

Attention: Yeoh Szu Wooi

Savills Valuation And
Professional Services (S) Pte Ltd
Reg No: 200402411G

30 Cecil Street
#20-03 Prudential Tower
Singapore 049712

T: (65) 6836 6888
F: (65) 6536 8611

savills.com

Dear Sirs,

**DESKTOP VALUATION OF 30 VICTORIA STREET, CHIJMES, SINGAPORE 187996**

We thank Perennial Real Estate Holdings Limited ("Client") for the instruction to carry out a desktop valuation to advise on the market value of the above property as at 31 May 2020 for Voluntary Offer purpose.

This valuation is premised on the information as contained in our valuation report dated 31 December 2019 (Ref: 2019/3357A/CORP/JT) prepared for Perennial (Singapore) Asset Management Pte. Ltd. Accordingly, the valuation is carried out without the benefit of site inspection and we have assumed that there is no material change in the property and the surroundings. No recent title searches nor legal requisitions has been carried out.

"Market value is the estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

This definition of market value is also consistent with that as advocated by the Royal Institution of Chartered Surveyors (RICS) Standards and Guidelines and International Valuation Standards Council.

Savills Valuation And Professional Services (S) Pte Ltd has relied upon property data supplied by the Client which we assume to be true and accurate. We take no responsibility for inaccurate client supplied data and subsequent conclusions related to such data. We also accept no responsibility for subsequent changes in information.

With the outbreak of the Coronavirus Disease 2019 (Covid-19) and the prevailing uncertainty in the global economy, it is difficult to predict the future impact that Covid-19 might have on the real estate market. In view of market uncertainty, a higher degree of caution should be attached to our valuation than would normally be the case and we recommend that you keep the valuation under frequent review. Our opinion and assessment are based on the information provided and prevailing market data as at the date of this valuation report. The reported opinion and conclusion are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinion and conclusion.

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Chijmes
Singapore 187996
Our Ref: 2020/1819/CORP

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This confidential document is for the sole use of persons directly provided with it by Savills Valuation And Professional Services (S) Pte Ltd. Use by, or reliance upon this document by anyone other than the Client is not authorised by us and we are not liable for any loss arising from such unauthorised use or reliance. This document should not be reproduced without our prior written authority.

The brief details of the subject property based on the aforesaid report are as follows: -

| | | |
|---|---|---|
| Type of Property | : | A retail establishment comprising two 2-storey blocks with 2 basement levels, Caldwell House and a Chapel, collectively known as "Chijmes". The Old Convent of Holy Infant Jesus Chapel and Caldwell House are gazetted by the Preservation of Monuments Board. The Chapel is now known as Chijmes Hall and is used as a multi-function venue. |
| Legal Description | : | Lot 419V Town Subdivision 11 |
| Tenure | : | Leasehold 99 years commencing from 13 May 1991 (balance un-expired lease of approximately 69.9 years) |
| Land Area | : | 14,312.8 sm or thereabouts, and subject to government's re-survey |
| Gross Floor Area | : | Approximately 14,790.5 sm, as provided by the client and subject to final survey |
| Lettable Floor Area | : | Approximately 10,736.4 sm (including Outdoor Refreshment Area), as provided by the client and subject to final survey |
| | : | |
| Condition | : | Assume good |
| Tenancy Brief | : | The property is multi-tenanted. Based on the tenancy information and updated information provided, the property is 90.2% let and has a total monthly gross rent of $973,795 as at 12 June 2020. The monthly service charge for the property is around $2.50 psf while the Advertising and Promotion Charge is at $0.50 psf. Majority of the leases will expire in Year 2021. |
| Annual Value | : | $10,701,500 |

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Singapore 187996
Our Ref: 2020/1819/CORP

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| | | |
|---|---|---|
| Master Plan Zoning (2019)/ Legal Requisitions | : | "Commercial" and within Conservation Area<br><br>The official Master Plan Zoning, Road/Drainage/MRT Interpretation Plans and other legal requisitions have not been applied for and/or made available to us. |
| Basis of Valuation | : | As-Is basis, subject to existing tenancies |
| Method(s) of Valuation | : | Income Capitalisation Method, Direct Comparison Method and Cost Method |

With due regard to the foregoing and taken into consideration the prevailing market conditions and other relevant factors, we are of the opinion that the market value of the subject property is as follows:

| | | |
|---|---|---|
| **Material Date of Valuation** | **:** | **31 May 2020** |
| **Market Value** | **:** | **$302,000,000**<br>**(Singapore Dollars Three Hundred And Two Million Only)** |

Prepared by:
**Savills Valuation And Professional Services (S) Pte Ltd**

| | |
|---|---|
| **Cynthia Ng**<br>**Licensed Appraiser No. AD041-2003388A**<br>**Managing Director** | **Jacqueline Tan**<br>**Licensed Appraiser No. AD041-2009422G**<br>**Associate Director** |

JT/CN/ha

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## LIMITING CONDITIONS

Our valuations are subject to the following limiting conditions unless otherwise stated in our valuation report.

**Valuation Standards:** The valuation is carried out in accordance with the Valuation Standards and Practice Guidelines published by the Singapore Institute of Surveyors and Valuers, and/or International Valuation Standards and/or RICS Valuation Standards, subject to variations to comply with local laws, customs and practices.

**Valuation Basis:** The valuation is carried out on a basis appropriate to the specific purpose of valuation, in accordance with the relevant definitions, assumptions and qualifications outlined in the valuation report.

The opinion expressed in the valuation report applies strictly in accordance with the terms and for the purpose expressed therein. The assessed values need not be applicable in relation to some other assessment.

**Currency of Valuation:** Values are reported in Singapore currency unless otherwise stated.

**Confidentiality:** Our valuation is confidential and strictly for the use of the addressee of the valuation report only and for the specific purpose(s) stated. Savills disclaim all responsibility and will accept no accountability, obligation or liability to any third parties.

**Copyright:** Neither the whole nor any part of the valuation report or any reference to it may be included in any published document, statement, circular or be published in any way, nor in any communication with any third parties, without prior written approval from Savills, including the form and context in which it may appear.

**Limitation of Liability:** The liability of Savills and its employees is only limited to the party to whom the valuation report is addressed. No responsibility to any third parties for unauthorized use and reliance is accepted.

Any liability arising from the valuers' negligence, breach of contract or otherwise in connection with this engagement shall be limited to the fees received by Savills under this engagement. Savills do not accept liability for any indirect or consequential losses (such as opportunity cost and loss of profits).

**Validity Period:** This valuation represents our opinion of value as at the date of valuation. The assessed value may change significantly and unexpectedly over a short period arising from general market movement, possible changes in market forces and circumstances in relation to the property. Savills disclaim all responsibility and accept no liability should the valuation report be relied upon if the addressee of the report becomes aware of any factors that may have an effect on the valuation and has not made known such information to Savills.

**Titles:** A brief on-line title search on the property has been carried out for formal valuation with site inspection only, unless otherwise stated. We are not obliged to inspect and/or read the original title or lease documents, unless they are made available by the client. The valuation shall therefore assume, unless informed to the contrary, that there are no further restrictive covenants, easements or encumbrances not disclosed by this brief title search which may have an effect on the market value. We assume the title of the property is good and marketable and free from all encumbrances, restrictions and other legal impediments.

**Planning Information:** Information relating to town planning is obtained from the current Singapore Master Plan which is assumed to be accurate. We do not normally carry out legal requisitions on road, MRT, LRT, drainage and other government proposals, unless specifically requested and Savills is properly reimbursed. In the event that legal requisitions are conducted by our clients which reveal that the information is materially different from the town planning information outlined in the valuation report and/or property is affected by public scheme(s), this report should then be referred back to Savills for review on possible amendment.

**Other Statutory Regulations:** Our valuation assumes that the property and any improvements thereon comply with all relevant statutory regulations. We have assumed that the property has been or will be issued with a Temporary Occupation Permit, Certificate of Fitness, Certificate of Statutory Completion or Temporary Occupation License by the competent authority.

**Site Condition:** We do not undertake site investigations to ascertain the suitability of the ground conditions and services for the existing or any new development, nor do we carry out any environmental or geotechnical surveys. We have assumed that these aspects are satisfactory and where new development is proposed, no extraordinary expenses or delays will be incurred during the construction period. We have assumed that the load bearing capacity of the site is sufficient to support the building constructed or to be constructed thereon.

**Condition of Property:** While due care is exercised in the course of inspection to note any building defects, no structural survey or testing of the services or facilities are carried out nor have we inspected the unexposed or inaccessible portions of the building. As such, we are unable to comment if the building is free from defect, rot, infestation, asbestos or other hazardous material. Our valuation assumes that the building would not have any defects requiring significant capital expenditure and complies with all relevant statutory requirements.

**Source of Information:** Where it is stated in the valuation report that the information has been provided to the valuer by the sources listed, this information is presumed to be reliable. Savills takes no responsibility for inaccurate data supplied and subsequent conclusions related to such data. Where information is given without reference to another party in the report, it shall be taken that this information has been obtained or gathered through our best efforts and to our best knowledge. Processed data inferences therefrom shall be taken as the valuer's opinion and shall not be freely quoted without acknowledgement.

**Floor Areas:** We have assumed that information contained in the surveyed or architectural floor plans is accurate and has been prepared in accordance with the prevailing Professional Property Practice Guidelines. In the absence of such plans, the floor area is estimated based on available secondary information and such estimates do not provide the same degree of accuracy or certainty. In the event that there is a material variance in areas, we reserve the right to review our valuation.

**Plans:** Plans included in the valuation report are for identification purposes only and should not be relied upon to define boundaries or treated as certified copies of areas or other particulars contained therein. All location plans are obtained from OneMap. While we have endeavoured to ensure the maps are updated, we do not vouch for the accuracy of the map and shall not be responsible if it is otherwise.

**Tenant:** No enquiries on the financial standing of actual or prospective tenants have been made. Where property is valued with the benefit of lettings, it is assumed that the tenants are capable of meeting their obligations under the lease and there are no arrears of rent or undisclosed breaches of covenant.

**Reinstatement Cost:** Our opinion of the reinstatement cost for fire insurance purpose is provided only for guidance and must not be relied upon as the basis for insurance cover. We advise that we are not quantity surveyors and our estimate of the construction cost is based upon published sources. We recommend that verification of the reinstatement cost be sought from a qualified quantity surveyor, if considered appropriate.

**Attendance in Court:** Savills or its employees are not obliged to give testimony or to appear in court or any other tribunal or to any government agency with regards to this valuation report or with reference to the property in question unless prior arrangement has been made and Savills are properly reimbursed.

savills

Perennial China Retail Trust Management Pte. Ltd.,
8 Shenton Way,
#36-01 AXA Tower,
Singapore 068811

Attn.: The Directors

Savills Real Estate Valuation (Guangzhou) Ltd.
Beijing Branch
2101 East Tower, Twin Towers
B-12, Jianguomenwai Avenue,
Chaoyang District, Beijing, PRC
86(10) 5925 2211

09 July 2020
**Our Ref.: BJ/2020/VPS/19874-4/JW/DL**

Dear Sirs,

**RE: CHENGDU EAST HIGH SPEED RAILWAY INTEGRATED DEVELOPMENT PERENNIAL INTERNATIONAL HEALTH AND MEDICAL HUB (成都东站综合项目), EAST OF QIONGLAISHAN ROAD (邛崃山东路), CHENGHUA DISTRICT, CHENGDU, SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTY")**

**INSTRUCTIONS**

In accordance with your instructions for us to value the Property located in the People's Republic of China (the "PRC") and held by Perennial China Retail Trust Management Pte. Ltd. (the "Company") or its subsidiaries (collectively the "Group") on a 100% interest basis, we confirm that we have made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property on a bare land basis as at 31 May 2020 (the "Valuation Date") for the assessment of the market value of the property in relation to the voluntary conditional cash offer purpose.

**BASIS OF VALUATION**

Our valuation of the Property is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Moreover, market value is understood as the value of an asset or liability estimated without regard to costs of sale and purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the RICS Valuation Global Standards 2020 published by The Royal Institution of Chartered Surveyors, which incorporates the International Valuation Standards.

Due to the prevailing Novel Coronavirus (COVID – 19) outbreak in the PRC and the adoption of out – of – town personnel isolation policy by the relevant government authorities in the PRC, we did not conduct on-site inspection of the Property for this current exercise. As agreed with the Company, we have relied on our last inspection of the Property conducted in 4 December 2019. Moreover, as confirmed by the Company, there have been no material changes to the physical attributes of the Property, of the nature of its location. We reserve our right to revise our valuation if it is discovered, during subsequent inspection, that items of physical nature which would materially impact on the value of the Property.

In undertaking our valuation, we have assumed that the interior of the Property is finished and maintained to a reasonable standard commensurate with their age and size.

**IDENTIFICATION AND STATUS OF THE VALUER**

The subject valuation exercise is handled by Mr. James K.M. Woo. Mr. James K.M. Woo is the Senior Director of Savills Real Estate Valuation (Guangzhou) Limited Beijing Branch ("Savills") and a Fellow member of the RICS with over 25 years' experience in valuation of properties in the PRC. Mr. James K.M. Woo has sufficient knowledge of the relevant markets, the skills and understanding to handle the subject to handle valuation exercise competently.

We are independent of the Company and its subsidiaries. We are not aware of any instances which would give rise to potential conflict of interest from Savills and Mr. James K.M. Woo in the subject exercise. We confirm Savills and Mr. James K.M. Woo are in the position to provide objective and unbiased valuation for the Property.

**VALUATION METHODOLOGY**

In undertaking our valuation, we have adopted the discounted cash flow method and direct comparison method.

In Discounted Cash Flow Method, the monthly net cash flows over an assumed holding period are forecasted and then discounted to the present value as at the Valuation Date. The projected operating net cash flow at each month takes into accounts the following factors:

| | | |
|---|---|---|
| | 1. | Potential Rental Revenue (taking into account the existing tenancies, the market leasing activities, rent free provisions, renewal probabilities and market void, etc.) |
| - | 2. | Allowance for structural vacancy |
| + | 3. | Other Income |
| = | 4. | Gross Income |
| - | 5. | Operating Expenses and Taxes (but not profit tax) |
| = | 6. | Net Operating Income |
| - | 7. | Capital Expenditure |
| = | 8. | Net Cash Flow |

At the end of the holding period, a terminal/exit value of the Property may be estimated by capitalising the next 12-month net cash flow. The market value of the Property would then be the aggregate present value of the operating net cash flow and terminal value.

The Direct Comparison Method is based on comparing the subject property to be valued with other comparable properties, which are either transferred its legal ownership or recently listing in the market for sales. Given the

heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property considerations. we have adopted the direct comparison approach by making reference to comparable land transactions as available in the market. According to our agreed terms of engagement, we are not required to provide any key inputs, statement of reasoning, comparable transactions or other supporting information for the valuation in this report as you agreed that this is suitable for the subject internal reference purpose.

**TITLE INVESTIGATION**

We have been provided with copies of extracts of title documents relating to the Property but have not given legal advice in respect of title. We do not accept a liability for any interpretation which we have placed on such information, which should be more properly the sphere of your legal adviser. Further, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

**SOURCE OF INFORMATION**

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and have accepted advices given to us on such matters as identifications of property interests, planning approvals, statutory notices, easements, title documents, tenure, tenancy details, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information provided by the Group and are therefore approximations only. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

**VALUATION ASSUMPTIONS**

In the course of our valuation, we have assumed that transferable land use rights of the Property for its specific term at nominal annual land use fee have been granted and that any grant premium payable has already been fully paid. In valuing the Property, unless otherwise stated, we have also assumed that the Group has a good legal title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired term as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

**LIMITING CONDITIONS**

Neither the whole or any part of this valuation report nor any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed for the stated purpose and no responsibility is accepted to any third party for the whole or any part of its contents.

**COVID-19**

With the outbreak of the Coronavirus Disease 2019(Covid-19) and the prevailing uncertainty in the global economy, it is difficult to predict the future impact that Covid-19 might have on the real estate market. In view of market uncertainty, a higher degree of caution should be attached to our valuation than would normally be the case and we recommend that you keep the valuation under frequent review. Our opinion and assessment are based on the information provided and prevailing market data as at the date of this valuation report. The reported opinion and conclusion are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinion and conclusion.

**CURRENCY**

Unless otherwise stated, all money amounts stated are in Renminbi ("RMB").

We enclose herewith our valuation report.

Yours faithfully,
For and on behalf of
**Savills Real Estate Valuation (Guangzhou) Limited Beijing Branch**

James K.M. Woo
FRICS AICFC
Senior Director

Note: Mr. James K.M. Woo is a professional surveyor who has over 25 years' experience in valuation of properties in the PRC.

Encl.

**VALUATION REPORT**

| Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 May 2020 |
|---|---|---|---|
| Chengdu East High Speed Railway Integrated Development Perennial International Health and Medical Hub (成都东站综合项目)<br><br>East of Qionglaishan Road (邛崃山东路), Chenghua District, Chengdu, Sichuan Province, The People's Republic of China ("the PRC") | Chengdu East High Speed Railway Integrated Development Perennial International Health and Medical Hub (the "Property") is being erected on a rectangular site with an area of approximate 53,032.52 sq m.<br><br>The Property comprises of a five-storey and a six-storey mall and three basement floors for retail and car park use respectively in the Development in Chenghua District completed in 2018.<br><br>According to the information provided by the Group, the total Gross Floor Area is of the Property is 292,915.41sq m. Detailed breakdown of the Property is listed on Note 3.<br><br>The land use rights of the Property have been granted for a term due to expire on 20 February 2051 for commercial use. | As at the Valuation Date, the Property is subject to various tenancy agreements with the latest one due to expire on March 31, 2033 at a total monthly rent of approximately RMB10,100,000. | RMB3,892,000,000 (Renminbi Three Billion Eight Hundred and Ninety-Two million) |

**Notes:**

1. Pursuant to 4 State-owned Land Use Rights Certificates Cheng Guo Yong (2012) Yong Di Nos. 112,113, 161 and 162 dated 31 March 2012 and 18 March 2013 respectively, the land use rights of a parcel of land with a site area of approximately 53,032.52 sq m have been granted to Chengdu Rui Feng Commercial Real Estate Company Limited (成都瑞峰商业置业有限公司) a 100%-owned subsidiary of the Company, for a term expiring on February 20, 2051 for commercial use.

2. Pursuant to the Application for Examination of Completion of Works No. 2018-037 dated 7 May 2018, the Property with a gross floor area of approximately 292,915.41 sq m are vested in Chengdu Rui Feng Commercial Real Estate Company Limited (成都瑞峰商业置业有限公司) for commercial uses

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3. The Gross Floor Area of the Property is summarized as follows:

| Floor | Uses | Gross Floor Area (m²) | |
|---|---|---|---|
| | | A1 | A2 |
| 1F | Retail | 16,784.13 | 13,871.22 |
| 2F | Retail | 15,475.56 | 13,459.02 |
| 3F | Retail | 12,366.19 | 14,448.45 |
| 4F | Retail | 15,299.49 | 9,579.56 |
| 5F | Retail | 11,679.26 | 9,571.78 |
| 6F | Retail | 13,700.30 | - |
| Roof | Retail | 1,176.12 | 750.70 |
| B1 | Retail | 44,920.63 | |
| B1 Mezzanine | Retail | 3,229.41 | |
| B2 | Retail &Car Park | 47,658.57 | |
| B2 Mezzanine | Retail &Car Park | 1,112.26 | |
| B3 | Car Park | 47,832.76 | |
| **Total** | | **292,915.14** | |

**Notes：** The Gross Floor Area is provided by the Group and Real Estate Certificate are not provided at the Valuation Date.

4. The major parameters adopted in the DCF are summarised as follows:

| | | **Assumptions / Parameters** |
|---|---|---|
| General Assumptions | | |
| Holding Period | : | 10 Years |

| | | |
|---|---|---|
| Date of Valuation | : | 31 May 2020 |
| Potential Rental Revenue | | |
| Contracted Rent | : | The rents of the tenancy are inputted according to the provided tenancy agreements |
| General Tenancy Term | : | 12-150 months |
| Estimated Occupancy Rate | : | Retail:<br>Year 1-3: 85%<br>Year 4-5: 90%<br>95% annually thereafter |
| | | Hospital:<br>Year 1-4: 80%<br>Year 5-7: 85%<br>90% annually thereafter |
| Rental Growth | : | Retail:<br>Year 1-4: 5%<br>Year 5-8: 4%<br>3% annually thereafter |
| | | Hospital:<br>Year 1-3: 5%<br>Year 4-8: 4%<br>3% annually thereafter |
| Other Income | | |
| Sundry Income | : | Included |
| Expenses | | |
| VAT & Surcharge | : | 5.33% of rental revenue |
| Property Tax | : | 12% of rental revenue |
| Operating Expenses | : | Retail:12.8% of rental/ gross revenue<br>Hospital:9.8% of rental/ gross revenue |
| Land Tax | : | Fixed amount at RMB595,240 |

| | | |
|---|---|---|
| Stamp duty | : | 0.1% of rental revenue |
| Discounting Assumptions | | |
| Terminal Cap Rate | : | Retail: 5.0% on Year 11 net cash flow<br><br>Hospital: 5.0% on Year 11 net cash flow |
| Discount Rate | : | 8.00% |

5. Valuation Reconciliation

| | Capital Value (RMB) | Weighting |
|---|---|---|
| Discounted Cash Flow Method | 3,555,00,000 | 50% |
| Direct Comparison Method | 4,229,00,000 | 50% |
| **Reconciled Value** | **3,892,000,000** | |

We have adopted RMB3,892,000,000 as the market value of the Property at the Date of Valuation.

6. We have prepared our valuation based on the following assumptions:

i. Good Title. The registered owner of the Property is in possession of a good title to the Property and is entitled to transfer, lease or mortgage the Property within the residual term of its land use rights at no additional land premium and other onerous charges payable to any third party;

ii. Construction / User Compliance. The construction works of the Property were in compliance with all the regulations / approvals of the Government. The current and future use of the legitimate parts of the Property has been/ will be in compliance with all the user restrictions on the Property;

iii. Alienation. The Property can be freely disposable and transferable in the market to both local and overseas purchasers;

iv. Balanced Management Account. The property management account can make a balance at the Dates of Valuation. The current/future owner of the Property will not have to pay any part of the management expenses out of the rental income;

v. Capital Expenditure. We are not advised of any major Capex on the Property. We have assumed that the routine maintenance budget in the management account would have been sufficient for the cost of maintenance in near future;

vi. Rental and Management Fee Collection. We are not in a position to investigate on the financial position / credit risks of the tenants. Our valuation is on the assumptions that all the current/future tenants will fulfill their financial obligations under tenancy agreements in due time;

vii. Unregistered Tenancies. Any unregistered tenancy would not affect its enforceability;

viii. Quiet Enjoyment. The tenants and the nearby occupiers will use their own premises and the common area in a proper manner and will not cause any long-term nuisances to other tenants/occupiers of the Property; and

ix. Prevailing Tax Rates. The taxation system on the Property will not be changed and the prevailing rates of VAT, property tax and land use tax will be kept at the current rate in near future.

* * * *

## LIMITING AND GENERAL SERVICES CONDITIONS

We are independent of the Instructing Party and have carried out the valuation independently and impartially.

We have relied to a very considerable extent on information provided by the Company and have accepted advices given to us on such matters as identifications of property interests, planning approvals, statutory notices, easements, title documents, tenure, tenancy details, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in this report are based on information contained in the documents provided to us and are therefore only approximations. We have not been instructed to verify the information provided.

In the course of our valuation of the Property, unless otherwise stated, we have assumed that transferable land use rights of the Property for its specific term at a nominal annual land use fee have been granted and that any land grant premium payable has been fully paid. In valuing the Property, unless otherwise stated, we have assumed that the owner has a legal title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired terms as granted.

We have been provided with copies of title documents relating to the Property, but have not given any legal advice in respect of title. Further, we have not searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

We have been provided the tenancy details of Property but we are not provided with all the tenancy agreements for verifications.

Due to the prevailing Novel Coronavirus (COVID – 19) outbreak in the PRC and the adoption of out – of – town personnel isolation policy by the relevant government authorities in the PRC, we did not conduct on-site inspection of the properties for this current exercise. As agreed with the Company, we have relied on our last inspection of the properties conducted in 4 December 2019. Moreover, as confirmed by the Company, there have been no material changes to the physical attributes of the Property, of the nature of its location. We reserve our right to revise our valuation if it is discovered, during subsequent inspection, that items of physical nature which would materially impact on the value of the Property.

We are not in the position to report that this Property is free from rot, infestation, any other structural defect or any deleterious, hazardous or substandard material applied in the construction of the Property. This report should not be taken as any implied representation on any above matters or on the conditions of any uninspected parts. Our valuation is generally made under our assumptions of no material defects unless reported otherwise.

In the PRC, area measurements of real estate are conducted by other professionals subject to rules and regulations imposed by the Government. The result of such measurements would be laid down in the title documents of the Property. We are not instructed to carry out any on-site measurements for any verifications.

We have assumed that the Property has not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation that may be incurred in effecting a sale. Unless otherwise stated, we have assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature that could affect its value.

Neither the whole nor any part of this report nor any reference thereto may be incurred in any document, circular or statement without our written approval of the form and context in which it may appear.

In accordance with our standard practice, we must state that this report is for the exclusive use of the party to whom it is addressed to the specific purposes mentioned earlier. No responsibility is accepted to any other third party for the whole or any part of its contents.

The service(s) provided by Savills Real Estate Valuation (Guangzhou) Limited Beijing Branch is performed in accordance with professional valuation standards. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We act as an independent valuer and reserve the right to use sub-consultants if deemed appropriate. All files, workpapers or documents developed by us during the course of the engagement has become our property. We may retain this data for at least six years.

* * * *

savills

鹏瑞利（成都）实业有限公司
No. 55 Guanghua North 3rd Road,
Qingyang District,
Chengdu, Sichuan Province.
The PRC

Savills Real Estate Valuation (Guangzhou) Ltd.
Beijing Branch
2101 East Tower, Twin Towers
B-12, Jianguomenwai Avenue,
Chaoyang District, Beijing, PRC
86(10) 5925 2211

Attn.: The Directors

09 July 2020
**Our Ref.: BJ/2020/VPS/19874-5/JW/DL**

Dear Sirs,

**RE: PERENNIAL QINGYANG MALL, GUANGHUA NORTH 3RD ROAD, QINGYANG DISTRICT, CHENGDU, SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTY")**

**INSTRUCTIONS**

In accordance with your instructions for us to value the Property located in the People's Republic of China (the "PRC") and held by Perennial (Chengdu) Industries Co., Ltd. (the "Company") or its subsidiaries (collectively the "Group") on a 100% interest basis, we confirm that we have made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 May 2020 (the "Valuation Date") for the assessment of the market value of the property in relation to the voluntary conditional cash offer purpose.

**BASIS OF VALUATION**

Our valuation of the Property is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Moreover, market value is understood as the value of an asset or liability estimated without regard to costs of sale and purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the RICS Valuation Global Standards 2020 published by The Royal Institution of Chartered Surveyors, which incorporates the International Valuation Standards.

Due to the prevailing Novel Coronavirus (COVID – 19) outbreak in the PRC and the adoption of out – of – town personnel isolation policy by the relevant government authorities in the PRC, we did not conduct on-site inspection of the Property for this current exercise. As agreed with the Company, we have relied on our last inspection of the Property conducted in 4 December 2019. Moreover, as confirmed by the Company, there have been no material changes to the physical attributes of the Property, of the nature of its location. We reserve our right to revise our valuation if it is discovered, during subsequent inspection, that items of physical nature which would materially impact on the value of the Property.

In undertaking our valuation, we have assumed that the interior of the Property is finished and maintained to a reasonable standard commensurate with their age and size.

**IDENTIFICATION AND STATUS OF THE VALUER**

The subject valuation exercise is handled by Mr. James K.M. Woo. Mr. James K.M. Woo is the Senior Director of Savills Real Estate Valuation (Guangzhou) Limited Beijing Branch ("Savills") and a Fellow member of the RICS with over 25 years' experience in valuation of properties in the PRC. Mr. James K.M. Woo has sufficient knowledge of the relevant markets, the skills and understanding to handle the subject to handle valuation exercise competently.

We are independent of the Company and its subsidiaries. We are not aware of any instances which would give rise to potential conflict of interest from Savills and Mr. James K.M. Woo in the subject exercise. We confirm Savills and Mr. James K.M. Woo are in the position to provide objective and unbiased valuation for the Property.

**VALUATION METHODOLOGY**

In undertaking our valuation, we have adopted the discounted cash flow method and direct comparison method.

In Discounted Cash Flow Method, the monthly net cash flows over an assumed holding period are forecasted and then discounted to the present value as at the Valuation Date. The projected operating net cash flow at each month takes into accounts the following factors:

| | | |
|---|---|---|
| | 1. | Potential Rental Revenue (taking into account the existing tenancies, the market leasing activities, rent free provisions, renewal probabilities and market void, etc.) |
| - | 2. | Allowance for structural vacancy |
| + | 3. | Other Income |
| = | 4. | Gross Income |
| - | 5. | Operating Expenses and Taxes (but not profit tax) |
| = | 6. | Net Operating Income |
| - | 7. | Capital Expenditure |
| = | 8. | Net Cash Flow |

At the end of the holding period, a terminal/exit value of the Property may be estimated by capitalising the next 12-month net cash flow. The market value of the Property would then be the aggregate present value of the operating net cash flow and terminal value.

The Direct Comparison Method is based on comparing the subject property to be valued with other comparable properties, which are either transferred its legal ownership or recently listing in the market for sales. Given the

heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property considerations.

**TITLE INVESTIGATION**

We have been provided with copies of extracts of title documents relating to the Property but have not given legal advice in respect of title. We do not accept a liability for any interpretation which we have placed on such information, which should be more properly the sphere of your legal adviser. Further, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

**SOURCE OF INFORMATION**

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and have accepted advices given to us on such matters as identifications of property interests, planning approvals, statutory notices, easements, title documents, tenure, tenancy details, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information provided by the Group and are therefore approximations only. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

**VALUATION ASSUMPTIONS**

In the course of our valuation, we have assumed that transferable land use rights of the Property for its specific term at nominal annual land use fee have been granted and that any grant premium payable has already been fully paid. In valuing the Property, unless otherwise stated, we have also assumed that the Group has a good legal title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired term as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

**LIMITING CONDITIONS**

Neither the whole or any part of this valuation report nor any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed for the stated purpose and no responsibility is accepted to any third party for the whole or any part of its contents.

**COVID-19**

With the outbreak of the Coronavirus Disease 2019(Covid-19) and the prevailing uncertainty in the global economy, it is difficult to predict the future impact that Covid-19 might have on the real estate market. In view

of market uncertainty, a higher degree of caution should be attached to our valuation than would normally be the case and we recommend that you keep the valuation under frequent review. Our opinion and assessment are based on the information provided and prevailing market data as at the date of this valuation report. The reported opinion and conclusion are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinion and conclusion.

**CURRENCY**

Unless otherwise stated, all money amounts stated are in Renminbi (“RMB”).

We enclose herewith our valuation report.

Yours faithfully,
For and on behalf of
**Savills Real Estate Valuation (Guangzhou) Limited Beijing Branch**

James K.M. Woo
FRICS AICFC
Senior Director

Note: Mr. James K.M. Woo is a professional surveyor who has over 25 years’ experience in valuation of properties in the PRC.

Encl.

**VALUATION REPORT**

| Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 May 2020 |
|---|---|---|---|
| Perennial Qingyang Mall (鹏瑞利青羊广场), Guanghua North 3rd Rd (光华北三路), Qingyang District, Chengdu, Sichuan Province, The People's Republic of China ("the PRC") | Perennial Qingyang Mall (the "Property") is being erected on an irregular site with an area of approximate 53,488.17 sq m.<br><br>The Property interests comprise of all the retail shops Block 1 & 6 as well as the retail shops on Basement 1st Floor, and 828 car parking spaces on Basement 2nd Floor through Basement 3rd Floor in the Perennial Qingyang District completed in 2014.<br><br>According to the information provided by the Group, the breakdown of total Gross Floor Area of the Property is detailed on Note 3.<br><br>The land use rights of the Property have been granted for a term due to expire on 19 January 2050 for Commercial and Culture and Entertainment uses. | As at the Valuation Date, the Property is subject to various tenancy agreements with the latest one due to expire on May 29, 2034 at a total monthly rent of approximately RMB6,700,000. | RMB1,342,000,000 (Renminbi One Billion and Three Hundred Forty-Two Million) |

**Notes:**

1. Pursuant to 2 State-owned Land Use Rights Certificates Cheng Guo Yong (2012) Di No. 678 and Cheng Guo Yong (2014) Di No. 7 dated 13 December 2012 and 8 January 2014 respectively, the land use rights of a parcel of land with total site area of approximately 53,488.17 sq m have been granted to Perennial (Chengdu) Industries Co., Ltd; Raffles Hotel Management (Chengdu) Co., Ltd; Sichuan Zhong Tuo Real Estate Co., Ltd. (鹏瑞利（成都）实业有限公司、莱福仕酒店管理（成都）有限公司、四川中拓房地产股份有限公司) for a term expiring on January 19, 2050 for Commercial and Culture and Entertainment uses.

2. Pursuant to 4 Building Ownership Certificates, Chen Fang Quan Zheng Jian Zheng Zi Di Nos. 4822736, 4822738, 4822739 and 056273号 the building ownership of the Property with a total gross floor area of approximately 121,719.21 sq m and the corresponding land use rights are vested in Perennial (Chengdu) Industries Co., Ltd. (鹏瑞利（成都）实业有限公司), for Commercial and Culture and Entertainment and Carpark uses. Details of the said certificates are as follows:

| No. | Certificate No. | Registered Owner | Gross Floor Area ($m^2$) | Designed Use |
|---|---|---|---|---|
| 1 | 成房权证监证字第 5056273 号 | 鹏瑞利（成都）实业有限公司 | 179.78 | Commercial |
| 2 | 成房权证监证字第 4822739 号 | | 24,351.78 | Commercial |
| 3 | 成房权证监证字第 4822736 号 | | 56,999.25 | Commercial and entertainment |
| 4 | 成房权证监证字第 4822738 号 | | 40,188.40 | Car Park |
| Total | | | 121,719.21 | |

3. The Gross Floor Area of the Property is summarized as follows:

| No. | Floor | Uses | Gross Floor Area ($m^2$) | Certified Gross Floor Area ($m^2$) | Net Floor Area ($m^2$) |
|---|---|---|---|---|---|
| 1 | Level 1 | Retail | 20,731.49 | 56,999.25 | 12,907.51 |
| 2 | Level 2 | Retail | 18,452.16 | | 11,881.66 |
| 3 | Level 3 | Retail | 15,206.96 | | 12,611.66 |
| 4 | Roof | Retail | 4,117.79 | - | - |
| 5 | Basement Level 1 | Retail | 31,967.62 | 24,531.56 | 18,715.31 |
| 6 | Basement Level 2 | Car Park | 30,808.58 | 40,188.40 | - |

| | | | | | |
|---|---|---|---|---|---|
| 7 | Basement Level 3 | Car Park | 15,099.05 | | - |
| **Total** | | | **136,383.65** | **121,719.21** | **56,116.14** |

**Notes**：

1. The Gross Floor Area is provided by Client which include area that does not obtain Real Estate Certificate.
2. The Net Floor Area 56,116.14sq. m is calculated form the total area 60,081.10 sq. m provided by the client minus 3,924 sq. m (portion of B2 and roof),and area that does not obtain Real Estate Certificate 40.96 sq. m（220.74-179.78=40.96）

4. The major parameters adopted in the DCF are summarised as follows:

| | | **Assumptions / Parameters** |
|---|---|---|
| General Assumptions | | |
| Holding Period | : | 10 Years |
| Date of Valuation | : | 31 May 2020 |
| Potential Rental Revenue | | |
| Contracted Rent | : | The rents of the tenancy are inputted according to the provided tenancy agreements (see section 3.9 above) |
| General Tenancy Term | : | 12-240 months |
| Estimated Occupancy Rate | : | 98% annually |
| Rental Growth | : | Year 1-3: 5% Year 4-8: 4% Year 9-10: 3%<br><br>3% annually thereafter |
| Other Income | | |
| Sundry Income | : | included |
| Expenses | | |
| VAT & Surcharge | : | 5.33% of rental revenue |
| Property Tax | : | 12% of rental revenue |

| | | |
|---|---|---|
| Operating Expenses | : | 15.0% of rental/ gross revenue |
| Land Tax | : | Fixed amount at RMB 182,677 |
| Stamp duty | : | 0.1% of rental revenue |
| Discounting Assumptions | | |
| Terminal Cap Rate | : | 5.5% on Year 11 net cash flow |
| Discount Rate | : | 8.5% |

5. Valuation Reconciliation

| | Capital Value (RMB) | Weighting |
|---|---|---|
| Discounted Cash Flow Method | 1,322,000,000 | 50% |
| Direct Comparison Method | 1, 362,000,000 | 50% |
| **Reconciled Value** | **1,342,000,000** | |

6. We have prepared our valuation based on the following assumptions:

i. Good Title. The registered owner of the Property is in possession of a good title to the Property and is entitled to transfer, lease or mortgage the Property within the residual term of its land use rights at no additional land premium and other onerous charges payable to any third party;

ii. Construction / User Compliance. The construction works of the Property were in compliance with all the regulations / approvals of the Government. The current and future use of the legitimate parts of the Property has been/ will be in compliance with all the user restrictions on the Property;

iii. Alienation. The Property can be freely disposable and transferable in the market to both local and overseas purchasers;

iv. Balanced Management Account. The property management account can make a balance at the Dates of Valuation. The current/future owner of the Property will not have to pay any part of the management expenses out of the rental income;

v. Capital Expenditure. We are not advised of any major Capex on the Property. We have assumed that the routine maintenance budget in the management account would have been sufficient for the cost of maintenance in near future;

vi. Rental and Management Fee Collection. We are not in a position to investigate on the financial position / credit risks of the tenants. Our valuation is on the assumptions that all the current/future tenants will fulfill their financial obligations under tenancy agreements in due time;

vii. Unregistered Tenancies. Any unregistered tenancy would not affect its enforceability;

viii. Quiet Enjoyment. The tenants and the nearby occupiers will use their own premises and the common area in a proper manner and will not cause any long-term nuisances to other tenants/occupiers of the Property; and

ix. Prevailing Tax Rates. The taxation system on the Property will not be changed and the prevailing rates of VAT, property tax and land use tax will be kept at the current rate in near future.

* * * *

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CBRE Limited

Level 27, One Pacific Place
88 Queensway
Admiralty, Hong Kong
T 852 2820 2800
F 852 2810 0830
香港金钟道 88 Hao
太古广场一期 27 楼
電話 852 2820 2800 傳真 852 2810 0830
www.cbre.com.hk
地產代理（公司）牌照號碼
Estate Agent's Licence No: C-004065


Our Reference: C2006-0376-CH

10 July 2020

**Perennial Real Estate Holdings Limited**
15th Floor, Talent International Building
No.80 Guangqumennei Avenue,
Dongcheng District
Beijing, PRC 100062

Attn: Ms. Joanna Low

Dear sirs,

**Re: Property 1: Perennial Jihua Mall Foshan; Property 2: Xi'an North HSR Integrated Development Plot 4; Property 3: Beijing Tongzhou Integrated Development Phase 1; Property 4: Beijing Tongzhou Integrated Development Phase 2 (the "Properties").**

**Instruction**

We refer to instructions issued by Perennial Real Estate Holdings Limited (the "Instructing Party" or the "Company") in relation to the proposed privatization and delisting of the Company, requesting a valuation update as at 31 May 2020 (the "Valuation Date") in respect of the abovementioned properties. For the Construction in Progress ("CIP") properties, we have specifically been instructed to provide our opinion of Market Value of the Property, in existing state with the benefit of the provided development scheme, construction cost information and the land use rights. For the completed property, we have been instructed to provide the Market Value of the Property subject to existing tenancies and occupational arrangements.

We have prepared comprehensive formal valuation reports as at 31 December 2019 (individually a "Report" and collectively the "Reports") and this Valuation Summary Letter (the "Letter") in accordance with the requirements of our instructions and the following international definition of Market Value, namely:

Market Value is "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction,


Kowloon Office 九龍辦事處
Office No.03, Level 19, International Trade Tower, 348 Kwun Tong Road, Kowloon, Hong Kong
香港九龍觀塘道 348 號國際貿易中心 19 樓 03 室 T 電話 852 2820 2800 F 傳真 852 2521 9517

after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

In adopting this definition of value, we are of the opinion that it is consistent with the international definition of Market Value as advocated by the Royal Institution of Chartered Surveyors (RICS).

For the specific purposes of this Disclosure Document, we provide this Letter outlining key factors that have been considered in arriving at our opinions of value. The value conclusions reflect all information known by the valuers of CBRE who worked on the valuations in respect to the Properties, market conditions and available data.

Reliance on This Letter

For the purposes of this Disclosure Document, we have prepared this letter which outlines key factors that have been considered in arriving at our opinions of value. This letter alone does not contain the necessary data and support information included in our Reports. For further information to that contained herein, reference should be made to the Reports, copies of which are held by Perennial Real Estate Holdings Limited.

CBRE has provided the client with comprehensive valuation reports for the Properties. The valuation and market information are not guarantees or predictions and must be read in consideration of the following:

The conclusions as to the estimated values are based upon the factual information set forth in the Reports. Whilst CBRE has endeavoured to assure the accuracy of the factual information, it has not independently verified all information provided by local representative of the Company (primarily copies of leases and financial information with respect to the Property as well as reports by independent consultants engaged by Perennial Real Estate Holdings Limited, or the government of the People's Republic of China (the "PRC") (primarily statistical information relating to market conditions and demographics). CBRE believes that every investor, before making an investment in Perennial Real Estate Holdings Limited, should review the Reports to understand the complexity of the methodology and the many variables involved.

The methodologies used by CBRE in valuing the Properties — the Residual Approach, Discounted Cashflow Analysis, Income Capitalisation Approach and Direct Comparison — are based upon estimates of future results and are not predictions. These valuation methodologies are summarised in the Valuation Rationale section of this letter. Each methodology begins with a set of assumptions as to income and expenses of the Property and

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future economic conditions in the local market. The income and expense figures are mathematically extended with adjustments for estimated changes in economic conditions. The resultant value is considered the best practice estimate but is not to be construed as a prediction or guarantee and is fully dependent upon the accuracy of the assumptions as to income, expenses and market conditions.

This valuation update was undertaken based upon information available as at May 2020. CBRE accepts no responsibility for subsequent changes in information as to income, expenses or market conditions.

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit or burden of any deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting sale. Unless otherwise stated, it is assumed that the property was free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

### Valuation Rationale

For the CIP Properties, we have mainly relied on Residual Approach in the course of our valuation. We have adopted Direct Comparison Approach and/or Income Capitalisation and Discounted Cash Flow (DCF) Approaches, where appropriate, in arriving at the Market Value and Gross Development Value (GDV) of the Properties. For the completed Property we have adopted an Income Capitalisation Approach and Discounted Cash Flow (DCF) Analysis.

The Residual Approach involves firstly the assessment of the aggregate Gross Development Value potential of the proposed development, as if completed, as at the valuation date. Estimated outstanding development costs including construction costs, marketing expenses, professional fee, contingency and finance costs and an allowance for developer profit, are deducted from the Gross Development Value. The resultant figure is the Market Value in existing state.

The Direct Comparison Approach is based on comparing the property to be valued directly with other comparable properties transacted or achievable prices close to the valuation date. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values. Physical, location and economical characteristics are important criteria to be analysed when comparing such comparables against the property.

The Income Capitalisation Approach takes into account the sustainable net income on a fully leased basis having regard to the current passing rental income and potential future income from existing vacancies. Other income relating to advertising and promotion recoveries, casual leasing, sundry items and car parking revenue has additionally been incorporated within our calculations. From this figure, we have deducted outgoings expenditure, property tax and management fees.

The Discounted Cash Flow Analysis allows an investor or owner to make an assessment of the long term return that is likely to be derived from a property with a combination of both rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including a target or pre-selected internal rate of return, rental growth, exit value of the property at the end of the investment horizon, costs associated with the initial purchase of the property and also its disposal at the end of the investment period. Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the commencement of the eleventh year of the cash flow.

Important Warning - Material Valuation Uncertainty from Novel Coronavirus

The values stated in this Letter represent our objective opinion of value in accordance with the definition set out above as of the valuation date. Our assessment assumes (amongst other things), that the properties have been properly marketed and that exchange of contracts took place on this date.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, is causing heightened uncertainty in both local and global market conditions. Global financial markets have seen steep declines since late February largely on the back of the pandemic over concerns of trade disruptions and falling demand. Many countries globally have implemented strict travel restrictions and a range of quarantine and "social distancing" measures.

Market activity is being impacted in most sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

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Our valuations are therefore reported on the basis of 'material valuation uncertainty'. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Values may change more rapidly and significantly than during standard market conditions. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation under frequent review.
For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation.

Source of Information

We have relied to a considerable extent on the information given by Perennial Real Estate Holdings Limited and have accepted the advice given to us on such matters as tenure, planning approvals, statutory notices, development scheme, building specification, site and floor areas, and all other relevant matters. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us, which are material to the valuation. We were also advised that no material factors have been omitted from the information supplied.

We have been provided with copies of the title documents relating to the property, however, due to the nature of the land registration system in the PRC, we cannot cause searches to be made on the title of the property nor have we scrutinised all the original documents to verify ownership and encumbrances or to ascertain the subsequent amendments, if any, which may not appear on the copies handed to us.

In forming our value to the property, we have assumed that the owner has free uninterrupted rights to use and assign the property for the whole of the land use rights as granted. Unless otherwise stated, we have valued the property on the assumption that it is freely disposable and transferable for its existing uses for the whole of the unexpired term of land use rights as granted to both local and overseas purchasers whether as a whole or on a strata-title basis without payment of any premium to the relevant authorities.

We have not carried out site measurement to verify the correctness of the site area of the property and have assumed that the site area shown on the documents and official site plan handed to us is correct.

We have not undertaken archaeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period, due to these, or to archaeological or ecological matters.

The following persons have inspected the Properties in December 2019 and/ or have provided professional assistance to the person signing the Reports and this Letter: Mr. Thomas Hermans (Associate Director), Ms. Nicole Liu (Senior Manager), Mr. Bill Zhang (Manager), Ms. Helena Xing (Manager) and Ms. Ilkka Zhang (Assistant Manager). We have confirmed with the Company that there has been no material change (with the exception of construction progress) in the Properties since our last inspection.

The Properties have been valued in Renminbi ("RMB").

Disclaimer

Ms. Jennifer Ip and CBRE have prepared this Letter which appears in the Circular and specifically disclaim liability to any person in the event of any omission from or false or misleading statement included in the Circular or Disclosure Document, other than in respect of the information provided within the aforementioned Reports and this Letter. Ms. Jennifer Ip and CBRE do not make any warranty or representation as to the accuracy of the information in any other part of the Disclosure other than as expressly made or given by CBRE in this Letter.

CBRE has relied upon property data supplied by local representative of the Company which we assume to be true and accurate. CBRE takes no responsibility for inaccurate client supplied data and subsequent conclusions related to such data.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. Ms. Jennifer Ip has no present or prospective interest in the Properties and have no personal interest or bias with respect to the parties involved. The valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event (such as a lending proposal or sale negotiation).

We hereby certify that the valuer undertaking these valuations is authorised to practise as valuer and has at least 10 years continuous experience in valuation.

We enclose herewith our valuation certificates.

Yours faithfully,
For and on behalf of
**CBRE Limited**

Jennifer Ip
MRICS RICS Registered Valuer
Senior Director
Valuation & Advisory Services Greater China

Encl.

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## PORTFOLIO OVERVIEW

| No. | Property | Market Value as at 31 May 2020 (RMB) |
|---|---|---|
| 1. | Perennial Jihua Mall Foshan | 939,000,000 |
| 2. | Xi'an North HSR Integrated Development Plot 4 | 2,236,000,000 |
| 3. | Beijing Tongzhou Integrated Development Phase 1 | 8,785,000,000 |
| 4. | Beijing Tongzhou Integrated Development Phase 2 | 8,831,000,000 |

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## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Details of occupancy | Market Value subject to existing tenancies and occupational arrangements as at 31 May 2020 |
|---|---|---|---|---|
| 1. | Perennial Jihua Mall Foshan, Intersection of Jihua No.7 Road and Guilan Road, Nanhai District, Foshan, Guangdong Province, The People's Republic of China | Perennial Jihua Mall Foshan is situated at the south-west junction of Jihua No. 7 Road and Guilan Road in Foshan, Guangdong Province. The district is densely populated by high rise residential buildings.<br><br>Perennial Jihua Mall Foshan, commenced operations in August 2013 and comprises 3 above-ground levels of retail space and 2 basement levels. Car parking facilities for up to 788 spaces are located at the basement level. The retail mall is anchored by tenants YH Supermarket on the basement level 1 and Jinyi Cinemas on Level 3. H&M and ZARA are major tenants which occupy both levels 1 & 2. As advised by the Company, the Net Leasable Area of the Property is 43,312.3 sqm.<br><br>The property is held under 6 Real Estate Title Certificates for commercial uses with expiry on 20 May 2049, for parking uses with expiry on 20 May 2079. | As at valuation date, a Net Leasable Area of 43,312.3 sqm was leased to various tenants for various terms with the latest expiry date on 02 May 2033. | **RMB939,000,000** (RENMINBI NINE HUNDRED AND THIRTY-NINE MILLION ONLY) |

Notes:

1. According to the provided copies of Real Estate Title Certificate, the land use rights and building ownership rights of the Property with a total site area of 34,411.60 sqm and a total GFA of 68,296.39 sqm, have been granted to 佛山市鹏瑞利置业有限公司 with details below:

| | |
|---|---|
| Title Document Number: | Yue Fang Di Quan Zheng Fo Zi Di 0200437720 Hao<br>Yue Fang Di Quan Zheng Fo Zi Di 0200437721 Hao<br>Yue Fang Di Quan Zheng Fo Zi Di 0200437727 Hao<br>Yue Fang Di Quan Zheng Fo Zi Di 0200448977 Hao<br>Yue Fang Di Quan Zheng Fo Zi Di 0200473539 Hao<br>Yue Fang Di Quan Zheng Fo Zi Di 0200473542 Hao |
| Owner: | 佛山市鹏瑞利置业有限公司 |
| Location: | 45 Guilan South Road, Guicheng Jiedao, Nanhai District, Foshan City |
| Permitted Use: | Commercial （商业、金融和信息用房）, Parking |
| Site Area: | 34,411.60 sqm |
| Total Gross Floor Area: | 68,296.39 sqm |
| Land Use Right Term: | Commercial uses with expiry on 20 May 2049<br>Parking uses with expiry on 20 May 2079 |

2. The key assumptions/parameters adopted in the valuation are as follows:

| | |
|---|---|
| Prevailing Market Rent (RMB/sqm/month): | 229 |
| Capitalisation Rate: | 5.00% |
| Terminal Capitalisation Rate: | 5.25% |
| Discount Rate: | 7.50% |

3. We have made the following assumptions with regard to the title particulars and land use conditions:

   a) Our assessment addresses the market value of the Property subject to the existing tenancies and occupational arrangements.
   b) We are provided only with the copy of the relevant title documents and thus our assessment of value by necessity assumes that all necessary licences, permits or grants to act, to build, to use and to occupy the Property have been properly obtained or are obtainable. Furthermore, it is assumed that there are no additional payments required to ensure this position.
   c) We are provided with the tenancy schedule and thus have not examined the tenancy agreements so our assessment of value is provided on the assumption that the tenancy agreements are executed and that the tenancy agreement provisions are in accordance with the tenancy schedule and other information provided.
   d) We have assumed that tenants would honour their obligations to their respective contractual lease terms, rents and management fees. We have adopted the floor areas quoted to us and

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assumed that the floor area schedule stipulated in the Real Estate Certificate with respect to the gross floor area of the Property is correct.

e) Our assessment is provided without regard to mortgage or loans and assumes that a clear and merchantable title is available and that no third party has mortgage priority.

f) Our assessment is on the basis of 100% interest of the Property and not the share holdings of the company holding the property interest hereof.

g) Our valuation calculations for the income producing portions include rental growth assumptions throughout a defined cash flow period. These assumptions have been based on prevailing economic and market conditions as at the Valuation date.

h) We did not consider the possibility of a major political or economic disturbance or major "shock" event during the projection period.

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## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Details of occupancy | Market Value in Existing State as at 31 May 2020 |
|---|---|---|---|---|
| 2. | Xi'an North HSR Integrated Development Plot 4, North of Shangxin Road, South of Railway North Station, Xi'an, The People's Republic of China | Xi'an North HSR Integrated Development Plot 4 is a mixed-use commercial development.<br><br>The Property is situated to the west of Xi'An North High-speed railway Station with an underground connection once completed. It is located north of Shangxin Road, south of Railway North Station.<br><br>The Property, which is currently under construction, is planned to be completed in 2021. Upon completion, the Property will comprise a high-rise hotel tower accommodating three hotels with 3, 4 and 5-star ratings respectively, a commercial apartment tower, a loft tower, a Soho tower and low-rise retail blocks and podiums. It will have 3 basement levels for retail and car parking use. The Property has a total proposed gross floor area of approximately 409,314.7 sqm.<br><br>The Property is held under a State-owned Land Use Rights Certificate for 40 years for commercial use with expiry dates on 23 November 2052. | As advised by the Company, the Property is currently under construction. | **RMB 2,236,000,000** (RENMINBI TWO BILLION TWO HUNDRED AND THIRTY-SIX MILLION ONLY) |

Notes:

1. According to the provided copy of the State-Owned Land Use Rights Certificate Xi Wei Guo Yong (2014) Chu Di 223 Hao, the land use rights of the Property with an expiry date of 23 November 2052 and a total site area of 47,099.3 sqm has been granted to 西安鹏瑞利城投站西置业有限公司.

2. According to the provided copy of the Construction Land Use Planning Permit Xi Gui Di Zi Di (2015) 09 Hao dated 14 September 2015, the land with a net site area of approximately 70.649 mu for commercial use is in compliance with the urban planning requirements.

3. According to the provided copy of the Construction Works Planning Permit Xi Gui Jian Zi Di (2018) 002 Hao dated 5 February 2018, the construction works with a total permissible gross floor area of 409,314.7 sqm are in compliance with construction works requirements and have been approved.

4. The breakdown of Gross Floor Area is shown as below:

Total Subject Property Area, sqm

| Non-Hotel | Total |
|---|---|
| Loft | 24,069.3 |
| Soho | 29,158.4 |
| Apartment | 38,173.9 |
| Retail | 61,362.3 |
| Total Non-Hotel | 152,763.9 |
| Hotel | |
| 3/4/5 Star Hotels | 159,420.5 |
| Total Hotel | 159,420.5 |
| Subtotal Saleable Area | 312,184.4 |
| Car Parking Area | 97,130.3 |
| Total Parking Spaces | 2,211 |
| Total Floor Area | 409,314.7 |

5. The total GDV for the Property is RMB 5,103,000,000. The key assumptions are as follows:

| | Unit Rate per sqm, per room or per space (RMB, rounded) |
|---|---|
| Loft: | 13,200 |
| Soho: | 11,100 |
| Commercial Apartment: | 12,800 |
| Retail: | 19,200 |
| Car Park (non-hotel): | 93,000 |
| | |
| 3 star hotel: | 882,000 |
| 4 star hotel: | 1,155,000 |
| 5 star hotel: | 1,582,000 |
| Car Park (hotel): | 74,000 |

6. As advised by the Company, the total construction budget and construction cost incurred as of the valuation date were approximately RMB 1,853,000,000 and RMB 526,000,000 respectively.

7. We have made the following assumptions with regard to the title particulars and land use conditions:

   a) Our assessment addresses the market value of the Property in existing state with benefit of the provided development scheme and construction cost information and construction period. If this information turns out to be different, we reserve the right to revise the valuation.
   b) We are provided only with the copy of the relevant title documents and thus our assessment of value by necessity assumes that all necessary licenses, permits or grants to act, to build, to use and to occupy the Property have been properly obtained or are obtainable. Furthermore, it is assumed that there are no additional payments required to ensure this position.
   c) We assume the development fulfil the relevant PRC laws and planning and the developer in assessing the design and construction process has obtained all relevant government approvals and all certification and approval can be obtained upon completion.
   d) We assumed that the grantee of the Property has free and uninterrupted rights to use and assign the Property interest for the whole of the unexpired term as granted.
   e) Our assessment is provided without regard to mortgage or loans and assumes that a clear and merchantable title is available and that no third party has mortgage priority.
   f) Our assessment is on the basis of 100% interest of the Property and not the shareholdings of the company holding the property interest hereof.
   g) All compensation costs, land grant premium, infrastructure costs, and expense otherwise payable in respect of the grant of the Property have been fully settled.
   h) We did not consider the possibility of a major political or economic disturbance or major "shock" event during the projection period.

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## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Details of occupancy | Market Value in Existing State as at 31 May 2020 |
|---|---|---|---|---|
| 3. | Beijing Tongzhou Integrated Development Phase 1, Junction of Dongguan Avenue and Xinhua East Street, Tongzhou District, Beijing, the People's Republic of China | Beijing Tongzhou Integrated Development (the "Development") is located within Tongzhou District. It is located along the Dongguan Avenue and Xinhua East Street which connects Tongzhou District with Chaoyang District and other parts of Beijing. The Property comprises Plot 13, 14-1 and 14-2, Phase 1 of the Development.<br><br>The Property, which is currently under construction, is a commercial development and is planned to be completed in 2023. Upon completion, the Property will comprise a retail mall, two office buildings and basement car parking spaces with a total gross floor area of approximately 412,748.4 sqm.<br><br>The Property is held under 3 State-owned Land Use Rights Certificates for 40 years for commercial use and 50 years for composite use with the expiry dates on 4 November 2052 and 4 November 2062 respectively. | As advised by the Company, the Property is currently under construction. | RMB8,785,000,000 (RENMINBI EIGHT BILLION SEVEN HUNDRED AND EIGHTY-FIVE MILLION ONLY) |

Notes:

1. According to the provided copies of State-Owned Land Use Rights Certificates Jing Tong Guo Yong (2015 Chu) Di 00056 Hao, Jing Tong Guo Yong (2015 Chu) Di 00057 Hao and Jing Tong Guo Yong (2015 Chu) Di 00058 Hao dated 9 April 2015, the land use rights of the Property with a total site area of 38,926.0 sqm have been granted to Perennial Mei Rong Jia One (Beijing) Development Co., Ltd. (鹏瑞利美融加一（北京）置业有限公司), Perennial Mei Rong Jia Two (Beijing) Development Co., Ltd. (鹏瑞利美融加二（北京）置业有限公司) and Perennial Mei Rong Jia Three (Beijing) Development Co., Ltd. (鹏瑞利美融加三（北京）置业有限公司) with details below:

| | | | |
|---|---|---|---|
| Title Document Number: | Jing Tong Guo Yong (2015 Chu) Di 00056 Hao | Jing Tong Guo Yong (2015 Chu) Di 00057 Hao | Jing Tong Guo Yong (2015 Chu) Di 00058 Hao |
| Owner: | 鹏瑞利美融加一（北京）置业有限公司 | 鹏瑞利美融加二（北京）置业有限公司 | 鹏瑞利美融加三（北京）置业有限公司 |
| Location: | Plot 14-2, Core Canal Zone, Tongzhou District, Beijing | Plot 13, Core Canal Zone, Tongzhou District, Beijing | Plot 14-1, Core Canal Zone, Tongzhou District, Beijing |
| Permitted Land Use: | Commercial, Composite | Commercial, Composite | Commercial, Composite |
| Plot Number: | 110112002002GB01037 | 110112002002GB01033 | 110112002002GB01038 |
| Site Area (sqm): | 11,349.0 | 16,621.0 | 10,956.0 |
| Land Use Right Term: | Commercial uses with expiry on 4 November 2052<br>Composite uses with expiry on 4 November 2062 | Commercial uses with expiry on 4 November 2052<br>Composite uses with expiry on 4 November 2062 | Commercial uses with expiry on 4 November 2052<br>Composite uses with expiry on 4 November 2062 |

2. According to provided copies of the Construction Land Use Planning Permits Di Zi Di 110112201400051 Hao, Di Zi Di 110112201400054 and Di Zi Di 110112201400053 Hao issued by Beijing Municipal Commission of Planning on 18 August 2014, the construction site of the Property with a total area of 16,621.037 sqm for Plot 13, 10,955.571 sqm for Plot 14-1 and 11,349.335 sqm for Plot 14-2 are in compliance with the urban planning requirements.

3. According to provided copies of the Construction Works Planning Permits Jian Zi Di 110112201700084 Hao, Jian Zi Di 110112201900237 Hao and 110112201900238 Hao issued by Beijing Municipal Commission of Planning and Natural Resources on 21 September 2017 and 18 November 2019 respectively, the construction works of the Property with a permitted gross floor area of 156,272.4 sqm for Plot 13, 68,008.67 sqm for Plot 14-1 and 110,391.33 sqm for Plot 14-2 are in compliance with the construction works requirements and have been approved.

4. The breakdown of Gross Floor Area is shown as below:

| Total Subject Property Area, sqm<br>Strata | Total | Plot 14-1 | Plot 14-2 | Plot 13 |
|---|---|---|---|---|
| Commercial Apartment | 50,449.9 | | | 50,449.9 |
| Total Strata | 50,449.9 | | | 50,449.9 |
| Enbloc | | | | |
| Office | 119,072.4 | 27,997.1 | 91,075.3 | |
| Retail | 128,748.5 | 44,418.5 | 19,446.5 | 64,883.4 |
| Total Enbloc | 247,820.9 | 72,415.6 | 110,521.8 | 64,883.4 |
| Subtotal Saleable Area | 298,270.7 | 72,415.6 | 110,521.8 | 115,333.3 |
| Car Parking Area | 89,397.6 | 30,106.6 | 27,380.4 | 31,910.6 |
| Total Parking Spaces | 1,864 | 696 | 463 | 705 |
| Other Facilities Area | | | | |
| Ancillary aboveground | 1,390.1 | 305.1 | 922.0 | 163.1 |
| Core Tube | 1,239.0 | 351.6 | 513.1 | 374.3 |
| Facility Room | 14,917.3 | 2,428.6 | 5,393.8 | 7,094.9 |
| Other Ancillaries | 7,533.6 | 2,976.5 | 3,160.9 | 1,396.2 |
| Total Other Facilities | 25,080.1 | 6,061.8 | 9,989.8 | 9,028.5 |
| Total Floor Area | 412,748.4 | 108,584.0 | 147,892.0 | 156,272.4 |

5. The total GDV for the Property is RMB 16,476,000,000. The key assumptions/parameters in the GDV calculation are as follows:

| | |
|---|---|
| Prevailing Market Rent (RMB/sqm/month) | Retail: 324<br>Office: 214 |
| Capitalisation Rate: | Retail: 4.25%<br>Office: 3.75% |
| Terminal Capitalisation Rate: | Retail: 4.50%<br>Office: 4.00% |
| Discount Rate: | Retail: 7.25%<br>Office: 6.75% |
| Commercial Apartment GDV Unit Rate (RMB/sqm GFA): | 54,200 |
| Car Park GDV Unit Rate (RMB/space): | 154,000 |

6. As advised by the Company, the total construction budget and construction cost incurred as of the valuation date were approximately RMB 3,411,000,000 and RMB 416,000,000 respectively.

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7. We have made the following assumptions with regard to the title particulars and land use conditions:

   a) Our assessment addresses the market value of the Property in existing state with benefit of the provided development scheme and construction cost information and construction period. If this information turns out to be different, we reserve the right to revise the valuation.
   b) We are provided only with the copy of the relevant title documents and thus our assessment of value by necessity assumes that all necessary licences, permits or grants to act, to build, to use and to occupy the Property have been properly obtained or are obtainable. Furthermore, it is assumed that there are no additional payments required to ensure this position.
   c) We assume the development fulfil the relevant PRC laws and planning and the developer in assessing the design and construction process has obtained all relevant government approvals and all certification and approval can be obtained upon completion.
   d) We assumed that the grantee of the Property has free and uninterrupted rights to use and assign the property interest for the whole of the unexpired term as granted.
   e) Our assessment is provided without regard to mortgage or loans and assumes that a clear and merchantable title is available and that no third party has mortgage priority.
   f) Our assessment is on the basis of 100% interest of the Property and not the share holdings of the company holding the property interest hereof.
   g) All compensation costs, land grant premium, infrastructure costs, and expense otherwise payable in respect of the grant of the Property have been fully settled.
   h) We did not consider the possibility of a major political or economic disturbance or major "shock" event during the projection period.

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## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Details of occupancy | Market Value in Existing State as at 31 May 2020 |
|---|---|---|---|---|
| 4. | Beijing Tongzhou Integrated Development Phase 2, Junction of Dongguan Avenue and Xinhua East Street, Tongzhou District, Beijing, the People's Republic of China | Beijing Tongzhou Integrated Development (the "Development") is located within Tongzhou District. It is located along the Dongguan Avenue and Xinhua East Street which connects Tongzhou District with Chaoyang District and other parts of Beijing. The Property comprises Plot 10, 11 and 12 of Phase 2 of the Development.<br><br>The Property, which is currently under construction, is a commercial development and is planned to be completed in 2022. Upon completion, the Property will comprise a retail mall, two office buildings and basement car parking spaces with a total gross floor area of approximately 368,624.5 sqm.<br><br>The Property is held under 3 State-owned Land Use Rights Certificates for 40 years for commercial use and 50 years for composite use with the latest expiry dates on 14 May 2053 and 14 May 2063 respectively. | As advised by the Company, the Property is currently under construction. | **RMB8,831,000,000** (RENMINBI EIGHT BILLION EIGHT HUNDRED AND THIRTY-ONE MILLION ONLY) |

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Notes:

1. According to the provided copies of State-Owned Land Use Rights Certificates Jing Tong Guo Yong (2015 Chu) Di 00059 Hao, Jing Tong Guo Yong (2015 Chu) Di 00060 Hao and Jing Tong Guo Yong (2015 Chu) Di 00061 Hao, the land use rights of the Property with a total site area of 49,934.0 sqm has been granted to Perennial Mei Rong Jia Four (Beijing) Development Co., Ltd. (鵬瑞利美融加四（北京）置业有限公司), Perennial Mei Rong Jia Five (Beijing) Development Co., Ltd. (鵬瑞利美融加五（北京）置业有限公司) and Perennial Mei Rong Jia Six (Beijing) Development Co., Ltd. (鵬瑞利美融加六（北京）置业有限公司) with details below:

| Title Document Number: | Jing Tong Guo Yong (2015 Chu) Di 00059 Hao | Jing Tong Guo Yong (2015 Chu) Di 00060 Hao | Jing Tong Guo Yong (2015 Chu) Di 00061 Hao |
|---|---|---|---|
| Owner: | 鵬瑞利美融加四（北京）置业有限公司 | 鵬瑞利美融加五（北京）置业有限公司 | 鵬瑞利美融加六（北京）置业有限公司 |
| Location: | Plot 10, Core Canal Zone, Tongzhou District, Beijing | Plot 11, Core Canal Zone, Tongzhou District, Beijing | Plot 12, Core Canal Zone, Tongzhou District, Beijing |
| Permitted Land Use: | Commercial, Composite | Commercial, Composite | Commercial, Composite |
| Plot Number: | 110112002002GB01022 | 110112002002GB01025 | 110112002002GB01029 |
| Site Area (sqm): | 20,423.0 | 16,160.0 | 13,351.0 |
| Land Use Right Term: | Commercial uses with expiry on 9 May 2053<br>Composite uses with expiry on 9 May 2063 | Commercial uses with expiry on 14 May 2053<br>Composite uses with expiry on 14 May 2063 | Commercial uses with expiry on 9 May 2053<br>Composite uses with expiry on 9 May 2063 |

2. According to provided copies of Construction Land Use Planning Permits Di Zi Di 110112201400055 Hao, Di Zi Di 110112201400056 and Di Zi Di 110112201400052 Hao issued by Beijing Municipal Commission of Planning on 18 August 2014, the construction site of the Property with a total area of 20,422.669 sqm for Plot 10, 16,160.263 sqm for Plot 11 and 13,350.596 sqm for Plot 12 is in compliance with the urban planning requirements.

3. According to provided copies of Construction Works Planning Permits Jian Zi Di 110112201500145 Hao, Jian Zi Di 110112201500148 Hao and 110112201500144 Hao issued by Beijing Municipal Commission of Planning on 21 September 2015, the construction works of the Property with a permitted gross floor area of 178,862.85 sqm for Plot 10, 99,053.95 sqm for Plot 11 and 90,707.67 sqm for Plot 12 are in compliance with the construction works requirements and have been approved.

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4. The breakdown of Gross Floor Area is shown as below:

Total Subject Property Area, sqm

| Strata | Total | Plot 10 | Plot 11 | Plot 12 |
|---|---|---|---|---|
| Commercial Apartment | 66,528.5 | | 28,977.2 | 37,551.3 |
| Office | 92,346.5 | 92,346.5 | | |
| Retail | 116,407.0 | 41,032.3 | 40,788.0 | 34,586.7 |
| Subtotal Saleable Area | 275,282.0 | 133,378.8 | 69,765.2 | 72,138.0 |
| Car Parking Area | 70,466.9 | 35,923.4 | 21,458.6 | 13,084.9 |
| Total Parking Spaces | 1,815 | 970 | 535 | 310 |
| Other Facilities Area | | | | |
| Public Corridor aboveground | 91.1 | | 91.1 | |
| Core Tube | 3,666.9 | 1,900.9 | 935.0 | 831.0 |
| Emergency Aisle and Bycycle parking zo | 239.8 | | 239.8 | |
| Facility Room | 18,877.8 | 7,659.8 | 6,564.3 | 4,653.7 |
| Total Other Facilities | 22,875.6 | 9,560.7 | 7,830.2 | 5,484.7 |
| Total Floor Area | 368,624.5 | 178,862.9 | 99,054.0 | 90,707.7 |

5. The total GDV for the Property is RMB 14,140,000,000. The key assumptions are as follows:

| | |
|---|---|
| Commercial Apartment GDV Unit Rate (RMB/sqm GFA) | 54,400 |
| Office GDV Unit Rate (RMB/sqm on GFA) | 51,100 |
| Retail GDV Unit Rate (RMB/sqm on GFA) | 46,500 |
| Car Park GDV Unit Rate (RMB/space) | 215,000 |

6. As advised by the Company, the total construction budget and construction cost incurred as of the valuation date were approximately RMB 2,882,000,000 and RMB 1,493,000,000 respectively.

7. We have made the following assumptions with regard to the title particulars and land use conditions:

a) Our assessment addresses the market value of the Property in existing state with benefit of the provided development scheme and construction cost information and construction period. If this information turns out to be different, we reserve the right to revise the valuation.
b) We are provided only with the copy of the relevant title documents and thus our assessment of value by necessity assumes that all necessary licences, permits or grants to act, to build, to use and to occupy the Property have been properly obtained or are obtainable. Furthermore, it is assumed that there are no additional payments required to ensure this position.
c) We assume the development fulfil the relevant PRC laws and planning and the developer in assessing the design and construction process has obtained all relevant government approvals and all certification and approval can be obtained upon completion.
d) We assumed that the grantee of the Property has free and uninterrupted rights to use and assign the property interest for the whole of the unexpired term as granted.

e) Our assessment is provided without regard to mortgage or loans and assumes that a clear and merchantable title is available and that no third party has mortgage priority.
f) Our assessment is on the basis of 100% interest of the Property and not the share holdings of the company holding the property interest hereof.
g) All compensation costs, land grant premium, infrastructure costs, and expense otherwise payable in respect of the grant of the Property have been fully settled.
h) We did not consider the possibility of a major political or economic disturbance or major "shock" event during the projection period.

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## Assumptions, Disclaimers, Limitations & Qualification

VALUATION STANDARDS
All valuations will be conducted in accordance with Hong Kong Institute of Surveyors (HKIS) Valuation Standards 2017 and RICS Valuation - Global Standards 2020 and the IVSC International Valuation Standards (IVS) 2020, where appropriate All valuations will be undertaken by appropriately qualified valuers therein.

Where the valuation is undertaken by a RICS Registered Valuer, the valuation may be subject to monitoring under the RICS' conduct and disciplinary regulations.

VALUATION BASIS
In accordance with the International Valuation Standards (IVS) 2019, the definition of 'Market Value' is: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the Party had each acted knowledgeably, prudently and without compulsion."

It should be noted that the interpretive commentary of the Valuation Standards makes it clear that, amongst other things, the valuation assumes that the appropriate marketing period had occurred prior to the Valuation Date and that simultaneous exhange and completion of the sale took place on the Valuation Date. Our valuations are, therefore, based upon the facts and evidence available as at the Valuation Date.

We would also draw your attention to the fact that we are required to assume that the buyer will purchase in accordance with the realities of the current market – and with current market expectations – and that the seller will sell the property at market terms for the best price attainable in the open market after proper marketing, whatever that price may be.

The valuation represents the figure that would appear in a hypothetical contract of sale at the Valuation Date. No adjustment has been made to this figure for any expenses of acquisition or realisation – nor for taxation which might arise in the event of a disposal. No account has been taken of any inter-company leases or arrangements, or of any mortgages, debentures or other charge. No account has been taken of the availability or otherwise of capital-based Government grants.

CONFIDENTIALITY
Any valuation service is confidential as between CBRE and the Reliant Party as specifically stated in the LOE and valuation advice/report. No responsibility will be accepted or assumed to any third party who may use or rely on the whole or any part of the content of our valuation or report.

TRANSMISSION
Only an original valuation report received by the Reliant Party directly from CBRE without any third-party intervention can be relied upon.

PUBLICATION
Neither the whole nor any part of our report, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way nor disclosed orally or in communication to a third party, including the form and context in which it is to appear without CBRE's prior written approval, which shall not be unreasonably withheld.

COPYRIGHT
Copyright in any written work, drawing, compilation, table, graph and similar works created by or on behalf of CBRE remains with CBRE.

Neither the whole nor any part of any valuation report or any reference to the same, may be included in any document, circular or statement published by or on behalf of the Instructing Party without CBRE's written approval as to the form and content in which it may appear. Such reproduction by the Instructing Party of any part of any valuation report without consent will constitute a breach of copyright.

FUTURE CHANGE IN VALUE
All valuations are current as at the valuation date only. The value assessed may in the future change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property or particular property sector). CBRE does not accept liability for losses arising from subsequent changes in value. As values can vary from time to time, CBRE recommends the valuation be reviewed periodically in the future to ascertain any changes in value.

FUTURE MATTERS
To the extent that the valuation includes any statement as to a future matter, that statement is provided as an estimate and/or opinion based on the information known to CBRE at the valuation date. CBRE does not warrant that such statements are accurate or correct.

LIMITATION OF LIABILITY
In recognition of the relative risks and benefits of this engagement to the Instructing Party, the Reliant Party and CBRE, the risks have been allocated such that:
i. the Instructing Party agrees; and
ii. the Instructing Party shall procure that the Reliant Party agrees,

to the fullest extent permitted by law, the total liability, in the aggregate, of CBRE and its professionals, officers, directors, employees, agents and sub-consultants, for any and all claims, losses, indemnities, costs, expenses or damages of any nature whatsoever arising out of, resulting from or in any way related to this Letter of Engagement, including but not limited to the negligence, professional errors or omissions, strict liability, breach of contract or warranty (express or implied), of CBRE or its professionals, officers, directors, employees, agents or sub-consultants shall be limited to three (3) times the total fees received by CBRE under this Letter of Engagement.

CBRE shall not be liable for any indirect, special, punitive or consequential loss or damage howsoever caused, whether in contract, tort or otherwise, arising from or in connection with this Letter of Engagement.

Indirect loss includes, without limitation, any financial loss or expenses including where caused by loss of use or of goodwill, loss of data or delay in the performance of any obligation together with any expenses incurred in connection with that loss or in litigation or attempted litigation of that loss.
This provision is standard with engagements of this nature and is not provided to waive our professional responsibility but as a mechanism to appropriately reflect the risk and benefits of the Party to this engagement. Nothing in this Section intends to exclude or limit our liability for actual fraud, death or personal injury caused by CBRE's negligence.

VALUATION AND REPORT RELIANCE WINDOW
Without limiting the generality of this statement, we do not assume any responsibility or accept any liability, nor should the valuation be relied upon, after the expiration of 3 months (as specified in the report/s) from the valuation date, or such earlier date if the Instructing Party becomes aware of any factors that may have an effect on the valuation and has not disclosed such information to CBRE.

MATTERS WHICH AFFECT OR MAY AFFECT THE VALUATION
If the Instructing Party becomes aware of any matters which affect or may affect the valuation, then CBRE must be advised of those matters. The Instructing Party's failure to do so will disentitle the Instructing Party to place reliance on the valuation and reliance must not be placed on the valuation/s under any circumstance.

PRUDENT LENDING CLAUSE
Our valuation will be provided on the assumption that the Instructing Party may rely on the valuation for first mortgage security purposes, and the Instructing Party complies with its own lending guidelines as well as prudent finance industry lending practices, and considers all prudent aspects of credit risks for the potential borrower, including the borrower's ability to service and repay any mortgage loan. The valuation/s will be provided on the assumption that the Instructing Party will provide mortgage financing at a conservative and prudent loan to value ratio. No responsibility will be accepted for this valuation nor should any reliance be placed on this valuation if the Instructing Party relies solely upon this valuation to advance any loan.

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ASSUMPTIONS
An assumption is a supposition taken to be true. It involves facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, do not need to be verified by the valuer as part of the valuation process. Typically, an assumption is made where specific investigation by the valuer is not required in order to prove that something is true.

Assumptions are matters that are reasonable to accept as fact in the context of the valuation assignment without specific investigations or verification. They are matters that, once stated, are to be accepted in understanding the valuation or other advice provided.

The Instructing Party accepts that the valuation contains assumptions and acknowledges and accepts the risk that if any of the assumptions adopted in the valuation are incorrect or inaccurate, then this may have an effect on the valuation.

Only assumptions that are reasonable and relevant having regard to the purpose for which the valuation assignment is required will be made. We also recommend that you check the validity of the assumptions we have adopted in our report.

INSPECTIONS
We undertake such inspections and investigations as are, in our opinion, necessary to produce a valuation which is professionally adequate for its purpose.

OUR INVESTIGATIONS
We are not engaged to carry out all possible investigations in relation to the Properties. Where in our report we identify certain limitations to our investigations, this is to enable the Instructing Party to instruct further investigations where considered appropriate or where we recommend as necessary. CBRE is not liable for any loss occasioned by a decision not to conduct further investigations.

INFORMATION SUPPLIED BY OTHERS
We have assumed that where any information relevant to our valuation is supplied by you, or by any third party at your instigation, it is correct and comprehensive, and can be safely relied upon by us in preparing our valuation.

VERIFICATION OF INFORMATION
We would recommend that before any financial transaction is entered into based on the valuations, you obtain verification of any third-party information provided. We also recommend that you check the validity of the assumptions we have adopted in our report (where we have been unable to verify the facts through our own observations or experience).

FLOODING RISK
We will assume that either there is no flooding risk or, if there is, that sufficient flood defences are in place and that appropriate building insurance could be obtained at a cost that would not materially affect the capital value.

SITE SURVEY
We do not commission site surveys and a site survey has not been provided to us. We have assumed there are no encroachments by or on the property, and the Instructing Party should confirm this status by obtaining a current survey report and/or advice from a registered surveyor. If any encroachments are noted by the survey reports, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.

SITE CONDITIONS
We do not commission site investigations to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. We have assumed that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances. In the case of property which may have redevelopment potential, we proceed on the basis that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems (unless stated otherwise).

Furthermore, we assume in such circumstances that no unusual costs will be incurred in the demolition and removal of any existing structure on the property.

ENVIRONMENTAL CONTAMINATION
In preparing our valuation we assume that no contaminative or potentially contaminative use is, or has been, carried out at the property. We do not undertake any investigation into the past or present uses of either the property or any adjoining or nearby land, to establish whether there is any potential for contamination from these uses and assume that none exists. Should it, however, be subsequently established that such contamination exists at the property or on any adjoining land or that any premises have been or are being put to contaminative use, this may have a detrimental effect on the value reported.

ASBESTOS RISK
Unless otherwise noted, we have assumed that the improvements are free of Asbestos and Hazardous Materials, or should these materials be present then they do not pose significant risk to human health, nor require immediate removal. We assume the site is free of subsoil asbestos and have made no allowance in our valuation for site remediation works. Our visual inspection is an inconclusive indicator of the actual condition/presence of asbestos/hazardous materials within the property. We make no representation as to the actual status of the subject property. If a test is undertaken at some time in the future to assess the degree, if any, of the presence of any asbestos/hazardous materials on site and this is found to be positive, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.

HAZARDOUS & DELETERIOUS MATERIALS
Unless specifically instructed, we do not carry out investigations to ascertain whether any building has been constructed or altered using deleterious materials or methods. Unless specifically notified, our valuation assumes that no such materials or methods have been used. Common examples include high alumina cement concrete, calcium chloride, asbestos and wood wool slabs used as permanent shuttering.

DOCUMENTATION AND TITLE
We have relied on the land title certificates or lease agreements provided by the Instructing Party. CBRE shall not be required to undertake title/ownership searches on the properties interests in the Mainland China (the "PRC") nor planning approval verification. The Instructing Party will provide CBRE with the title information and property information required for the purpose of advisory. CBRE Hong Kong shall provide professional support to CBRE China team to perform this professional service.

We do not read legal documentation. Where legal documentation is provided to us, we will have regard to the matters therein but recommend that reliance should not be placed on our interpretation thereof without prior verification by your legal advisors. Unless disclosed to us, we assume that there are no outstanding statutory breaches or impending litigation in respect of the property. We further assume that all documentation is satisfactorily drawn and that unless disclosed to us, there are no unusual or onerous restrictions, easements, covenants or other outgoings which would adversely affect the value of the relevant interest(s). In respect of leasehold properties, we will assume that your landlord will give any necessary consents to an assignment. Unless notified to the contrary we assume that each property has a good and marketable title and is free from any pending litigation.

LIEN / CAVEATS
We have disregarded the presence of any mortgage or other financial liens, or any caveats pertaining to the property.

UNREGISTERED INTERESTS
We have assumed that there are no unregistered interests or interests not captured by the applicable Regulatory Authority in the country which services are to be carried out which may affect market value. In the event that the Instructing Party becomes aware of any further or pending easements, encumbrances or unregistered interests, this valuation must not be relied upon before first consulting CBRE in writing to reassess any effect on the valuation/s.

TENANT'S COVENANT STRENGTH
Unless specifically requested, we do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the market's perception of them. Any comments on covenant strength should therefore be read in this context. Furthermore, we assume, unless otherwise advised, that the tenant is capable of meeting its financial obligations under the lease and that there are no arrears of rent or other payments or undisclosed breaches of covenant.

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**PERMIT OF OCCUPANCY & USE**
Unless otherwise stated in the report, we have not sighted a copy of the relevant Certificate of Occupation Permit and latest approved building plans for the subject property. Accordingly, our valuation/s assumes that the property complies with all requirements of the Local Authorities /Government Bodies responsible for the issue of the said Permit/Certificate and that there are no outstanding matters, orders or requisitions.

**TOWN PLANNING AND OTHER STATUTORY REGULATION**
Unless specifically instructed, we do not normally undertake enquiries to obtain town planning and highway information from the relevant Local Authority. We assume that the property is not adversely affected by town planning or road proposals. Our valuations are prepared on the assumption that the premises comply with all relevant statutory enactments and Building Acts and Regulations, that a valid and up-to-date Fire Certificate has been issued. We assume that all necessary consents, licences and authorisations for the use of the property and the process carried out therein have been obtained and will continue to subsist and are not subject to any onerous conditions.

In the event that a legal requisition or other relevant planning information or document is obtained and the information therein is found to be materially different to the town planning information in the report, the valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation/s.

**MEASUREMENT**
We will not measure the properties but will rely upon the floor areas provided to us by the Instructing Party and/or Instructing Party's advisor which we would assume to be correct and comprehensive, and which we assume have been calculated in accordance with the local market practise. We recommend that the person or entity relying upon this report should obtain a survey to determine whether the areas provided differ from the guidelines. In the event that there is a material variance in areas, we reserve the right to review our valuation as assessed herein.

**VALUATION APPROACHES AND METHODS**
CBRE employs industry recognised valuation approaches and methodologies using market-derived inputs or information in estimating the market value of a property.

Our report will make reference to the approach or approaches adopted, the key inputs used and the principal reasons for the conclusions reached. Where different valuation approaches and assumptions are required for different properties, this will be separately identified and reported.

Valuers are responsible for adopting, and as necessary justifying, the valuation approach(es) and the valuation methods used to fulfil individual valuation engagements. These will however have regard to; the nature of the property; the purpose, intended use and context of the particular assignment and any statutory or other mandatory requirements applicable in the jurisdiction concerned.

**BUILDING SURVEYS**
We do not undertake building surveys, nor do we inspect those parts that are covered, unexposed or inaccessible, or test any of the electrical, heating, drainage or other services. Any readily apparent defects or items of disrepair noted during our inspection will, unless otherwise stated, be reflected in our valuation, but no assurance is given that any property is free from defect. We assume that those parts which have not been inspected would not reveal material defects which would cause us to alter our valuation.

We assume that the services and any associated controls or software are in working order and free from defect.

**HIGH VOLTAGE ELECTRICITY SUPPLY APPARATUS**
Where there is high voltage electricity supply apparatus within close proximity to the property, unless otherwise stated we have not taken into account any likely effect on future marketability and value due to any change in public perception of the health implications.

**PLANT & MACHINERY, FIXTURES AND FITTINGS**
Our valuation includes those items usually regarded as forming part of the building and comprising landlord's fixtures, such as boilers, heating, lighting, sprinklers and ventilation systems and lifts but generally exclude process plant, machinery and equipment and those fixtures and fittings normally considered to be the property of the tenant. Where the property is valued as a fully equipped operational entity our valuation includes trade fixtures and fittings and equipment necessary to generate the turnover and profit. Valuations for investment purposes will include the landlord's fixtures and fittings but not the trade fixtures and the trade inventory where the tenant owns these.

**DEVELOPMENT VALUATION**
The valuation method adopted for development valuations is very sensitive to changes in key inputs. Slight changes in variables such as sales volumes or build costs will have a disproportionate effect on land value. Site values can therefore be susceptible to considerable variances because of changes in market conditions. In preparing our valuations, we will undertake a residual appraisal or Discount Cashflow of the proposed / consented scheme, making the necessary allowances to reflect the market and associated planning risks.

**AGGREGATION**
In the valuation of portfolios, each property is valued separately and not as part of the portfolio. Accordingly, no allowance, either positive or negative, is made in the aggregate value reported to reflect the possibility of the whole or part of the portfolio being put on the market at any one time.

**LIASING WITH LAWYERS**
Where it is appropriate to do so we will liaise direct with your lawyers. However, they will be directly responsible to you for all legal work carried out by them. We will have no responsibility for their work. In particular, we will not be liable for anything contained in the legal documentation prepared by the lawyers unless we specifically state in writing that the lawyers may rely on our advice in relation to any relevant issue.

**MAP & PLANS**
All maps and plans quoted in our report are solely for illustration purposes only. While they are extracted from public sources, they may be not to scale. CBRE does not warrant that such dimensions shown are accurate.

**DIRECTOR'S CLAUSE**
The reviewer of report verifies that the report is genuine and endorsed by CBRE however the opinion of value expressed has been arrived at by the valuer or valuers.

**PRIVACY ACT OR REGULATIONS**
Any personal information collected and held by CBRE in the course of providing the Services will only be used for purposes relating to the provision of Services. More information about the manner in which CBRE handles personal information is described in its privacy policy.

**GOVERNING LAW**
This report shall be governed by and construed in accordance with laws of Hong Kong Special Administrative Region (HKSAR).

Perennial Real Estate Holdings Limited
8 Shenton Way,
#36-01 AXA Tower
Singapore 068811

Savills Real Estate Valuation (Guangzhou) Ltd.
Beijing Branch
2101 East Tower, Twin Towers
B-12, Jianguomenwai Avenue,
Chaoyang District, Beijing, PRC
86(10) 5925 2211

Attn.: The Directors

09 July 2020
**Our Ref.: BJ/2020/VPS/19874-6/JW/DL**

Dear Sirs,

**RE: PLOT D2, CHENGDU EAST HIGH-SPEED RAILWAY INTEGRATED DEVELOPMENT, CHENGHUA DISTRICT, CHENGDU, SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTY")**

**INSTRUCTIONS**

In accordance with your instructions for us to value the Property located in the People's Republic of China (the "PRC") and held by Perennial Real Estate Holdings Limited. (the "Company") or its subsidiaries (collectively the "Group") on a 100% interest basis, we confirm that we have made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 May 2020 (the "Valuation Date") for the assessment of the market value of the property in relation to the voluntary conditional cash offer purpose.

**BASIS OF VALUATION**

Our valuation of the Property is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Moreover, market value is understood as the value of an asset or liability estimated without regard to costs of sale and purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the RICS Valuation Global Standards 2020 published by The Royal Institution of Chartered Surveyors, which incorporates the International Valuation Standards.

Due to the prevailing Novel Coronavirus (COVID – 19) outbreak in the PRC and the adoption of out – of – town personnel isolation policy by the relevant government authorities in the PRC, we did not conduct on-site inspection of the Property for this current exercise. As agreed with the Company, we have relied on our last inspection of the Property conducted in 4 December 2019. Moreover, as confirmed by the Company, there have been no material changes to the physical attributes of the Property, of the nature of its location. We reserve our right to revise our valuation if it is discovered, during subsequent inspection, that items of physical nature which would materially impact on the value of the Property.

In undertaking our valuation, we have assumed that the interior of the Property is finished and maintained to a reasonable standard commensurate with their age and size.

**IDENTIFICATION AND STATUS OF THE VALUER**

The subject valuation exercise is handled by Mr. James K.M. Woo. Mr. James K.M. Woo is the Senior Director of Savills Real Estate Valuation (Guangzhou) Limited Beijing Branch ("Savills") and a Fellow member of the RICS with over 25 years' experience in valuation of properties in the PRC. Mr. James K.M. Woo has sufficient knowledge of the relevant markets, the skills and understanding to handle the subject to handle valuation exercise competently.

We are independent of the Company and its subsidiaries. We are not aware of any instances which would give rise to potential conflict of interest from Savills and Mr. James K.M. Woo in the subject exercise. We confirm Savills and Mr. James K.M. Woo are in the position to provide objective and unbiased valuation for the Property.

**VALUATION METHODOLOGY**

In undertaking our valuation, we have adopted the Income Capitalisation Approach as primary method assuming completion at the Valaution Date. We have also adopted the Residual method as primary method for the development land.

We have adopted the Residual Method to value the Property. Under the Residual Method of Valuation, we have firstly established the completion value of the Apartment portion of the Property based on the supplied development proposal by Discounted Cash Flow Method and Income Capitalisation Approach, the income stream of the SOHO and Retail portions of the Property as measured by the annual gross income is considered the expired date of land use and the property value equals annual gross income divided by a gross cap rate. The total unexpended costs of development including construction cost, professional fee and other associated expenditure, together with an allowance for interest expense, and developer's profit are estimated and deducted from the completion value of this portion of the Property. The resultant figure is then adjusted back to the Valuation Date to arrive at the market value of this portion of the Property in its existing state. We have valued the Property on the basis that it will be developed and completed in accordance with the Company's latest development proposal provided to us.

A brief outline of the residual approach is exhibited as follows:

| | | |
|---|---|---|
| | (A) | Gross Development Value, as at date of valuation |
| Deduct | (B) | Development Cost (as at Valuation Date) |
| | | Construction Cost |
| | | Professional Fee |
| | | Contingence Fee |
| | | Finance Cost on Construction |
| Deduct | (C) | Developer's Profit and Risk Margin |
| | (D) | **Residual Value** |

Our Ref.: BJ/2020/VPS/19874-6/JW/DL Page 2

This method is subject to a number of hypothetical assumptions. A slight change in one or more of the assumptions would have a significant impact on the conclusions reached.

We assessed the Gross Development Value (GDV) of the proposed development in the previous section, to be adopted in the residual approach to land valuation. GDV or the market value of the proposed development is assuming completion of the development as at the Valuation Date. In undertaking the GDV valuation, we have adopted the discounted cash flow method and direct comparison method.

In Discounted Cash Flow Method, the monthly net cash flows over an assumed holding period are forecasted and then discounted to the present value as at the Valuation Date. The projected operating net cash flow at each month takes into accounts the following factors:

| | | |
|---|---|---|
| | 1. | Potential Rental Revenue (taking into account the existing tenancies, the market leasing activities, rent free provisions, renewal probabilities and market void, etc.) |
| - | 2. | Allowance for structural vacancy |
| + | 3. | Other Income |
| = | 4. | Gross Income |
| - | 5. | Operating Expenses and Taxes (but not profit tax) |
| = | 6. | Net Operating Income |
| - | 7. | Capital Expenditure |
| = | 8. | Net Cash Flow |

At the end of the holding period, a terminal/exit value of the Property may be estimated by capitalising the next 12-month net cash flow. The market value of the Property would then be the aggregate present value of the operating net cash flow and terminal value.

**TITLE INVESTIGATION**

We have been provided with copies of extracts of title documents relating to the Property but have not given legal advice in respect of title. We do not accept a liability for any interpretation which we have placed on such information, which should be more properly the sphere of your legal adviser. Further, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

**SOURCE OF INFORMATION**

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and have accepted advices given to us on such matters as identifications of property interests, planning approvals, statutory notices, easements, title documents, tenure, tenancy details, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information provided by the Group and are therefore approximations only. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

**VALUATION ASSUMPTIONS**

In the course of our valuation, we have assumed that transferable land use rights of the Property for its specific term at nominal annual land use fee have been granted and that any grant premium payable has already been fully paid. In valuing the Property, unless otherwise stated, we have also assumed that the Group has a good legal title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired term as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

**LIMITING CONDITIONS**

Neither the whole or any part of this valuation report nor any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed for the stated purpose and no responsibility is accepted to any third party for the whole or any part of its contents.

**COVID-19**

With the outbreak of the Coronavirus Disease 2019(Covid-19) and the prevailing uncertainty in the global economy, it is difficult to predict the future impact that Covid-19 might have on the real estate market. In view of market uncertainty, a higher degree of caution should be attached to our valuation than would normally be the case and we recommend that you keep the valuation under frequent review. Our opinion and assessment are based on the information provided and prevailing market data as at the date of this valuation report. The reported opinion and conclusion are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinion and conclusion.

**CURRENCY**

Unless otherwise stated, all money amounts stated are in Renminbi ("RMB").

We enclose herewith our valuation report.

Yours faithfully,
For and on behalf of
**Savills Real Estate Valuation (Guangzhou) Limited Beijing Branch**

James K.M. Woo
FRICS AICFC
Senior Director

Note: Mr. James K.M. Woo is a professional surveyor who has over 25 years' experience in valuation of properties in the PRC.

Encl.

**VALUATION REPORT**

| **Property** | **Description and tenure** | **Particulars of occupancy** | **Market value in existing state as at 31 May 2020** |
|---|---|---|---|
| Plot D2, Chengdu East High-Speed Railway Integrated Development, Jianganhe Road, Chenghua District, Chengdu, Sichuan Province, The People's Republic of China ("the PRC") | Plot D2, Chengdu East High-Speed Railway Integrated Development (the "Property") is being erected on a rectangular site with an area of approximate 35,161.13 sq m.<br><br>According to the information provided by the Group, the Property with a total gross floor area of approximately 288,334.55 sq m upon completion. The usage and breakdown of the gross floor area are as follows:- | As at the Valuation Date, the Property is under construction and the main structure was completed. | RMB2,509,000,000 (Renminbi Two Billion Five Hundred and Nine Million) |

| Usage | Approximate Gross Floor Area (sq m) |
|---|---|
| Retail | 51,792.52 |
| Office | 168,032.34 |
| Refuge Floor | 11,179.21 |
| Aboveground | 231,004.07 |
| Retail (Underground) | 10,307.65 |
| Office (Underground) | 926.02 |
| Carpark (Vehicle) | 36,832.64 |
| Carpark (Vehicle) | 3,050.83 |
| M&E | 6,134.17 |
| Ancillary | 79.17 |
| Underground | 57,330.48 |
| Total | 288,334.55 |

As advised by the Group, the property is scheduled to be completed in September 2020.

The land use rights of the Property have been granted for a term due to expire on 20 February 2051 for Commercial and Carpark uses.

**Notes:**

1. Pursuant to 2 State-owned Land Use Rights Certificates Chuan (2018) Chengdu Real Estate Right Di No. 0310591 and Cheng Guo Yong (2015) Yong Di No. 396 dated 6 September 2018 and 14 December 2015 respectively, the land use rights of a parcel of land with total site area of approximately 37,920.87 sq m have been granted to Chengdu Chang Feng Real Estate Development Co., Ltd (成都长峰房地产开发有限公司) for a term expiring on February 20, 2051 for Commercial and Commercial and Carpark uses.

2. Pursuant to the 3 Construction Work Commencement Permits — No. 510101201501200401, 510101201503250101, 510101201505110301 dated 20January 2015, 25 March 2015 and 11 May 2015 respectively, the construction work with a total construction scale of approximately 288,334.55 sq m was approved for commencement. Details of the said certificates are as follows:

| Certificate No. | Construction Company | Construction Scale ($m^2$) |
|---|---|---|
| 510101201501200401 | Chengdu Chang Feng Real Estate Development Co., Ltd | 114,111.05 |
| 510101201503250101 | Chengdu Chang Feng Real Estate Development Co., Ltd | 125,891.21 |
| 510101201505110301 | Chengdu Chang Feng Real Estate Development Co., Ltd | 48,332.29 |

3. As advised by the Group, the total construction cost expended as at the valuation date was approximately RMB772,161,273 and the estimated outstanding construction cost for completion of the property will be approximately RMB1,384,003,200. We have taken into account the aforesaid amounts in our valuation.

4. The market value of the Property as if completed as at the valuation date is estimated to be approximately RMB3,709,000,000.

5. The residual approach is employed to assess the market value of the Property in its existing state by deducting the construction costs, interest outlay and development profits and risks from the assessed Market Value assuming completion or GDV.

| Key Assumptions and Parameters in the Residual Approach | | |
|---|---|---|
| **1** | **Construction Costs** | Approx. : RMB1,384,003,200 (as provided) |
| | | RMB4,800/ m² on GFA |
| **2** | **Effective Gross Development Values** | **Estimated GDV as at date of valuation** |

| | | |
|---|---|---|
| | (assuming the proposed hypothetical development is completed as at date of valuation) | **RMB3,709,000,000** |
| **3** | **Marketing Cost** (% of GDV) | 3.0% |
| **4** | **VAT and Surcharge** (% of GDV) | 5.33% |
| **5** | **Provided total construction cost** | **RMB772,161,273** |
| **6** | **Provided outstanding cost** | **RMB611,841,927** |
| **7** | **Contingency Fee** (% of cost provided) | 1.0% |
| **8** | **Professional Fee** (% of GDV) | Included in the cost provided |
| **9** | **Development Period** | |
| | Total construction period | 88 months |
| **10** | **Finance Costs** | |
| | (% per annum on half construction period for construction cost and entire development period on land) | 4.35% |
| **11** | **Profit and Risk Margin** (% on construction cost and land cost) | 5.5% |

6. The major parameters adopted in the DCF are summarised as follows:

| | | **Assumptions / Parameters** |
|---|---|---|
| General Assumptions | | |
| Holding Period | : | 10 Years |
| Date of Valuation | : | 31 May 2020 |
| Potential Rental Revenue | | |
| Total room number | : | 830 |
| Average daily rates (ADR) | : | RMB400/room/night |
| Estimated Occupancy Rate | : | Year 1: 60%<br>75% annually thereafter |
| Growth on ADR | : | 3% |

| Departmental & Other Income | | |
|---|---|---|
| Income from food & beverage | : | 20.0% on room revenue |
| Service fee | | 12.0% on room revenue |
| Other income | | 1.3% on room revenue |
| **Expenses** | | |
| Expenses on room | | 18.0% on room revenue |
| Expenses on F&B | | 88.0% on F&B revenue |
| Expenses on Other Income | | 40.0% on other revenue |
| Operating Expenses | : | 30% of rental revenue |
| Property insurance | | Fixed amount at RMB 200,000 per year |
| Property tax | : | Fixed amount at RMB 2,500,142 per year |
| Incentive Management Fee | : | Fixed amount at RMB 9,062,450 per year |
| **Discounting Assumptions** | | |
| Terminal Cap Rate | : | 5.0% on Year 11 net cash flow |
| Discount Rate | : | 8.00% |

7. The discount rates and terminal capitalization rates adopted in each case and the results from DCF are tabulated below:

| | Discount Rate | Terminal Cap. Rate | Capital Value |
|---|---|---|---|
| Hotel | 8.00% | 5.0% | RMB 763,391,000 |

8. We have prepared our valuation based on the following assumptions:

   i. Good Title. The registered owner of the Property is in possession of a good title to the Property and is entitled to transfer, lease or mortgage the Property within the residual term of its land use rights at no additional land premium and other onerous charges payable to any third party;

ii. Construction / User Compliance. The construction works of the Property were in compliance with all the regulations / approvals of the Government. The current and future use of the legitimate parts of the Property has been/ will be in compliance with all the user restrictions on the Property;

iii. Alienation. The Property can be freely disposable and transferable in the market to both local and overseas purchasers;

iv. Balanced Management Account. The property management account can make a balance at the Dates of Valuation. The current/future owner of the Property will not have to pay any part of the management expenses out of the rental income;

v. Rental and Management Fee Collection. We are not in a position to investigate on the financial position / credit risks of the tenants. Our valuation is on the assumptions that all the current/future tenants will fulfill their financial obligations under tenancy agreements in due time;

vi. Quiet Enjoyment. The tenants and the nearby occupiers will use their own premises and the common area in a proper manner and will not cause any long-term nuisances to other tenants/occupiers of the Property; and

vii. Prevailing Tax Rates. The taxation system on the Property will not be changed and the prevailing rates of VAT, property tax and land use tax will be kept at the current rate in near future.

* * * *

Perennial China Retail Trust Management Pte. Ltd.,
8 Shenton Way,
#36-01 AXA Tower
Singapore 068811

Attn.: The Directors

Savills Real Estate Valuation (Guangzhou) Ltd.
Beijing Branch
2101 East Tower, Twin Towers
B-12, Jianguomenwai Avenue,
Chaoyang District, Beijing, PRC
86(10) 5925 2211

09 July 2020
**Our Ref.: BJ/2020/VPS/19874-2/JW/DL**

Dear Sirs,

**RE: MAJORITY PORTION OF SHENYANG LONGEMONT SHOPPING MALL PANGJIANG STREET, DADONG DISTRICT, SHENYANG,, THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTY")**

**INSTRUCTIONS**

In accordance with your instructions for us to value the Property located in the People's Republic of China (the "PRC") and held by Perennial China Retail Trust Management Pte. Ltd. (the "Company") or its subsidiaries (collectively the "Group") on a 100% interest basis, we confirm that we have made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 May 2020 (the "Valuation Date") for the assessment of the market value of the property in relation to the voluntary conditional cash offer purpose.

**BASIS OF VALUATION**

Our valuation of the Property is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Moreover, market value is understood as the value of an asset or liability estimated without regard to costs of sale and purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the RICS Valuation Global Standards 2020 published by The Royal Institution of Chartered Surveyors, which incorporates the International Valuation Standards.

Due to the prevailing Novel Coronavirus (COVID – 19) outbreak in the PRC and the adoption of out – of – town personnel isolation policy by the relevant government authorities in the PRC, we did not conduct on-site inspection of the Property for this current exercise. As agreed with the Company, we have relied on our last inspection of the Property conducted in 4 December 2019. Moreover, as confirmed by the Company, there have been no material changes to the physical attributes of the Property, of the nature of its location. We reserve our right to revise our valuation if it is discovered, during subsequent inspection, that items of physical nature which would materially impact on the value of the Property.

In undertaking our valuation, we have assumed that the interior of the Property is finished and maintained to a reasonable standard commensurate with their age and size.

**IDENTIFICATION AND STATUS OF THE VALUER**

The subject valuation exercise is handled by Mr. James K.M. Woo. Mr. James K.M. Woo is the Senior Director of Savills Real Estate Valuation (Guangzhou) Limited Beijing Branch ("Savills") and a Fellow member of the RICS with over 25 years' experience in valuation of properties in the PRC. Mr. James K.M. Woo has sufficient knowledge of the relevant markets, the skills and understanding to handle the subject to handle valuation exercise competently.

We are independent of the Company and its subsidiaries. We are not aware of any instances which would give rise to potential conflict of interest from Savills and Mr. James K.M. Woo in the subject exercise. We confirm Savills and Mr. James K.M. Woo are in the position to provide objective and unbiased valuation for the Property.

**VALUATION METHODOLOGY**

In undertaking our valuation, we have adopted the discounted cash flow method and direct comparison method.

In Discounted Cash Flow Method, the monthly net cash flows over an assumed holding period are forecasted and then discounted to the present value as at the Valuation Date. The projected operating net cash flow at each month takes into accounts the following factors:

| | | |
|---|---|---|
| | 1. | Potential Rental Revenue (taking into account the existing tenancies, the market leasing activities, rent free provisions, renewal probabilities and market void, etc.) |
| - | 2. | Allowance for structural vacancy |
| + | 3. | Other Income |
| = | 4. | Gross Income |
| - | 5. | Operating Expenses and Taxes (but not profit tax) |
| = | 6. | Net Operating Income |
| - | 7. | Capital Expenditure |
| = | 8. | Net Cash Flow |

At the end of the holding period, a terminal/exit value of the Property may be estimated by capitalising the next 12-month net cash flow. The market value of the Property would then be the aggregate present value of the operating net cash flow and terminal value.

The Direct Comparison Method is based on comparing the subject property to be valued with other comparable properties, which are either transferred its legal ownership or recently listing in the market for sales. Given the

heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property considerations.

**TITLE INVESTIGATION**

We have been provided with copies of extracts of title documents relating to the Property but have not given legal advice in respect of title. We do not accept a liability for any interpretation which we have placed on such information, which should be more properly the sphere of your legal adviser. Further, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

**SOURCE OF INFORMATION**

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and have accepted advices given to us on such matters as identifications of property interests, planning approvals, statutory notices, easements, title documents, tenure, tenancy details, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information provided by the Group and are therefore approximations only. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

**VALUATION ASSUMPTIONS**

In the course of our valuation, we have assumed that transferable land use rights of the Property for its specific term at nominal annual land use fee have been granted and that any grant premium payable has already been fully paid. In valuing the Property, unless otherwise stated, we have also assumed that the Group has a good legal title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired term as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

**LIMITING CONDITIONS**

Neither the whole or any part of this valuation report nor any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed for the stated purpose and no responsibility is accepted to any third party for the whole or any part of its contents.

**COVID-19**

With the outbreak of the Coronavirus Disease 2019(Covid-19) and the prevailing uncertainty in the global economy, it is difficult to predict the future impact that Covid-19 might have on the real estate market. In view

of market uncertainty, a higher degree of caution should be attached to our valuation than would normally be the case and we recommend that you keep the valuation under frequent review. Our opinion and assessment are based on the information provided and prevailing market data as at the date of this valuation report. The reported opinion and conclusion are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinion and conclusion.

**CURRENCY**

Unless otherwise stated, all money amounts stated are in Renminbi ("RMB").

We enclose herewith our valuation report.

Yours faithfully,
For and on behalf of
**Savills Real Estate Valuation (Guangzhou) Limited Beijing Branch**

James K.M. Woo
FRICS AICFC
Senior Director

Note: Mr. James K.M. Woo is a professional surveyor who has over 25 years' experience in valuation of properties in the PRC.

Encl.

**VALUATION REPORT**

| Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 May 2020 |
|---|---|---|---|
| Majority Portion of Shenyang Longemont Shopping Mall (沈阳龙之梦购物中心) Pangjiang Street (滂江街), Dadong District, Shenyang, The People's Republic of China ("the PRC") | Shenyang Longemont Asia Pacific Center ( the "Development) is a massive residential area located in the East Side of Shenyang City, the inner part of the ring line, just 1.8 km from the Forbidden City in Shenyang City, covers an area of 55.75 hectares. Shenyang Longemont Shopping Mall (the "Property") is being erected on a rough rectangular site with an area of approximate 53,328.20 sq. m. within the Development.<br><br>The Property interests comprises an 8-storey building with a 2-storey basement for retail uses in the composite development of Longemont Asia Pacific City completed in 2011.<br><br>According to the information provided by the Group, the breakdown of total Gross Floor Area of the Property is detailed on Note 3.<br><br>The land use rights of the Property have been granted for a term due to expire on 20 January 2059 for township mixed uses. | As at the Valuation Date, the Property is subject to various tenancy agreements with the latest one due to expire on August 19, 2035 at a total monthly rent of approximately RMB11,420,000. | RMB3,712,500,000 (Renminbi Three billion Seven Hundred Twelve Million Five Hundred Thousand) |

**Notes:**

1. Pursuant to a State-owned Land Use Rights Certificates Shen Yang Guo Yong (2009) Di No. 0028 dated [19 January 2009], the land use rights of a parcel of land with total site area of approximately 53,328.20 sq. m have been granted to Shenyang Chang Feng Real Estate Co., Ltd. (沈阳长峰房地产开发有限公司）for a term expiring on January 20 2059 for township mixed uses.

2. Pursuant to a Building Ownership Certificates, Shen Fang Quan Zhong Xin Di No. 060667023, the building ownership of the Property with a total gross floor area of approximately 215,463.45 sq. m and the corresponding land use rights are vested in Shenyang Chang Feng Real Estate Co., Ltd. (沈阳长峰房地产开发有限公司), for Commercial uses.

3. The Gross Floor Area of the Property is summarized as follows:

| Floor | Uses | Gross Floor Area ($m^2$) |
|---|---|---|
| 8F | Retail Shop | 29,990.00 |
| 7F | Retail Shop | 29,990.00 |
| 6F | Retail Shop | 29,990.00 |
| 5F | Retail Shop | 29,990.00 |
| 4F | Retail Shop | 33,025.00 |
| 3F | Retail Shop | 30,007.00 |
| 2F | Retail Shop | 29,250.00 |
| 1F | Retail Shop | 28,420.00 |
| B1F | Retail Shop, Car Park | 43,652.00 |
| B2F | Retail Shop | 43,475.00 |
| **Total** | | **327,789.00** |

4. The major parameters adopted in the DCF are summarised as follows:

| | | **Assumptions / Parameters** |
|---|---|---|
| General Assumptions | | |
| Holding Period | : | 10 Years |
| Date of Valuation | : | 31 May 2020 |
| Potential Rental Revenue | | |

| | | |
|---|---|---|
| Contracted Rent | : | The rents of the tenancy are inputted according to the provided tenancy agreements (see section 3.9 above) |
| General Tenancy Term | : | Retail Shop: 24-60 months |
| Estimated Occupancy Rate | : | Year 1: 92%<br>Year 2: 93%<br>96% annually thereafter |
| Rental Growth | : | Year 1: 3.5%<br>Year 2-3: 5%<br>3% annually thereafter |
| Other Income | | |
| Sundry Income | : | RMB 33/m$^2$ for future tenancies |
| Expenses | | |
| VAT & Surcharge | : | 5.33% of rental revenue |
| Property Tax | : | 12% of rental revenue |
| Operating Expenses | : | 15% of rental/gross revenue |
| Land Tax | : | Fixed amount at RMB1,273,476 |
| Stamp duty | : | 0.1% of rental revenue |
| Discounting Assumptions | | |
| Terminal Cap Rate | : | 5% on Year 11 net cash flow |
| Discount Rate | : | 8.00% |

5. Valuation Reconciliation

| | Capital Value (RMB) | Weighting |
|---|---|---|
| Discounted Cash Flow Method | 3,483,00,000 | 50% |
| Direct Comparison Method | 3, 942,00,000 | 50% |
| **Reconciled Value** | **3,712,500,000** | |

We have adopted RMB3,712,500,000 as the market value of the Property at the Date of Valuation.

6. We have prepared our valuation based on the following assumptions:

i. Good Title. The registered owner of the Property is in possession of a good title to the Property and is entitled to transfer, lease or mortgage the Property within the residual term of its land use rights at no additional land premium and other onerous charges payable to any third party;

ii. Construction / User Compliance. The construction works of the Property were in compliance with all the regulations / approvals of the Government. The current and future use of the legitimate parts of the Property has been/ will be in compliance with all the user restrictions on the Property;

iii. Alienation. The Property can be freely disposable and transferable in the market to both local and overseas purchasers;

iv. Balanced Management Account. The property management account can make a balance at the Dates of Valuation. The current/future owner of the Property will not have to pay any part of the management expenses out of the rental income;

v. Capital Expenditure. We are not advised of any major Capex on the Property. We have assumed that the routine maintenance budget in the management account would have been sufficient for the cost of maintenance in near future;

vi. Rental and Management Fee Collection. We are not in a position to investigate on the financial position / credit risks of the tenants. Our valuation is on the assumptions that all the current/future tenants will fulfill their financial obligations under tenancy agreements in due time;

vii. Unregistered Tenancies. Any unregistered tenancy would not affect its enforceability;

viii. Quiet Enjoyment. The tenants and the nearby occupiers will use their own premises and the common area in a proper manner and will not cause any long-term nuisances to other tenants/occupiers of the Property; and

ix. Prevailing Tax Rates. The taxation system on the Property will not be changed and the prevailing rates of VAT, property tax and land use tax will be kept at the current rate in near future.

* * * *

Perennial China Retail Trust Management Pte. Ltd.,
8 Shenton Way,
#36-01 AXA Tower
Singapore 068811

Attn.: The Directors

Savills Real Estate Valuation (Guangzhou) Ltd.
Beijing Branch
2101 East Tower, Twin Towers
B-12, Jianguomenwai Avenue,
Chaoyang District, Beijing, PRC
86(10) 5925 2211

09 July 2020
**Our Ref.: BJ/2020/VPS/19874-3/JW/DL**

Dear Sirs,

**RE: SHENYANG LONGEMONT OFFICE TOWER 1& 2, NO.18 & NO.22 PANGJIANG STREET, DADONG DISTRICT, SHENYANG, THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTY")**

**INSTRUCTIONS**

In accordance with your instructions for us to value the Property located in the People's Republic of China (the "PRC") and held by Perennial China Retail Trust Management Pte. Ltd. (the "Company") or its subsidiaries (collectively the "Group") on a 100% interest basis, we confirm that we have made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 May 2020 (the "Valuation Date") for the assessment of the market value of the property in relation to the voluntary conditional cash offering purpose.

**BASIS OF VALUATION**

Our valuation of the Property is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Moreover, market value is understood as the value of an asset or liability estimated without regard to costs of sale and purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the RICS Valuation Global Standards 2020 published by The Royal Institution of Chartered Surveyors, which incorporates the International Valuation Standards.

Due to the prevailing Novel Coronavirus (COVID – 19) outbreak in the PRC and the adoption of out – of – town personnel isolation policy by the relevant government authorities in the PRC, we did not conduct on-site inspection of the Property for this current exercise. As agreed with the Company, we have relied on our last inspection of the Property conducted in 4 December 2019. Moreover, as confirmed by the Company, there have been no material changes to the physical attributes of the Property, of the nature of its location. We reserve our right to revise our valuation if it is discovered, during subsequent inspection, that items of physical nature which would materially impact on the value of the Property.

In undertaking our valuation, we have assumed that the interior of the Property is finished and maintained to a reasonable standard commensurate with their age and size.

**IDENTIFICATION AND STATUS OF THE VALUER**

The subject valuation exercise is handled by Mr. James K.M. Woo. Mr. James K.M. Woo is the Senior Director of Savills Real Estate Valuation (Guangzhou) Limited Beijing Branch ("Savills") and a Fellow member of the RICS with over 25 years' experience in valuation of properties in the PRC. Mr. James K.M. Woo has sufficient knowledge of the relevant markets, the skills and understanding to handle the subject to handle valuation exercise competently.

We are independent of the Company and its subsidiaries. We are not aware of any instances which would give rise to potential conflict of interest from Savills and Mr. James K.M. Woo in the subject exercise. We confirm Savills and Mr. James K.M. Woo are in the position to provide objective and unbiased valuation for the Property.

**VALUATION METHODOLOGY**

In undertaking our valuation, we have adopted the discounted cash flow method and direct comparison method.

In Discounted Cash Flow Method, the monthly net cash flows over an assumed holding period are forecasted and then discounted to the present value as at the Valuation Date. The projected operating net cash flow at each month takes into accounts the following factors:

| | | |
|---|---|---|
| | 1. | Potential Rental Revenue (taking into account the existing tenancies, the market leasing activities, rent free provisions, renewal probabilities and market void, etc.) |
| - | 2. | Allowance for structural vacancy |
| + | 3. | Other Income |
| = | 4. | Gross Income |
| - | 5. | Operating Expenses and Taxes (but not profit tax) |
| = | 6. | Net Operating Income |
| - | 7. | Capital Expenditure |
| = | 8. | Net Cash Flow |

At the end of the holding period, a terminal/exit value of the Property may be estimated by capitalising the next 12-month net cash flow. The market value of the Property would then be the aggregate present value of the operating net cash flow and terminal value.

The Direct Comparison Method is based on comparing the subject property to be valued with other comparable properties, which are either transferred its legal ownership or recently listing in the market for sales. Given the

heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property considerations.

**TITLE INVESTIGATION**

We have been provided with copies of extracts of title documents relating to the Property but have not given legal advice in respect of title. We do not accept a liability for any interpretation which we have placed on such information, which should be more properly the sphere of your legal adviser. Further, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

**SOURCE OF INFORMATION**

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and have accepted advices given to us on such matters as identifications of property interests, planning approvals, statutory notices, easements, title documents, tenure, tenancy details, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information provided by the Group and are therefore approximations only. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

**VALUATION ASSUMPTIONS**

In the course of our valuation, we have assumed that transferable land use rights of the Property for its specific term at nominal annual land use fee have been granted and that any grant premium payable has already been fully paid. In valuing the Property, unless otherwise stated, we have also assumed that the Group has a good legal title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired term as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

**LIMITING CONDITIONS**

Neither the whole or any part of this valuation report nor any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed for the stated purpose and no responsibility is accepted to any third party for the whole or any part of its contents.

**COVID-19**

With the outbreak of the Coronavirus Disease 2019(Covid-19) and the prevailing uncertainty in the global economy, it is difficult to predict the future impact that Covid-19 might have on the real estate market. In view

of market uncertainty, a higher degree of caution should be attached to our valuation than would normally be the case and we recommend that you keep the valuation under frequent review. Our opinion and assessment are based on the information provided and prevailing market data as at the date of this valuation report. The reported opinion and conclusion are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinion and conclusion.

**CURRENCY**

Unless otherwise stated, all money amounts stated are in Renminbi ("RMB").

We enclose herewith our valuation report.

Yours faithfully,
For and on behalf of
**Savills Real Estate Valuation (Guangzhou) Limited Beijing Branch**

James K.M. Woo
FRICS AICFC
Senior Director

Note: Mr. James K.M. Woo is a professional surveyor who has over 25 years' experience in valuation of properties in the PRC.

Encl.

**VALUATION REPORT**

| Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 May 2020 |
|---|---|---|---|
| Shenyang Longemont Office Tower 1& 2, No.18 & No.22 Pangjiang Street (滂江街), Dadong District, Shenyang, The People's Republic of China ("the PRC") | Shenyang Longemont Asia Pacific Center ( the "Development) is a massive residential area located in the East Side of Shenyang City, the inner part of the ring line, just 1.8 km from the Forbidden City in Shenyang City, covers an area of 55.75 hectares. Shenyang Longemont Office Tower 1& 2 (the "Property") is being erected on a rough rectangular site with an area of approximate [53,328.20] sq. m within the Development.<br><br>The Property interests comprises two blocks of 55-storey grade A office building for retail uses in the composite development of Longemont Asia Pacific City completed in 2013 and 2014 respectively.<br><br>According to the information provided by the Group, the Property with a total gross floor area of approximately 197,803.00 sq. m. The usage and breakdown of the gross floor area are as follows:- | As at the Valuation Date, the Property is subject to various tenancy agreements with the latest one due to expire on October 24, 2027 at a total monthly rent of approximately RMB6,400,000. | RMB 2,195,000,000 (Renminbi Two Billion and One Hundred Ninety-Five Million) |

| Usage | Approximate Gross Floor Area (sq. m) |
|---|---|
| Tower 1 | 99,477.00 |
| Tower 2 | 98,326.00 |
| Total | 197,803.00 |

The land use rights of the Property have been granted for a term due to expire on 20 January 2049 for township mixed uses.

**Notes:**

1. Pursuant to a State-owned Land Use Rights Certificates Shen Yang Guo Yong (2009) Di No. 0028 dated [ February 19, 2009], the land use rights of a parcel of land with total site area of approximately 53,328.2 sq. m have been granted to Shenyang Chang Feng Real Estate Co., Ltd. (沈阳长峰房地产开发有限公司）for a term expiring on January 20, 2059 for township mixed uses.

2. Pursuant to two Building Ownership Certificates, Liao (2019) Shenyang Shi Bu Dong Chan Quan Di No. 0231530 and No.0231532, the building ownership of the Property with a total gross floor area of approximately 218,987.36 sq. m and the corresponding land use rights of 53,328.20 sq. m are vested in Shenyang Chang Feng Real Estate Co., Ltd. (沈阳长峰房地产开发有限公司）, ）for a term expiring on January 20, 2049 for township mixed uses.

3. The major parameters adopted in the DCF are summarised as follows:

| | | **Assumptions / Parameters** |
|---|---|---|
| General Assumptions | | |
| Holding Period | : | 10 Years |
| Date of Valuation | : | 31 May 2020 |
| Potential Rental Revenue | | |
| Contracted Rent | : | The rents of the tenancy are inputted according to the provided tenancy agreements |
| General Tenancy Term | : | 36-60months |
| Estimated Occupancy Rate | : | Year 1: 65%<br>Year 2: 70%<br>Year 3: 80%<br>85% annually thereafter |
| Rental Growth | : | Year 1-3: 5%<br>Year 3-5: 4%<br>3% annually thereafter |
| Other Income | | |

| | | |
|---|---|---|
| Sundry Income | : | RMB25/$m^2$ for the majority tenancies |
| Expenses | | |
| VAT & Surcharge | : | 5.33% of rental revenue |
| Property Tax | : | 12% of rental revenue |
| Operating Expenses | : | 9.0% of rental/gross revenue |
| Land Tax | : | Calculated and Included in Longemont shopping mall portion |
| Stamp duty | : | 0.1% of rental revenue |
| Discounting Assumptions | | |
| Terminal Cap Rate | : | 4.5% on Year 11 net cash flow |
| Discount Rate | : | 7.50% |

4. We have prepared our valuation based on the following assumptions:

   i. Good Title. The registered owner of the Property is in possession of a good title to the Property and is entitled to transfer, lease or mortgage the Property within the residual term of its land use rights at no additional land premium and other onerous charges payable to any third party;

   ii. Construction / User Compliance. The construction works of the Property were in compliance with all the regulations / approvals of the Government. The current and future use of the legitimate parts of the Property has been/ will be in compliance with all the user restrictions on the Property;

   iii. Alienation. The Property can be freely disposable and transferable in the market to both local and overseas purchasers;

   iv. Balanced Management Account. The property management account can make a balance at the Dates of Valuation. The current/future owner of the Property will not have to pay any part of the management expenses out of the rental income;

   v. Capital Expenditure. We are not advised of any major Capex on the Property. We have assumed that the routine maintenance budget in the management account would have been sufficient for the cost of maintenance in near future;

   vi. Rental and Management Fee Collection. We are not in a position to investigate on the financial position / credit risks of the tenants. Our valuation is on the assumptions that all the current/future tenants will fulfill their financial obligations under tenancy agreements in due time.

   vii. Unregistered Tenancies. Any unregistered tenancy would not affect its enforceability;

viii. Quiet Enjoyment. The tenants and the nearby occupiers will use their own premises and the common area in a proper manner and will not cause any long-term nuisances to other tenants/occupiers of the Property; and

ix. Prevailing Tax Rates. The taxation system on the Property will not be changed and the prevailing rates of VAT, property tax and land use tax will be kept at the current rate in near future.

* * * *

Perennial China Retail Trust Management Pte. Ltd.,
8 Shenton Way,
#36-01 AXA Tower
Singapore 068811

Attn.: The Directors

Savills Real Estate Valuation (Guangzhou) Ltd.
Beijing Branch
2101 East Tower, Twin Towers
B-12, Jianguomenwai Avenue,
Chaoyang District, Beijing, PRC
86(10) 5925 2211

09 July 2020
**Our Ref.: BJ/2020/VPS/19874-1/JW/DL**

Dear Sirs,

**RE: MAJORITY PORTION OF RED STAR MACALLINE FURNITURE MALL NO. 24 PANGJIANG STREET, DADONG DISTRICT, SHENYANG, THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTY")**

**INSTRUCTIONS**

In accordance with your instructions for us to value the Property located in the People's Republic of China (the "PRC") and held by Perennial China Retail Trust Management Pte. Ltd. (the "Company") or its subsidiaries (collectively the "Group") on a 100% interest basis, we confirm that we have made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 May 2020 (the "Valuation Date") for the assessment of the market value of the property in relation to the voluntary conditional cash offer purpose.

**BASIS OF VALUATION**

Our valuation of the Property is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Moreover, market value is understood as the value of an asset or liability estimated without regard to costs of sale and purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the RICS Valuation Global Standards 2020 published by The Royal Institution of Chartered Surveyors, which incorporates the International Valuation Standards.

Due to the prevailing Novel Coronavirus (COVID – 19) outbreak in the PRC and the adoption of out – of – town personnel isolation policy by the relevant government authorities in the PRC, we did not conduct on-site inspection of the Property for this current exercise. As agreed with the Company, we have relied on our last inspection of the Property conducted in 4 December 2019. Moreover, as confirmed by the Company, there have been no material changes to the physical attributes of the Property, of the nature of its location. We reserve our right to revise our valuation if it is discovered, during subsequent inspection, that items of physical nature which would materially impact on the value of the Property.

In undertaking our valuation, we have assumed that the interior of the Property is finished and maintained to a reasonable standard commensurate with their age and size.

**IDENTIFICATION AND STATUS OF THE VALUER**

The subject valuation exercise is handled by Mr. James K.M. Woo. Mr. James K.M. Woo is the Senior Director of Savills Real Estate Valuation (Guangzhou) Limited Beijing Branch ("Savills") and a Fellow member of the RICS with over 25 years' experience in valuation of properties in the PRC. Mr. James K.M. Woo has sufficient knowledge of the relevant markets, the skills and understanding to handle the subject to handle valuation exercise competently.

We are independent of the Company and its subsidiaries. We are not aware of any instances which would give rise to potential conflict of interest from Savills and Mr. James K.M. Woo in the subject exercise. We confirm Savills and Mr. James K.M. Woo are in the position to provide objective and unbiased valuation for the Property.

**VALUATION METHODOLOGY**

In undertaking our valuation, we have adopted the discounted cash flow method and direct comparison method.

In Discounted Cash Flow Method, the monthly net cash flows over an assumed holding period are forecasted and then discounted to the present value as at the Valuation Date. The projected operating net cash flow at each month takes into accounts the following factors:

| | | |
|---|---|---|
| | 1. | Potential Rental Revenue (taking into account the existing tenancies, the market leasing activities, rent free provisions, renewal probabilities and market void, etc.) |
| - | 2. | Allowance for structural vacancy |
| + | 3. | Other Income |
| = | 4. | Gross Income |
| - | 5. | Operating Expenses and Taxes (but not profit tax) |
| = | 6. | Net Operating Income |
| - | 7. | Capital Expenditure |
| = | 8. | Net Cash Flow |

At the end of the holding period, a terminal/exit value of the Property may be estimated by capitalising the next 12-month net cash flow. The market value of the Property would then be the aggregate present value of the operating net cash flow and terminal value.

The Direct Comparison Method is based on comparing the subject property to be valued with other comparable properties, which are either transferred its legal ownership or recently listing in the market for sales. Given the

heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property considerations.

**TITLE INVESTIGATION**

We have been provided with copies of extracts of title documents relating to the Property but have not given legal advice in respect of title. We do not accept a liability for any interpretation which we have placed on such information, which should be more properly the sphere of your legal adviser. Further, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

**SOURCE OF INFORMATION**

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and have accepted advices given to us on such matters as identifications of property interests, planning approvals, statutory notices, easements, title documents, tenure, tenancy details, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information provided by the Group and are therefore approximations only. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

**VALUATION ASSUMPTIONS**

In the course of our valuation, we have assumed that transferable land use rights of the Property for its specific term at nominal annual land use fee have been granted and that any grant premium payable has already been fully paid. In valuing the Property, unless otherwise stated, we have also assumed that the Group has a good legal title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired term as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

**LIMITING CONDITIONS**

Neither the whole or any part of this valuation report nor any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed for the stated purpose and no responsibility is accepted to any third party for the whole or any part of its contents.

**COVID-19**

With the outbreak of the Coronavirus Disease 2019(Covid-19) and the prevailing uncertainty in the global economy, it is difficult to predict the future impact that Covid-19 might have on the real estate market. In view

of market uncertainty, a higher degree of caution should be attached to our valuation than would normally be the case and we recommend that you keep the valuation under frequent review. Our opinion and assessment are based on the information provided and prevailing market data as at the date of this valuation report. The reported opinion and conclusion are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinion and conclusion.

**CURRENCY**

Unless otherwise stated, all money amounts stated are in Renminbi ("RMB").

We enclose herewith our valuation report.

Yours faithfully,
For and on behalf of
**Savills Real Estate Valuation (Guangzhou) Limited Beijing Branch**

James K.M. Woo
FRICS AICFC
Senior Director

Note: Mr. James K.M. Woo is a professional surveyor who has over 25 years' experience in valuation of properties in the PRC.

Encl.

**VALUATION REPORT**

| Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 May 2020 |
|---|---|---|---|
| Majority portion of Red Star Macalline Furniture Mall (红星美凯龙家居中心) No. 24 Pangjiang Street (滂江街), Dadong District, Shenyang, The People's Republic of China ("the PRC") | Shenyang Longemont Asia Pacific Center (the "Development") is a massive residential area located in the East Side of Shenyang City, the inner part of the ring line, just 1.8 km from the Forbidden City in Shenyang City, covers an area of 55.75 hectares. Red Star Macalline Furniture Mall is being erected on a rough rectangular site with an area of approximate 44,845.40 sq. m within the development.<br><br>The subject property interests comprise Level 1 to Level 7 (car park portion is excluded) of Red Star Macalline Furniture Mall completed in 2010 (the "Property").<br><br>According to the information provided by the Group, the breakdown of total Gross Floor Area of the Property is detailed on Note 3.<br><br>The land use rights of the Property have been granted for a term due to expire on 20 January 2059 for township mixed uses. | As at the Valuation Date, the Property is subject to two tenancy agreements with the latest one due to expire on April 14, 2032 at a total monthly rent of approximately RMB1,005,300 and the remaining area is vacant. | RMB 2,439,000,000 (Renminbi Two Billion and Four Hundred Thirty-Nine Million) Note 5 |

**Notes:**

1. Pursuant to a State-owned Land Use Rights Certificates Shen Yang Guo Yong (2009) Di No. 0027 dated [19 February 2009], the land use rights of a parcel of land with total site area of approximately 44,845.40 sq. m have been granted to Shenyang Chang Feng Real Estate Co., Ltd. (沈阳长峰房地产开发有限公司) for a term expiring on January 20, 2059 for township mixed uses.

2. Pursuant to a Building Ownership Certificates, Shen Fang Quan Zhong Xin Di No. 60588514, the building ownership of the Property with a total gross floor area of approximately 208,069.69 sq. m and the corresponding land use rights are vested in Shenyang Chang Feng Real Estate Co., Ltd. (沈阳长峰房地产开发有限公司), for Commercial uses.

3. The Gross Floor Area of the Property is summarized as follows:

| Floor | Uses | Gross Floor Area ($m^2$) |
|---|---|---|
| 1F | Retail | 27,720.17 |
| 2F | Retail | 28,872.50 |
| 3F | Retail | 28,723.92 |
| 4F | Retail | 28,723.92 |
| 5F | Retail | 28,723.92 |
| 6F | Retail | 28,723.92 |
| 7F (include mezzanine) | Retail | 33,077.71 |
| Aboveground Others (Equipment Floor) | Equipment | 3,503.63 |
| B1 | Retail | 34,368.00 |
| B2 | Car Park | 38,696.00 |
| Equipment | Equipment | 2,112.00 |
| **Total** | | **283,245.69** |

4. The major parameters adopted in the DCF are summarised as follows:

| | | Assumptions / Parameters |
|---|---|---|
| General Assumptions | | |
| Holding Period | : | 10 Years |
| Date of Valuation | : | 31 May 2020 |
| Potential Rental Revenue | | |
| Contracted Rent | : | The rents of the tenancy are inputted according to the provided tenancy agreements |
| General Tenancy Term | : | 120-144 months |
| Estimated Occupancy Rate | : | Year 1: 10%<br>Year 2: 35%<br>Year 3: 60%<br>Year 4: 88%<br>98% annually thereafter |
| Rental Growth | : | Year 2-3: 5%<br>3% annually thereafter |
| Other Income | | |
| Sundry Income | : | RMB9/$m^2$ for portion of current tenancies<br>RMB30/$m^2$ for future tenancies |
| Expenses | | |
| VAT & Surcharge | : | 5.33% of rental revenue |
| Property Tax | : | 12% of rental revenue |
| Operating Expenses | : | 11.91% of rental/ gross revenue |

| | | |
|---|---|---|
| Land Tax | : | Fixed amount at RMB1,309,362 |
| Stamp duty | : | 0.1% of rental revenue |
| Discounting Assumptions | | |
| Terminal Cap Rate | : | 4.75% on Year 11 net cash flow |
| Discount Rate | : | 7.75% |

5. Valuation Reconciliation

| | Capital Value (RMB) | Unit Rate | Weighting |
|---|---|---|---|
| Discounted Cash Flow Method | 2,277,000,000 | 8,040 | 50% |
| Direct Comparison Method | 2,600,200,000 | 9,180 | 50% |
| **Reconciled Value** | **2,439,000,000** | 8,610 | |

We have adopted RMB2,439,000,000 as the market value of the Property at the Date of Valuation.

6. We have prepared our valuation based on the following assumptions:

i. Good Title. The registered owner of the Property is in possession of a good title to the Property and is entitled to transfer, lease or mortgage the Property within the residual term of its land use rights at no additional land premium and other onerous charges payable to any third party;

ii. Construction / User Compliance. The construction works of the Property were in compliance with all the regulations / approvals of the Government. The current and future use of the legitimate parts of the Property has been/ will be in compliance with all the user restrictions on the Property;

iii. Alienation. The Property can be freely disposable and transferable in the market to both local and overseas purchasers;

iv. Balanced Management Account. The property management account can make a balance at the Dates of Valuation. The current/future owner of the Property will not have to pay any part of the management expenses out of the rental income;

v. Capital Expenditure. We are not advised of any major Capex on the Property. We have assumed that the routine maintenance budget in the management account would have been sufficient for the cost of maintenance in near future;

vi. Rental and Management Fee Collection. We are not in a position to investigate on the financial position / credit risks of the tenants. Our valuation is on the assumptions that all the current/future tenants will fulfill their financial obligations under tenancy agreements in due time.

vii. Unregistered Tenancies. Any unregistered tenancy would not affect its enforceability;

viii. Quiet Enjoyment. The tenants and the nearby occupiers will use their own premises and the common area in a proper manner and will not cause any long-term nuisances to other tenants/occupiers of the Property; and

ix. Prevailing Tax Rates. The taxation system on the Property will not be changed and the prevailing rates of VAT, property tax and land use tax will be kept at the current rate in near future.

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