A Year of Dynamic Growth

HEETON

Heeton Holdings Limited
Annual Report 2017

A Year of
Dynamic Growth

Heeton's commitment to delivering positive growth and shareholder value continues to shape the course of our corporate odyssey. The line-drawing montage of recent development projects on the cover represents the company's fundamental structural strengths and myriad achievements in the real estate industry. In this report we look back on one of our most successful years, even as we continue on our journey of dynamic growth.

CORPORATE **PROFILE**

Heeton Holdings Limited is a real estate conglomerate focused on property development, investment and management. Established in 1976, the company was listed on the Singapore stock exchange in September 2003, and has since extended its business frontiers beyond Singapore to Thailand, Australia, Japan, Malaysia, Vietnam and the United Kingdom.

As a boutique property developer, Heeton enjoys a reputation for distinctive and high quality developments in the choicest districts of some of the world's major cities including Singapore, London and Bangkok. Heeton has also formed strong partnerships with other established real estate groups to develop properties locally and internationally.

Heeton's growth in the property industry is underpinned by a stable real estate portfolio that includes commercial properties (shopping malls and serviced offices) and hotels. The group is currently exploring further acquisitions.

Heeton entered the hospitality sector in 2011 with the acquisition of the Mercure Hotel Pattaya, Thailand. Following an aggressive expansion programme the company's hotel portfolio has now increased to eight properties world-wide, as at December 2017. Developing the hotel division will be a key priority for Heeton, with the objective of becoming a prominent player on the international hospitality stage.

CONTENT

SIGNIFICANT EVENTS

2017


Onze@Tanjong Pagar

JAN 2017

Obtained TOP for Onze@Tanjong Pagar

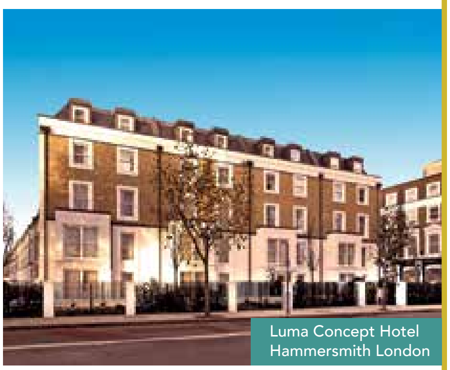
Iconic development Onze@Tanjong Pagar was granted TOP in January 2017. Located in the heart of Singapore's best known heritage district, the mixed use development comprises 56 residences and 13 retail units within its 18 storey structure.


121A Whitley Road (Artist's Impression)

FEB 2017

Obtained TOP for 121 Collection on Whitley

Heeton's luxury landed property development was awarded TOP in February 2017. The housing cluster of 9 high-end designer homes is located in one of Singapore's most exclusive residential enclaves.


Luma Concept Hotel Hammersmith London

APR 2017

LUMA Concept Hotel Hammersmith London welcomed its first guests

Heeton's first own-brand hotel was launched in April 2017 in the Hammersmith district of London, UK. Plans to develop and roll-out the brand internationally are currently underway.


Floraville

MAR & JUNE 2017

Obtained TOP for Floraville, Floravista & Floraview

TOP was granted in 2017 to these adjacent building projects situated in Yio Chu Kang. The entire development consists of 28 commercial and 140 residential units.


The Lumos

JUL 2017

Disposal of The Lumos

Sold enbloc to investment prospectors in July 2017, The Lumos is a high profile luxury development located in one of Singapore's prime downtown residential districts.


Dry Bar Oldham Street

SEP 2017

Dry Bar Oldham Street, was acquired

The iconic Dry Bar building, best known for its music heritage in the northern quarter of 1980's Manchester, was added to the Heeton portfolio in September 2017. Plans for its conversion into a boutique hotel are currently being reviewed.


Leeds/Hampton by Hilton Leeds City Centre (Artist's Impression)

SEP 2017

First phase of a new regeneration scheme at Bridge Street, Leeds commences

As part of a Leeds' city regeneration project planned for the Bridge Street site acquired by a Heeton consortium, September 2017 saw the first phase of works commence on site, commemorated by a ceremony attended by local dignitaries and an investor contingent.


Westwood Residences

OCT 2017

Obtained TOP for Westwood Residences

Located in the popular northern suburb of Choa Chu Kang, Westwood Residences was granted TOP in October 2017. The development comprises 480 midmarket residential units and has been fully subscribed.

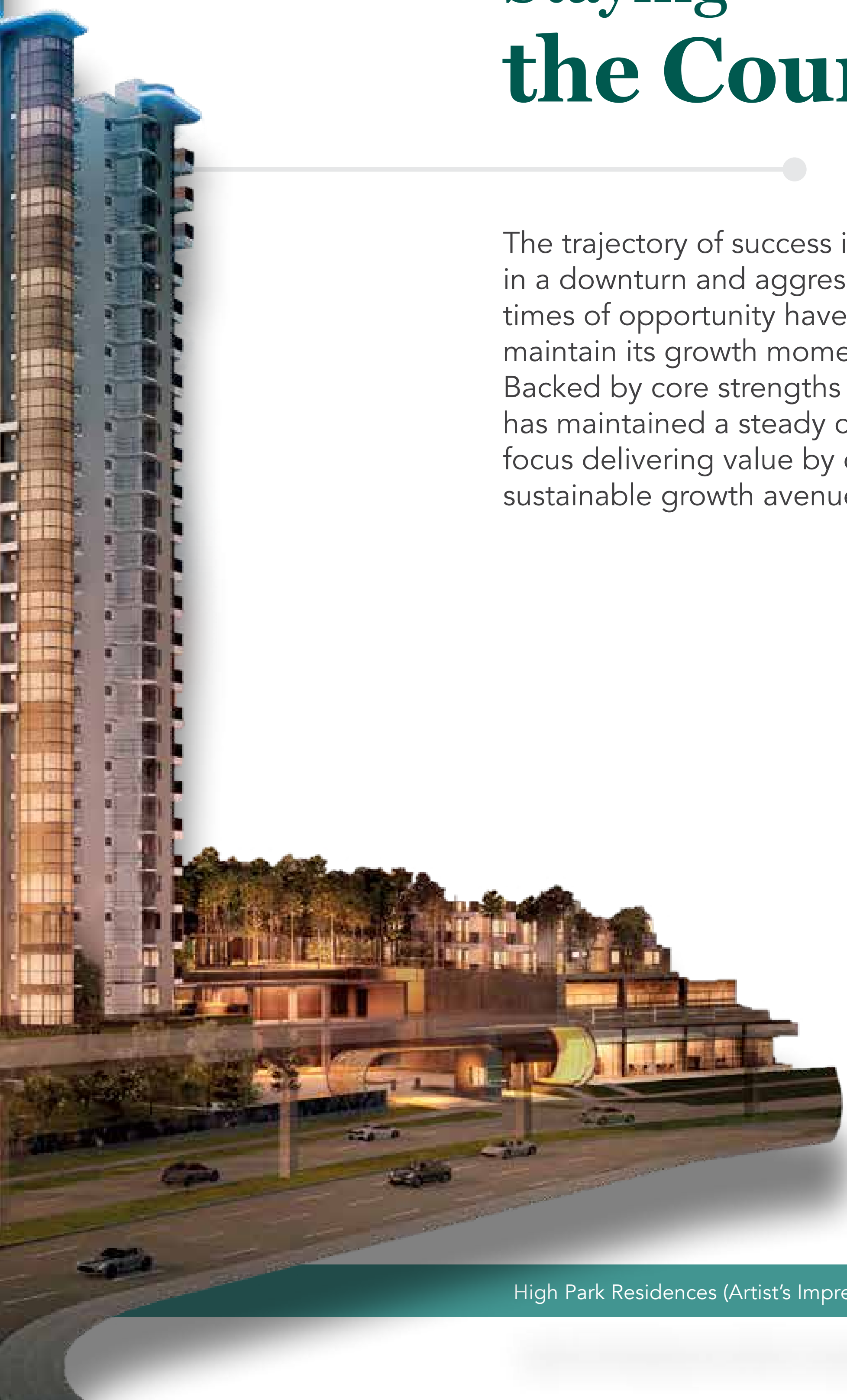
OCT 2017

Acquisition of Woodleigh Lane site

In October 2017, Heeton joined a consortium in acquiring a development site on Woodleigh Lane, which proposes to accommodate approximately 800 residential units.

Staying
the Course

The trajectory of success is rarely consistent. Resilience in a downturn and aggressive decision-making during times of opportunity have enabled the Group to maintain its growth momentum in all business divisions. Backed by core strengths and strategies, the company has maintained a steady course in its activities, the key focus delivering value by converting opportunities into sustainable growth avenues.



High Park Residences (Artist's Impression)

CHAIRMAN'S STATEMENT

Dear Shareholders,

FY2017 was encouraging for both Heeton and the Singapore property market. The Group recorded stellar results in terms of financial performance on the back of improved confidence in domestic real estate.

Financial Performance FY2017

The Group registered a record net profit after tax of $71.63 million for FY2017, mainly from the disposal of the Lumos residential development as well as the $37.08 million fair value gain in FY2017 from its investment properties, which include Tampines Mart, The Woodgrove and Adam House in London.

Revenue for the Group, however, declined by 15.2% from $67.37 million in FY2016 to $57.13 million in FY2017, mainly owing to lower revenue recognition from its residential projects. At the same time, revenue contribution from its hospitality assets grew 30.6% from $9.83 million in FY2016 to $12.83 million in FY2017, attributable primarily to Luma Concept Hotel commencing operations.

Special Dividend

In view of the stellar results, the Board of Directors (the "Board") has recommended a special dividend of 0.4 Singapore cents per share to be paid. This is in addition to the final dividend of 0.6 Singapore cents per share, bringing the total dividend to be paid per share to 1.0 Singapore cents for FY2017. This will be subjected to shareholders' approval in the upcoming Annual General Meeting.

Development Property

The Group has overcome many hurdles over the past two years. Through the continued efforts of the management team, unsold inventory has been greatly reduced. In particular, the disposal of the balance unsold units in The Lumos resulted in a one-off gain of $27.98 million. Additionally, sales from its residential projects – Onze@Tanjong Pagar and Westwood Residences have improved significantly in FY2017.

With market conditions improving, Heeton is cautiously optimistic on the outlook for the Singapore residential market. In FY2017, the Group committed to three new local joint venture projects.

Investment and Hospitality Properties

Heeton's hospitality division continues to exhibit strong growth potential. The Group's eighth hotel – the Luma Concept Hotel - commenced operations in April 2017. There are three more hotel projects in the pipeline, which are currently undergoing planning and redevelopment. The hospitality division is exploring various options to further expand its recurring income base.

As part of a strategy to allow the Group's resources to be deployed for investments with potentially higher returns, and to realise investment gain thereby unlocking surplus value for shareholders, the decision was taken for Heeton to dispose of its interest in The Woodgrove. The transaction was completed in February 2018.

FY2018 and beyond

The strategy of consolidation by the Group and focus on recurring income in these challenging times has paid off. Whilst the hospitality division has grown in strength and is now contributing to Group revenue, Heeton will continue to identify opportunities for development projects. There are signs of improving sentiment in the local property market and the Group will seek out suitable ventures and joint venture partners.

Apart from the proceeds from the sales of The Lumos, Heeton had issued bonds of $75M in May 2017 and $118 million in January 2018 gearing up for the Group's investment opportunities and development projects for 2018 and beyond.

Word of thanks

It has been heartening for me to witness Heeton growing into a prominent industry player with an international hospitality property portfolio. On behalf of the Board, I thank the management and staff at Heeton Holdings and our subsidiaries for their hard work and dedication. My appreciation goes to my fellow Directors for their invaluable input and advice in the past year; our business partners and associates for their support and confidence as well as our investors and shareholders for their unwavering belief in Heeton. They have all played important roles in Heeton's success.

TOH KHAI CHENG
Non-Executive Chairman

主席致辞

亲爱的股东，

对于喜敦和新加坡房地产市场而言，2017财政年是值得感到鼓舞的一年。由于新加坡国内房地产信心的回升，集团取得了令人瞩目的业绩。

2017财政年财务表现

集团在2017财政年里取得7,163万的税后净利润，创下最高记录。这佳绩主要来自出售The Lumos的住宅发展项目以及集团旗下投资物业（其中包括Tampines Mart, The Woodgrove和伦敦的Adam House） 在2017财政年里公允价值变动收益的3,708万。

在2017财政年里，集团的收入，比起2016财政年的6,737万，下跌了15.2%达5,713万。这主要是因为住宅项目的收入确认有所减少。与此同时，集团酒店业务的收入从2016财政年的983万增长30.6%至2017财政年的1,283万，增长主要归功于Luma Concept Hotel开始运营。

特别股息

鉴于2017财政年的卓越表现，董事会建议派发每股新币0.4分的特别股息。加上每股新币0.6分的最终股息，喜敦在2017财政年所派发的股息总额为每股新币1.0分。所建议的股息派发需要在即将召开的年度股东大会上得到股东们的批准。

房地产开发

集团在这两年里克服了种种难题。通过管理团队持续的努力，未售存货单位大幅度减少。特别值得注意的是The Lumos未售单位的出售为喜敦赚取了2,798万的一次性收益。此外，其他住宅项目 如 Onze @ Tanjong Pagar和Westwood Residences的销售也在2017财政年获得大幅度的增长。

随着市场状况好转，喜敦对新加坡住宅市场的前景持谨慎乐观的态度。集团也在2017财政年参与了3项本地的合资项目。

房地产投资以及酒店业资产

喜敦的酒店业务继续表现出强劲的增长潜力。集团的第8家酒店 - Luma Concept Hotel在2017年4月开业。另外还有3项酒店项目正在进行规划和重建。酒店管理部门也在探讨各个方案以便扩张其稳定收入来源。

集团一直都在实行着把资源投在具有较高回报的项目和实现投资项目收益从而为股东释放剩余价值的战略。在这战略的考量下，喜敦决定出售集团The Woodgrove的产权并在2018年2月完成此项出售交易。

展望2018财政年和未来

在这此充满挑战的时刻，公司采取了整合战略，并将重点放在增加稳定收入。在这一方面，公司取得了不错的成果。尽管酒店业务有所提升并且为集团的收入做出贡献，喜敦仍然会继续寻找适合的发展项目机会。本地房地产市场出现好转迹象而本集团将寻求合适的项目和合资伙伴。

除了在出售The Lumos所得到的资金外，喜敦还在2017年5月和2018年1月发行了债券，筹集了7,500万和1.18亿的资金。这为集团奠定好充足的储备，为2018年及以后的投资机会和发展项目做好准备。

致谢

我很高兴看到喜敦茁壮成长为一家拥有国际酒店资产组合的知名行业业者。我，谨代表董事会，感谢喜敦及其所有附属公司的员工和管理团队所做出的努力和贡献。我还要感谢我们的董事们在过去的一年中所提供的宝贵意见和建议、感谢我们的商业合作伙伴对我们的支持和信心、感谢我们的投资者以及股东们对喜敦坚定不移的信念。他们对喜敦的成功扮演了重要的角色。

卓开清
非执行主席

CEO'S MESSAGE

Dear Shareholders,

FY2017 was a year of dynamic growth for Heeton (the Group) as we had successfully achieved our numerous goals for the year coupled with our bonds issuance to strengthen our resources for future investment.

Financial Review

Due to lower revenue recognition from its development projects, the Group's FY2017 revenue decreased 15.2% from $67.37 million in FY2016 to $57.13 million. Despite the decrease in revenue, the Group has registered a one-off gain of $27.98 million from the disposal of its interests in Buildhome Pte. Ltd. ("Buildhome") which owned the residential project, The Lumos. Furthermore the Group has recorded fair value gains of $11.00 million, $19.79 million and $6.57 million from Tampines Mart, The Woodgrove and Adam House in London respectively. As a result, a record net profit after tax surged 485.7% from $12.23 million in FY2016 to $71.63 million in FY2017.

The property development division continues to be the main revenue contributor, amounting to $29.79 million or 52.1% of the total revenue in FY2017. Hospitality properties have grown over the years to contribute $12.83 million or 22.5% of the total revenue in FY2017. Revenue contribution from property investment have remained relatively stable at $13.39 million in FY2017 as compared to $13.30 million in FY2016.

Development Properties

For development properties, the Group has made progress in FY2017 with the disposal of The Lumos. Sales of Onze@ Tanjong Pagar, Westwood Residences and 121 Collection on Whitley have improved.

For our pipeline of new projects, the Group has partnered established industry players to participate in three local projects. These are Serangoon Ville, Woodleigh Lane and Lorong 24,Geylang. The proposed development for each project are as follows:

• Serangoon Ville – Proposed 1,052 residential units

• Woodleigh Lane – Proposed development with full condominium facilities to comprise 16-storey residential blocks having more than 800 residential units.

• Lorong 24, Geylang – Proposed development with sky garden, swimming pool and multi storey carpark to comprise 8-storey residential flats with approximately 110 units in total.

Investment and Hospitality Properties

After a strategic review of its portfolio and the potential of each asset, the Group decided in FY2017 to divest its stake in one of its investment assets – The Woodgrove located in Woodlands. The sales was completed in February 2018.

The Group will continue to review ways to improve the yields across its various hospitality assets. One major milestone in FY2017 was the addition of Luma Concept Hotel to the Group portfolio of operating hotels managed by Heeton's hospitality division.

Prospects

The local residential property market is recovering and we will continue to seek opportunities in development properties and propositions that can further enhance our recurring income base.

For the hospitality segment, the Group have three more hotels that are undergoing planning and redevelopment.

Acknowledgement

My heartfelt appreciation to the management team and colleagues for their effort and contribution; to our Chairman, Executive Deputy Chairman and Board members for your confidence and invaluable guidance.

To our bankers, partners and business associates, thank you for your commitment and support through the years.

My colleagues and I will continue to work hard and build on the year of dynamic growth for Heeton.

TENG HENG CHEW ERIC
Chief Executive Officer and Executive Director

Holiday Inn Express
Manchester City Centre Arena

总裁致辞

亲爱的股东

喜敦（集团）在2017财政年达到蓬勃的发展。在这1年里，我们成功实现了众多目标而且发行了债券以加强我们未来投资的资源。

财务回顾

由于开发项目的收入确认较低，集团于2017财政年的收入由2016财政年的6,737万减少15.2%至5,713万。尽管收入减少，集团从出售Buildhome Pte. Ltd.（“Buildhome”）的权益中获得了2,798万的一次性收益。Buildhome拥有住宅项目 - The Lumos。此外，集团也从旗下的投资资产，Tampines Mart, The Woodgrove和伦敦的Adam House分别获取1,100万，1,979万及657万的公允价值收益。因此，集团取得纪录性的税后净利润，从2016财政年的1,223万猛增485.7%至2017财政年的7,663万。

房地产开发业务仍然是集团的主要收入贡献者，全年收入为2,979万，占集团2017财政年总收入的52.1%。酒店资产在过去几年得到增长，在2017财政年为集团贡献了1,283万，约全年总收入的22.5%。房地产投资业务收入相对平稳，在2017财政年取得1,339万，而2016年财政年则为1,330万。

房地产开发

在房地产开发上，集团在2017财政年取得进展。成功售出The Lumos的产权之外，旗下的项目- Onze@Tanjong Pagar, Westwood Residences和 121 Collection on Whitley的销售也有所增加。

对于新项目的管道，集团与业内资深业者合作开发三个本地项目。它们分别是Serangoon Ville, Woodleigh Lane和Lorong 24,Geylang。每个项目的拟议开发细节如下：

• Serangoon Ville – 拟议1,052个住宅单位
• Woodleigh Lane – 拟议开发 拥有全套公寓设施和超过800个住宅单元的16层高住宅大厦。

• Lorong 24, Geylang –拟议开发约110个单位的8层楼住宅公寓，设施包括空中花园，游泳池及多层停车场.

房地产投资以及酒店业资产

经过对其投资组合及各项资产的潜力进行战略评估后，集团在2017年财政年里决定出售旗下其中一项投资资产的股权 - 位于兀兰的The Woodgrove。此出售交易在2018年2月完成 。

集团将继续检讨各种方案以便提升各项酒店资产的收益率。 2017财政年的一个重要里程碑是将Luma Concept Hotel添加到集团旗下由喜敦酒店管理部门所经营的运营酒店组合中。

前景

本地住宅房地产市场正在复苏，我们将继续寻求房地产开发的机会以及进一步提升稳定收入来源的议案。

在酒店业务方面，集团还有3家酒店正在进行规划和重建。

感谢

我衷心感谢管理团队以及所有同事的努力和贡献；也感谢我们的主席，执行副主席和各位董事们的信任和宝贵的指导。

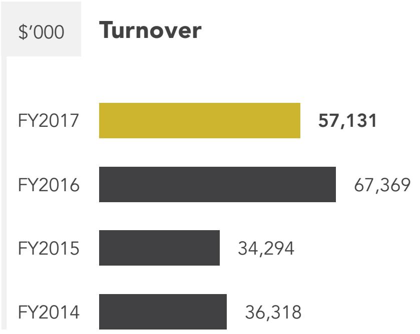
对于我们的银行家，合作及商业伙伴，感谢您们多年来的承诺和支持。

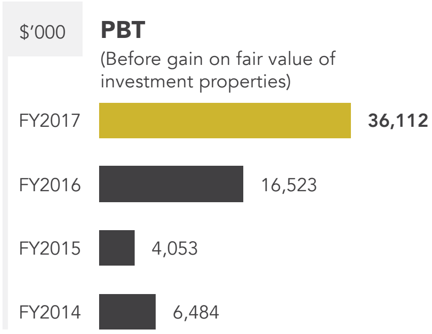
我和同事们将继续努力并为喜敦实现蓬勃的增长。

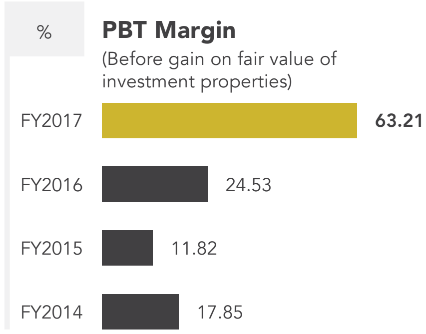
丁行洲
总裁以及执行董事

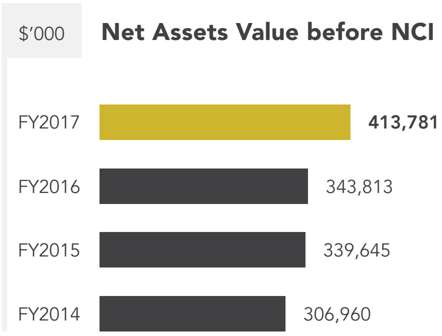
Hotel Baraquda Pattaya MGallery Collection - SEA Restaurant

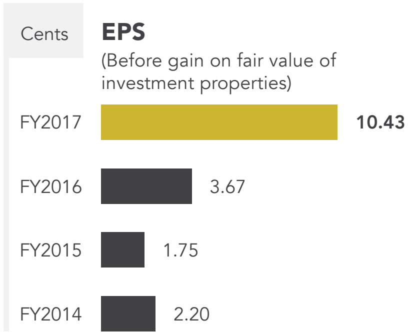
FINANCIAL HIGHLIGHTS



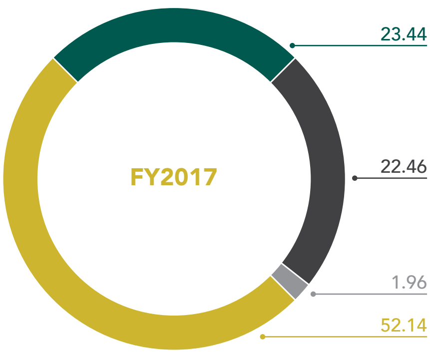


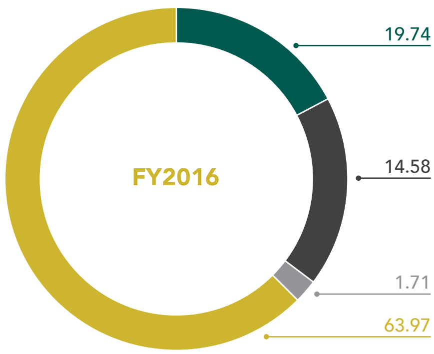


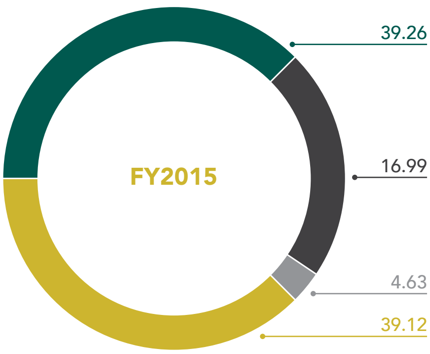


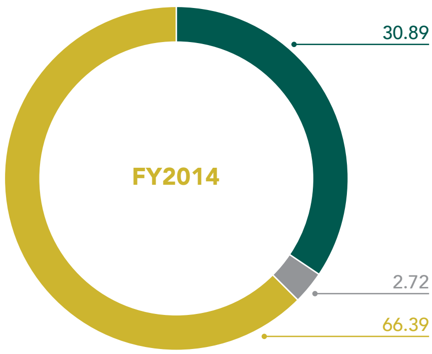


Turnover by Activity (%)









Property Development · Property Investment · Hospitality · Corporate / Others

CORPORATE **INFORMATION**

Board Of Directors

Executive

Toh Giap Eng *(Deputy Chairman)*
Teng Heng Chew Eric *(Chief Executive Officer)*

Non-Executive

Toh Khai Cheng
Toh Gap Seng
Tan Tiong Cheng *(Lead Independent)*
Chew Chin Hua *(Independent)*
Chia Kwok Ping *(Independent)*

Audit Committee

Chew Chin Hua *(Chairman)*
Tan Tiong Cheng
Toh Khai Cheng

Nominating Committee

Chia Kwok Ping *(Chairman)*
Toh Giap Eng
Chew Chin Hua
Tan Tiong Cheng

Remuneration Committee

Tan Tiong Cheng *(Chairman)*
Chia Kwok Ping
Toh Khai Cheng

Registered Office

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#01-02 Hong Heng Mansions
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Auditors

Ernst & Young
One Raffles Quay
North Tower, Level 18
Singapore 048583
Ang Chuen Beng
(Partner-in-charge since financial year ended 31 December 2017)

Company Secretaries

Zhu Zhiwei
Chew Bee Leng

Share Registrar

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

Principal Bankers

Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

Honed for

New Frontiers

Heeton's international platform has been made possible by the continuous honing of our business skills and growth strategies. These have enabled us to penetrate both local and overseas markets, each having its own nuances determined by economic, cultural and market factors. We believe in focused strategy and business plans that drive local success while remaining integrated with our overall corporate objectives.

BOARD OF **DIRECTORS**

MR TOH KHAI CHENG
Non-executive Chairman

MR TOH GIAP ENG
Deputy Chairman, Executive Director

MR TENG HENG CHEW ERIC
Executive Director, CEO

MR TOH GAP SENG
Non-executive Director

MR CHEW CHIN HUA
Non-executive, Independent Director

MR TAN TIONG CHENG
Non-executive, Lead Independent Director

MR CHIA KWOK PING
Non-executive, Independent Director

MR TOH KHAI CHENG
Non-executive Chairman

Mr Toh is the founder of the Heeton Group and has been a director of the Company since July 1976. Mr Toh has been in property development and investment for more than four decades. Mr Toh is a member of the Audit and Remuneration Committees and he provides consultative and strategic advice to the Board and senior management of the Group.

MR TOH GAP SENG
Non-executive Director

Mr Toh was appointed as a Director of the Company on 10 February 1978. He has more than 30 years' experience in property development and investment business. Mr Toh is currently the executive Director of Hong Heng Co Private Limited.

MR CHIA KWOK PING
Non-executive, Independent Director

Mr Chia was appointed as an independent director of the Company on 15 October 2012. Mr Chia has over 20 years of experience in property development, property investment and hospitality industry. Mr Chia is the Chairman of the Nomination Committee and a member of the Remuneration Committee. He is currently an independent director, Chairman of the Nominating Committee and Chairman of the Remuneration Committee of Amara Holdings Limited.

MR TOH GIAP ENG
Deputy Chairman, Executive Director

Formerly CEO of the Group, Mr Toh was appointed as Executive Deputy Chairman with effect from 4 January 2016. Mr Toh's responsibilities are to identify and secure investment and development opportunities in new markets, explore new businesses as well as assist the Chairman in the overall stewardship and governance of the Group. Mr Toh started his career in the banking and finance industry and holds a Bachelor of Arts (Business), from the Institute of Cost and Management Accounts, London, United Kingdom. Mr Toh is also a member of the Nominating Committee.

MR CHEW CHIN HUA
Non-executive, Independent Director

Mr Chew was appointed as an independent director of the Company on 27 December 2002. Mr Chew is currently the Chairman of the Audit Committee and a member of the Nominating Committee. He has many years of experience in the accounting and auditing profession. Mr Chew is a member of the Association of Chartered Certified Accountants.

MR TENG HENG CHEW ERIC
Executive Director, CEO

Mr Eric Teng joined the Group on 4 January 2016 as an Executive Director and CEO. Mr Teng oversees the Group's businesses and implements the directions, strategies and plans of the Board. Mr Teng has over 30 years of experience in marketing, communications, property and hospitality in both private multinational corporations and public listed companies. He is an active leader in the social service and charity sector and was conferred the Public Service Medal and Public Service Star by the Singapore Government. He is also an adviser to The Tecity Group and Tan Chin Tuan Foundation. Mr Teng holds an MBA from NUS Business School.

MR TAN TIONG CHENG
Non-executive,
Lead Independent Director

Mr Tan was appointed to the Board on 28 April 2009 and is the Company's Lead independent director. Mr Tan is currently the President of Knight Frank Asia Pacific and an adviser of Knight Frank Singapore. Mr Tan is an independent director of Straits Trading Co. Ltd and UOL Group Ltd. A Colombo Plan Scholar, Mr Tan graduated top of his class with a Diploma in Urban Valuation from the University of Auckland, New Zealand. Mr Tan is a fellow of the Singapore Institute of Surveyors and Valuers, a fellow of the Association of Property and Facility Managers, and an associate of the New Zealand Institute of Valuers. Mr Tan is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.

KEY MANAGEMENT

TOH GIAP ENG
Deputy Chairman, Executive Director

TENG HENG CHEW ERIC
CEO, Executive Director

HENG LEE CHENG, CHERYL
Chief Financial Officer

TAN HONG SIEN, JANET
General Manager, Project Development & Marketing

LIU CHUNG BONG, EDWIN
Managing Director, United Kingdom and Europe

ADRIAN KOH SENG HUI
General Manager, Corporate

EEMIN LOH YI XUAN
Manager, Human Resources and Administration

EXECUTIVE DEPUTY CHAIRMAN & EXECUTIVE DIRECTOR

Toh Giap Eng, **Vince**, is the Executive Deputy Chairman of the Group. He is responsible for exploring new products and businesses, and the overall stewardship and governance of the Group. Vince started his career in the banking and finance industry and has been in the property development and investment business for about 2 decades. He holds a Bachelor of Arts (Business) from the Institute of Cost and Management Accounts, London, United Kingdom.

CHIEF EXECUTIVE OFFICER & EXECUTIVE DIRECTOR

Teng Heng Chew Eric was appointed Chief Executive Officer of the Group with effect from 4 January 2016. He is responsible for management of the Group's business and implementation of the direction, strategies and plans of the Board. Prior to joining the Group, Eric was Advisor to Straits Trading Company Limited ("STCL") and the CEO of the property division in STCL from January 2010 to December 2013. He was concurrently the CEO of the Hospitality division under STCL from January 2011 to December 2013.

CHIEF FINANCIAL OFFICER

Heng Lee Cheng, **Cheryl**, is the Chief Financial Officer of the Group. Appointed in July 2012, she is responsible for the Group's accounting, finance and leasing activities. Cheryl had several years of experience in the auditing and accounting profession before she joined the Group in April 2000. She holds a Bachelor of Accountancy from the Nanyang Technological University of Singapore and is a Chartered Accountant of Singapore.

GENERAL MANAGER, PROJECT DEVELOPMENT & MARKETING

Tan Hong Sien, **Janet**, joined the Group in October 2012. She oversees the property development and marketing activities of the Group in Singapore. Janet has more than 20 years' experience in the real estate industry. She holds a Bachelor degree of Applied Science in Construction Management & Economics and a Diploma of Building.

MANAGING DIRECTOR, UNITED KINGDOM AND EUROPE

Liu Chun Bong, **Edwin**, joined the Group in 2012. Appointed on 2 April 2018 as Managing Director of UK and Europe. He oversees property development, asset management and operations for Hospitality and other assets in the region. Edwin will be based in Singapore and assist in new investment opportunities for the Asia-Pacific region. Edwin is a Chartered Architect of the UK with two Bachelor degrees in Architecture who has practised for over 10 years in the UK and in South East Asia.

GENERAL MANAGER, CORPORATE

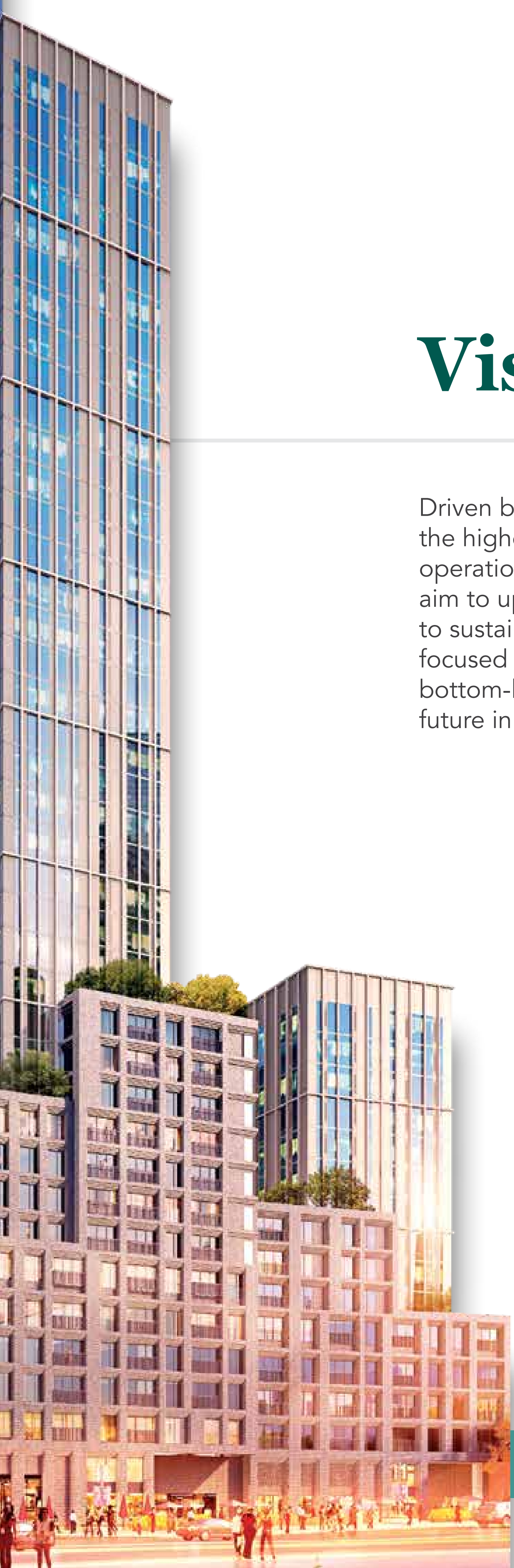
Adrian Koh Seng Hui has worked in the field of asset management and overseas investment since 1995. He joined Heeton in 2014 as part of the international acquisitions and operations team, expanding the group's activities in Europe and Asia. His current portfolio includes corporate and legal support, communications and investor relations. Adrian has a law degree from King's College London University. Prior to joining Heeton he worked for two other Singaporean Plcs representing their interests overseas.

MANAGER, HUMAN RESOURCES AND ADMINISTRATION

Eemin Loh Yi Xuan joined the Group in March 2001 as Personal Assistant to the Deputy chairman. In July 2010, she was appointed Manager, Human Resource and Administration. She is responsible for formulating HR and administration policies, overseeing payroll as well as staff welfare and development. Eemin holds a Graduate Diploma in Business Management from University of Bradford (UK) and Master of Social Science from Swinburne University of Technology (Australia).

Vision & Venture

Driven by vision and inspiration, Heeton is committed to the highest standards of practice. From our services and operations to our business and working relationships, we aim to uphold the highest corporate values, enabling us to sustain our reputation as a small but efficient, results-focused contender, not only growing the company's bottom-line and corporate presence, but also securing the future in a challenging but rewarding industry.



Artist's Impression of prospective Leeds redevelopment project

PROPERTY PORTFOLIO


High Park Residences (Artist's Impression)


Onze@Tanjong Pagar (Artist's Impression)


Westwood Residences (Artist's Impression)

(A) Property Developments and Land Bank (Singapore)

Name of development	Lincoln Suites	Sky Green	KAP and KAP Residences	121 Collection on Whitley	Westwood Residences
Location / Type of development	1/3 Khiang Guan Avenue / Residential	568 & 570 Macpherson Road / Residential	9 and 11 King Albert Park / Commercial and Residential	121 Whitley Road	180 to 196 Westwood Avenue
Tenure	Freehold	Freehold	Freehold	Freehold	Leasehold
Approximate total Gross Floor Area (sq m)	16,826	13,907	17,178	2,108	48,397
Residential Units	175	176	142	9	480
Shop Units	N/A	N/A	107	N/A	N/A
% sold as at 31 December 2017	96.6	98.3	99.2	44.4	100.0
Group's stake (%)	25	40	12.60	30	20
Launched / Expected Launch Date	October 2009	October 2012	May 2013	April 2016	May 2015
Targeted Completion / Completion Date	April 2014	November 2015	November 2016	February 2017	October 2017

Name of development	Trio	Onze@Tanjong Pagar	High Park Residences	Park Colonial
Location / Type of development	7 to 19 Sam Leong Road / Commercial	11 Kee Seng Street/ Commercial and Residential	40 Fernvale Road / Commercial and Residential	Woodleigh Lane
Tenure	Freehold	Freehold	Leasehold	Leasehold
Approximate total Gross Floor Area (sq m)	3,445	5,572	112,300	58,640
Residential Units	0	56	1,390	To be confirmed
Shop Units	43	13	9	-
% sold as at 31 December 2017	37.2	72.5	100.0	-
Group's stake (%)	15	100	20	20
Launched / Expected Launch Date	May 2014	September 2013	July 2015	To be confirmed
Targeted Completion / Completion Date	January 2018	January 2017	2019	To be confirmed


Tampines Mart


Sun Plaza


Leeds/Hampton by Hilton Leeds City Centre (Artist's Impression)

(B) Property Developments and Land Bank (Overseas)

Name of development	Haus23	188 W Residences	To be confirmed	Leeds/Hampton by Hilton Leeds City Centre
Location / Type of development	Ladprao 23 Road, Ladyarw (Bangsae-nuar) Bangkhen Bangkok Thailand / Residential	186 Wickham Street Fortitude Valley, Queensland, Australia / Residential	28-30 Oldham Street, Manchester/Hotel	New York Road, Leeds as registered at the Land Registry under title number WYK592211 / Hotel and Residential
Tenure	Freehold	Freehold	Freehold	Freehold
Approximate total Gross Floor Area (sq m)	17,214	28,000	20,713	84,568
Residential/Hotel Units	236	324	Hotel units to be confirmed	Proposed 192 hotel rooms. Residential units to be confirmed.
Shop Units	N/A	N/A	N/A	N/A
% sold as at 31 December 2017	79.2	-	-	-
Group's stake (%)	48.99	18.15	50.0	55.0
Launched / Expected Launch Date	September 2011	To be confirmed	To be confirmed	To be confirmed
Targeted Completion / Completion Date	May 2014	To be confirmed	To be confirmed	To be confirmed

(C) Investment Properties (in Singapore)

Name of development	Tampines Mart	The Woodgrove (Disposed on 13 February 2018)	62 Sembawang Road	Sun Plaza	223@Mountbatten
Location / Type of development	Blocks 5, 7, 9 and 11 Tampines Street 32 / Retail and Commercial	30 Woodlands Avenue 1 / Retail and Commercial	62 Sembawang Road / Transport Facilities	30 Sembawang Drive / Retail and Commercial	223 Mountbatten Road / Commercial
Tenure	Leasehold term of 99 years from 1 May 1993	Leasehold term of 99 years from 26 June 1996	Estate in Perpetuity	Leasehold term of 99 years from 26 June 1996	15 years from 20 February 2012
Approximate Lettable Area (sq m)	7,900	3,785	1,239	14,573	10,447
Number of units	61 shops and 57 wet market stalls	36	1	131	90
Fair value as at 31 December 2017 ($'mil)	115.0	55.9	9.5	353.0	40.0
Group's stake (%)	100	100	100	50	16

PROPERTY PORTFOLIO


Ibis Budget Bradford


Luma Concept Hotel Hammersmith London


Holiday Inn Express Manchester City Centre Arena


Mercure Hotel Pattaya


Hotel Baraquda Pattaya, MGallery Collection

(D) Hotels and Investment Properties (outside of Singapore)

Name of development	Mercure Hotel Pattaya	Hotel Baraquda Pattaya, MGallery Collection
Location / Type of development	484 Moo 10, Soi Pattaya Sai Song 15 off Pattaya Sai Song Road, Nongprue Subdistrict Banglamung District, Cholburi Province. Thailand / Hotel	485/1 Moo 10, Pattaya Sai Song Road, Nongprue Subdistrict, Banglamung District, Cholburi Province. Thailand / Hotel
Tenure	Freehold	Freehold
Number of units	247 hotel rooms	72 hotel rooms
Fair value as at 31 December 2017 ($'mil)	22.5	17.5
Group's stake (%)	86.7	38.98

Name of development	Ibis Budget Bradford	Luma Concept Hotel Hammersmith London	Holiday Inn Express Manchester City Centre Arena
Location / Type of development	Prince Court, Canal Road, Bradford, United Kingdom / Hotel	28 - 36 Glenthorne Road, Hammersmith, London, W6 0LS / Hotel	2-4 Oxford Road, Manchester M1 5QA / Hotel
Tenure	Freehold	Freehold	Freehold
Number of units	86 hotel rooms	89 hotel rooms	147 hotel rooms
Fair value as at 31 December 2017 ($'mil)	2.5	48.6	30.2
Group's stake (%)	55.0	60.0	30.0


Hotel ibis Styles London Kensington

Ibis Hotel Gloucester


Super Hotel Sapporo - Susukino

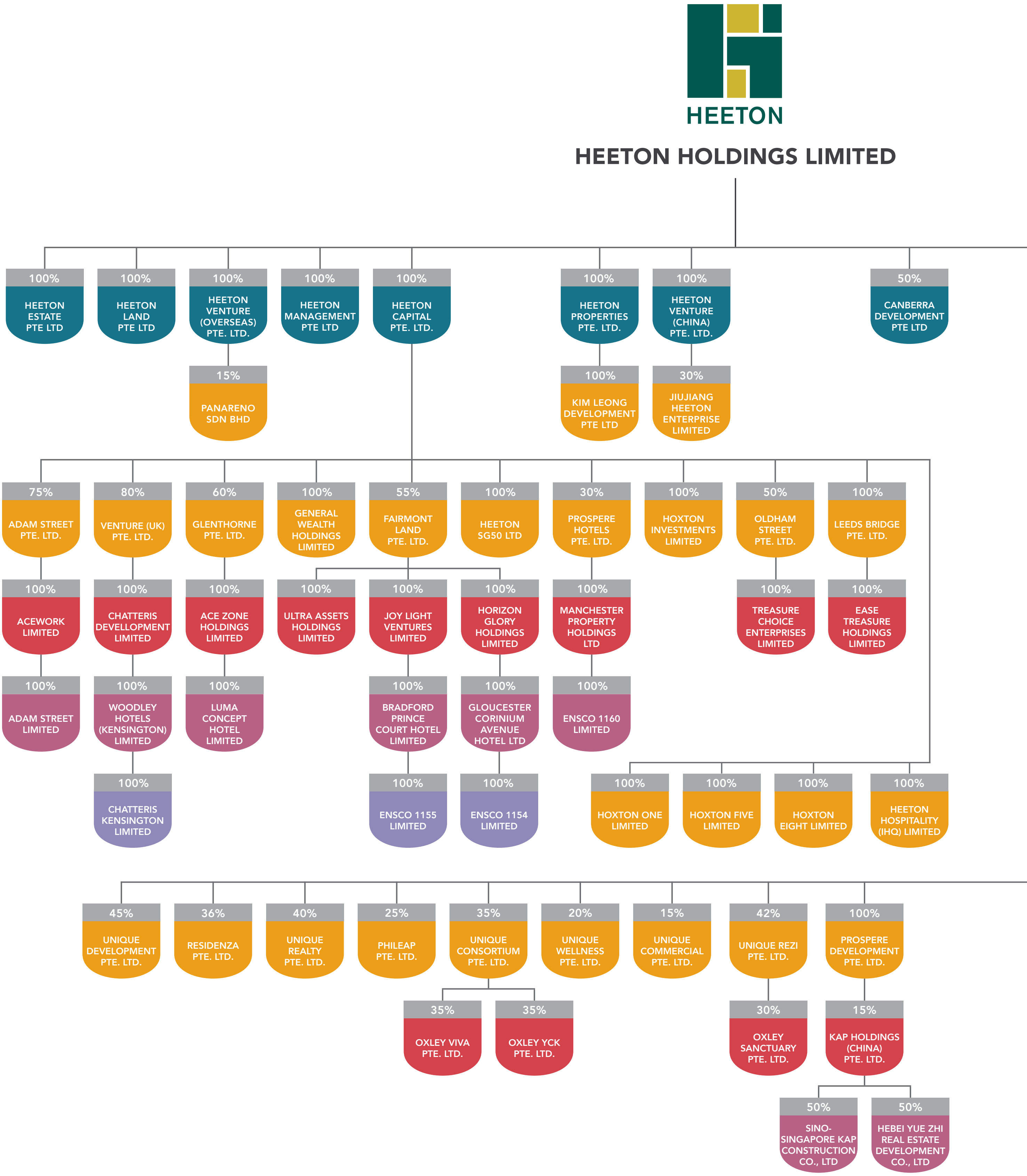

Adam House

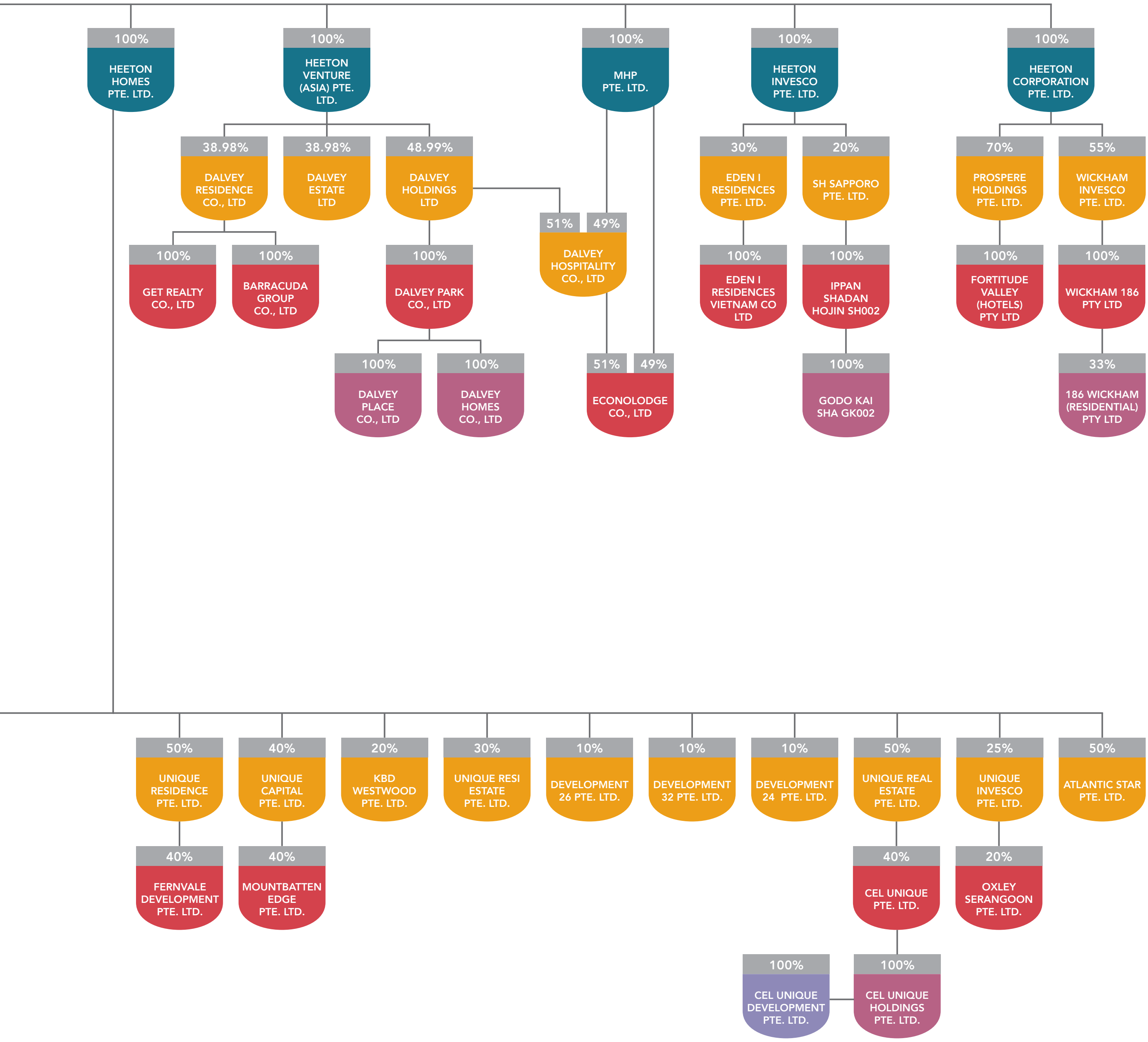
Name of development	Ibis Hotel Gloucester	29 Ranwell Lane	Adam House
Location / Type of development	Sawmills End, Corinium Ave A471, Gloucester, GL4 3DG United Kingdom / Hotel	29 Ranwell Lane Fortitude Valley / Hotel	7 – 10 Adam Street, London, United Kingdom / Serviced office
Tenure	125 years leasehold from 19 Oct 2009	Freehold	Freehold
Number of units	127 hotel rooms	Proposed 198 hotel rooms	35 office units and 175 desks
Fair value as at 31 December 2017 ($'mil)	10.1	6.3	32.3
Group's stake (%)	55.0	70.0	75.0

Name of development	Hotel ibis Styles London Kensington	Super Hotel Sapporo - Susukino	Sawmills Studio
Location / Type of development	15 – 25 Hogarth Road,Kensington, London, United Kingdom / Hotel	2-8-7 Minami / Hotel, Residential and Retail	Sawmills Studios, 17-20 Parr Street, London
Tenure	Freehold	Freehold	Leasehold
Number of units	116 hotel rooms	164 rooms*, 66 residential & 4 retail units	3 residential units
Fair value as at 31 December 2017 ($'mil)	50.2	36.4	3.3
Group's stake (%)	80.0	20.0	100.0

* Leased out to 3rd party to operate

GROUP STRUCTURE (AS AT 31 DECEMBER 2017)




100%
HEETON HOMES PTE. LTD.
100%
HEETON VENTURE (ASIA) PTE. LTD.
100%
MHP PTE. LTD.
100%
HEETON INVESCO PTE. LTD.
100%
HEETON CORPORATION PTE. LTD.
38.98%
DALVEY RESIDENCE CO., LTD
38.98%
DALVEY ESTATE LTD
48.99%
DALVEY HOLDINGS LTD
51%
49%
DALVEY HOSPITALITY CO., LTD
30%
EDEN I RESIDENCES PTE. LTD.
20%
SH SAPPORO PTE. LTD.
70%
PROSPERE HOLDINGS PTE. LTD.
55%
WICKHAM INVESCO PTE. LTD.
100%
GET REALTY CO., LTD
100%
BARRACUDA GROUP CO., LTD
100%
DALVEY PARK CO., LTD
100%
EDEN I RESIDENCES VIETNAM CO LTD
100%
IPPAN SHADAN HOJIN SH002
100%
FORTITUDE VALLEY (HOTELS) PTY LTD
100%
WICKHAM 186 PTY LTD
100%
DALVEY PLACE CO., LTD
100%
DALVEY HOMES CO., LTD
51%
49%
ECONOLODGE CO., LTD
100%
GODO KAI SHA GK002
33%
186 WICKHAM (RESIDENTIAL) PTY LTD
50%
UNIQUE RESIDENCE PTE. LTD.
40%
UNIQUE CAPITAL PTE. LTD.
20%
KBD WESTWOOD PTE. LTD.
30%
UNIQUE RESI ESTATE PTE. LTD.
10%
DEVELOPMENT 26 PTE. LTD.
10%
DEVELOPMENT 32 PTE. LTD.
10%
DEVELOPMENT 24 PTE. LTD.
50%
UNIQUE REAL ESTATE PTE. LTD.
25%
UNIQUE INVESCO PTE. LTD.
50%
ATLANTIC STAR PTE. LTD.
40%
FERNVALE DEVELOPMENT PTE. LTD.
40%
MOUNTBATTEN EDGE PTE. LTD.
40%
CEL UNIQUE PTE. LTD.
20%
OXLEY SERANGOON PTE. LTD.
100%
CEL UNIQUE DEVELOPMENT PTE. LTD.
100%
CEL UNIQUE HOLDINGS PTE. LTD.

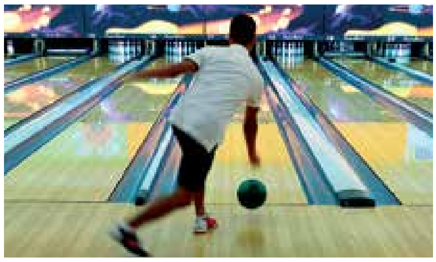
CORPORATE SOCIAL RESPONSIBILITY

CSR has become an important measure of a organisation's worth; in an era where sustainability dominates most business agendas, it demonstrates a commitment not only to employees and customers, but also to causes and organizations that make an impact on the local and global community through sponsorship, volunteer work and fund-raising activities.

At Heeton, CSR is regarded as a social obligation as much as a corporate function. Staff and management are actively encouraged to participate in community projects and fundraising activities as part of the organisation's CSR strategy. In 2017, the company's CSR activities revolved round two principal events:

DSA CHARITY BOWL 2017

Heeton supported the Down's Syndrome Association's Charity Bowl Event at the SuperBowl Mount Faber in May 2017 by sponsoring three lanes, one of them the CEO's personal contribution. The event allowed Heeton personnel to meet and socialise with DSA members, many of whom are registered disabled, as part of a community outreach initiative. A full day affair, the event saw different teams organised to comprise both Heeton and DSA representatives engage in friendly competition.



JALAN WITH YOUR BUDDY 2017

Launched in partnership with the People's Association, the Jalan With Your Buddy by Project We Care was a community initiative aimed at creating a platform where low Income residents could acquire their choice of domestic essentials at no cost to them. Conceived as a marketplace event, it allowed 200 needy families to select household items ranging from clothing and food products to appliances and equipment that they would otherwise be unable to purchase owing to budget constraints.

Heeton participation took the form of corporate donation, sponsorship and manpower contribution, which saw company personnel offering hands-on support as 'shopping buddies' paired up with eligible households from Toa Payoh. To ensure continuity, a follow up programme will be held in 2018 to encourage friendships between corporate volunteers and beneficiaries through regular engagements.

CONTENT

REPORT ON CORPORATE GOVERNANCE

Heeton Holdings Limited (the "Company") is committed to maintaining a high standard of corporate governance in complying with the Code of Corporate Governance 2012 (the "2012 Code") issued by the Ministry of Finance. Good corporate governance establishes and maintains an ethical environment in the Group, which strives to enhance the interests of the shareholders of the Company. This Report describes the Company's corporate governance processes and activities with specific reference to the 2012 Code.

BOARD MATTERS

Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The board of directors (the "Board") supervises the management of the business and affairs of the Company and its subsidiaries (the "Group"). The Board approves the Group's corporate and strategic direction, the appointment of Directors and key managerial personnel, major funding and investment proposals, and reviews the financial performance of the Group.

All directors exercise due diligence and independent judgment, and are obliged to act in good faith and consider at all times the interests of the Company.

To facilitate effective management, the Board, without abdicating its responsibility, delegated certain functions to various Board committees ("Board Committees"), each of which has its own written terms of reference and whose actions are reported to and monitored by the Board. The Company has adopted internal guidelines setting forth matters that require Board's approval. The types of material transactions that require Board's approval under such guidelines are listed below:

1. approval of quarterly and full-year results announcements;
2. approval of full year results and financial statements;
3. declaration of interim dividends and proposal of final dividends;
4. convening of shareholders' meetings;
5. authorisation of merger and acquisition transactions; and
6. authorisation of major transactions.

The Board conducts regular scheduled meetings and ad-hoc meetings are also convened from time to time to deliberate on urgent substantive matters. Telephonic attendance and conference via audio-visual communication at Board meetings are allowed under the Company's Constitution. The details of the Board and Board Committee meetings and the attendance of each Board member at these meetings are disclosed below at Table 1.

Table 1: Attendance of Directors, who held office at the end of the financial year, at Board and Board Committee Meetings held in FY2017

	Board Meetings		Nominating Committee Meetings		Remuneration Committee Meetings		Audit Committee Meetings	
Name of Director	**No. held**	**No. attended**	**No. held**	**No. attended**	**No. held**	**No. attended**	**No. held**	**No. attended**
Toh Khai Cheng	4	4	-	-	1	1	4	4
Toh Giap Eng	4	4	1	1	-	-	-	-
Toh Gap Seng	4	3	-	-	-	-	-	-
Teng Heng Chew Eric	4	4	-	-	-	-	-	-
Chew Chin Hua	4	4	1	1	-	-	4	4
Tan Tiong Cheng	4	4	1	1	1	1	4	4
Chia Kwok Ping	4	4	1	1	1	1	-	-

REPORT ON CORPORATE GOVERNANCE

There are briefing sessions held from time to time to update the Directors on changes to any legislation or regulations which are relevant to the Group's or Directors' obligations. Newly appointed Directors are briefed on the business and organisation structure of the Group. Training will be provided for newly appointed Directors, if required. A memorandum is also sent to them upon their appointment explaining, among other matters, their duties, obligations, and responsibilities as members of the Board. As part of their continuing education, the Directors may attend relevant seminars and trainings which will be funded by the Company.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently comprises 7 members, with the details set out at Table 2. Two executive Directors, namely Mr Toh Giap Eng, Deputy Chairman and Mr Teng Heng Chew Eric, Chief Executive Officer ("CEO") and five non-executive Directors. Of the five non-executive Directors, three of them are independent Directors, namely, Mr Chew Chin Hua, Mr Tan Tiong Cheng and Mr Chia Kwok Ping.

Key information regarding the Directors can be found under the Board of Directors section in this annual report. The independence of each Director is reviewed annually by the Nominating Committee. Each independent Director is required to complete an independent Director's Declaration form annually to confirm his independence. The criteria of independence are based on the guidelines set out in the 2012 Code.

The independence of any director who has served on the Board beyond nine years from the date of his appointment would be subject to particularly rigorous review. In respect of Mr Chew Chin Hua who has served the Board for more than nine (9) years, the Board has considered specially his length of service and his continued independence. The Board has determined that Mr Chew remained independent of character and judgement and there were no relationship or circumstances which were likely to affect, or could appear to affect, the Director's judgement. The independence of character and judgement of Director concerned was not in any way affected or impaired by the length of service. Therefore, the Board is satisfied as to the performance and continued independence of judgement of Mr Chew.

The Non-Executive Directors of the Company contribute to the Board processes by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternate perspectives to the Group's business and they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities.

Table 2: Details of Directors

Name of Director	Board committee as chairman or member	Directorship: Date of first appointment/ Date of last re-election	Board appointment whether executive or non-executive/ independent	Due for re-election at next Annual General Meeting ("AGM")
Toh Khai Cheng	Member of Audit Committee and Member of Remuneration Committee	7 July 1976/ 26 April 2017	Non-executive	Not applicable
Toh Giap Eng	Member of Nominating Committee	1 July 1996/ 28 April 2016	Executive	Retirement by rotation pursuant to Article 95(2)
Teng Heng Chew Eric	-	4 January 2016/ 28 April 2016	Executive	Not applicable

REPORT ON CORPORATE GOVERNANCE

Name of Director	Board committee as chairman or member	Directorship: Date of first appointment/ Date of last re-election	Board appointment whether executive or non-executive/ independent	Due for re-election at next Annual General Meeting ("AGM")
Toh Gap Seng	-	10 February 1978/ 26 April 2017	Non-executive	Not applicable
Chew Chin Hua	Chairman of Audit Committee and Member of Nominating Committee	27 December 2002/ 26 April 2017	Non-executive/ Independent	Not applicable
Tan Tiong Cheng	Chairman of Remuneration Committee, Member of Nominating Committee and Audit Committee	28 April 2009/ 24 April 2015	Non-executive/ Independent	Retirement by rotation pursuant to Article 95(2)
Chia Kwok Ping	Chairman of Nominating Committee and Member of Remuneration Committee	15 October 2012/ 28 April 2016	Non-executive/ Independent	Retirement by rotation pursuant to Article 95(2)

<u>Role of Chairman, Deputy Chairman and Chief Executive Officer</u>

Principle 3: There should be clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.

The functions of the Chairman, Deputy Chairman and CEO in the Company are assumed by different individuals. The Chairman, Mr Toh Khai Cheng, is a non-executive Director. The executive Directors are, Mr Toh Giap Eng and Mr Teng Heng Chew Eric, who also hold the office of Deputy Chairman and CEO respectively. There is a clear division of responsibilities between the Chairman, Deputy Chairman and CEO, which ensures a balance of power and authority as well as increased accountability at the top of the Company.

The CEO, has the executive responsibility to manage all aspects of the Group's businesses and implement the direction, strategies and plans of the Board. The roles and responsibilities of Deputy Chairman is to identify and secure investment and development properties in new markets, explore and develop related or new products/businesses and assist the Chairman in the overall stewardship and governance of the Group. The responsibilities of the Chairman working together with the Deputy Chairman, CEO, the management and the Company Secretary, amongst others, include:

- scheduling meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations;
- preparing the agenda for meetings;
- ensuring effective communication with shareholders;
- reviewing key proposals before they are presented to the Board for decision;
- exercising control over quality, quantity and timeliness of the flow of information between the management and the Board; and
- assisting in ensuring compliance with the Company's corporate governance guidelines.

The Board has appointed, Mr Tan Tiong Cheng, independent non-executive director as the Lead Independent Director in view that the Chairman and the Deputy Chairman who is the former CEO, are immediate family members and are non-independent directors, and the Deputy Chairman is part of the management team.

REPORT ON CORPORATE GOVERNANCE

The Lead Independent Director leads discussions with the other independent directors of the Company without the presence of the other Directors and the Lead Independent Director will provide feedback to the Chairman after such meetings.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Nominating Committee ("NC") comprises three independent non-executive Directors, namely Mr Chia Kwok Ping (Chairman), Mr Chew Chin Hua and Mr Tan Tiong Cheng and an executive Director, Mr Toh Giap Eng. The NC has written terms of reference approved by the Board and is responsible for making recommendations to the Board on all appointments and re-appointments to the Board. The NC reviews and assesses candidates before making recommendations to the Board for appointment as Directors of the Company. In recommending new directors for appointment to the Board, the NC takes into consideration the skills and experience required to support the Group's business activities or strategies, the current composition of the Board and the size of the Board, and strives to ensure that the Board has an appropriate balance of independent directors as well as directors with the right profile of expertise, skill, attributes and ability.

The key terms of reference of the NC are as follows:

a. The NC shall consist of not less than three Directors, a majority of whom shall be Independent Directors;
b. The Chairman of the NC shall be appointed by the Board and shall be an Independent Director; and
c. The Board shall appoint a new member so that the number of members does not fall below three if a member, for any reason, ceases to be a member.

The NC performs the following functions in accordance with its terms of reference:

a. reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board, having regard to their background, potential contribution to the Group based on their experience and expertise, and ability to exercise independent business judgment;
b. reviewing regularly, the Board structure, size and composition, taking into account the balance between executive and non-executive, independent and non-independent Directors and having regard at all times to the principles of corporate governance and the Code and make recommendations to the Board any adjustment that are necessary;
c. identifying and making recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each annual general meeting of the Company, having regard to the Directors' contribution and performance, including Independent Directors;
d. conducting reviews to determine the independence of each Directors (taking into account the circumstances set out in the Code and other salient factors);
e. assessing annually the performance of the Board, the Board committees and the Directors; and
f. conducting reviews to evaluate whether or not a Director is able to and has been adequately carrying out his/her duties as Director of the Company, when he/she has multiple board representations.

The size and composition of the Board are reviewed on an annual basis by the NC, which seeks to ensure that the Board has an appropriate mix of expertise and experience.

The NC is of the view that:

a. all of the NC members are independent and able to exercise objective judgement on corporate affairs of the Group independently from the management;
b. there is no individual or small group of individuals on the Board who dominate the Board's decision making process;
c. the Board as a whole, possess core competencies required for the effective conduct of the affairs and operations of the Group; and
d. the current size of the Board is adequate for the purposes of the Group.

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Article 95 of the Constitution, one-third of the Directors retire from office at the Company's AGM ("one-third rotation rule"). In addition, Article 77 and Article 96 of the Company's Constitution provide that a newly appointed Director must submit himself for re-election at the next AGM following his appointment. Thereafter, he is subject to the one-third rotation rule.

REPORT ON CORPORATE GOVERNANCE

Currently none of the Directors hold excessive number of board representations. The Board will review and recommend the maximum number of board representations which Directors may hold at the appropriate time.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC will use its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge to enable balanced and well-considered decisions to be made. One of the NC's responsibilities is to undertake a review of the board's performance. The NC has implemented a formal review process to assess the effectiveness of the Board on an annual basis as well as the contribution by each individual director to the effectiveness of the Board. The performance criteria taken into account by the NC in relation to an individual director include the Director's industry knowledge and/or functional expertise, contribution and workload requirements, sense of independence and attendance at the Board and Board Committees meetings.

The assessment process requires the Directors to complete appraisal forms which will be collated by an independent coordinator who will compile the results of the appraisal for review by the NC. The NC will thereafter report to the Board. Such an appraisal process was carried out in respect of financial year 2017.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to the board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Management provided the members of the Board with management accounts on a quarterly basis, as well as relevant background information or explanatory information and documents relating to items of business to be discussed at a Board meeting before each scheduled meeting. In respect of the budgets, any material variance between the projections and actual results has also provided to the Board. The Board has separate and independent access to the Company's senior management and the Company Secretary. The Company Secretary attends all Board meetings and the Board committees meetings and records the proceedings and decisions at the Board and of the Board Committees. The Company Secretary ensures that the corporate secretarial aspects of procedures concerning the Board are duly complied. The Company Secretary also advises the Board on the requirements of the Act, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and all rules and regulations which are applicable to the Company.

Under the Constitution, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

In carrying out their duties and where necessary, Directors individually or as a group may seek independent professional advice where appropriate at the Company's expense. The CEO will be informed of rationale and requirements for such appointments by Directors.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") comprises two independent non-executive Directors, namely, Mr Tan Tiong Cheng (Chairman) and Mr Chia Kwok Ping, and a non-executive Director, Mr Toh Khai Cheng.

REPORT ON CORPORATE GOVERNANCE

The key terms of reference of the RC are as follows:

a. The RC shall consist of not less than three Directors, a majority of whom shall be Independent Directors. At least one member should be knowledgeable in executive compensation, and if there is a need, expert advice may be obtained internally or externally;
b. The Chairman of the RC shall be appointed by the Board and shall be an Independent Director; and
c. The Board shall appoint a new member so that the number of members does not fall below three if a member, for any reason, ceases to be a member.

The duties and responsibilities of the RC as set out in the Terms of Reference approved by the Board include the following:

a. review and advise the Board on the framework of remuneration policies for executive and non-executive Directors and key executives of the Group covering all aspects of remuneration such as Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;
b. review and recommend to the Board the terms of the service agreement of the Directors; and
c. review and advise the Board on the implementation of any appropriate long term incentive schemes for the Directors and employees of the Company.

Each member of the RC shall abstain from voting on any resolution concerning his own remuneration.

The RC shall review the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses.

The Company ensures that the RC has access to expert advice on the human resource matter whenever there is a need to consult externally. During the financial year under review, the Company did not appoint any external consultant. In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individual employee. No Director or officer of the Company will be involved in deciding his own remuneration.

Remuneration Level and Mix

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than necessary for this purpose.

Pursuant to the respective service contracts of the Deputy Chairman and CEO:

a. the term of service for each executive director is for a period of 3 years and is subject to review thereafter;
b. remuneration includes, among others, a fixed salary, allowances and a variable performance bonus which are conditional upon each meeting certain performance targets; and
c. there are no onerous compensation commitments on the part of the Company in the event of an early termination of the service of an executive director.

Non-executive Directors, including the Chairman, do not have service contracts with the Company and their remuneration packages comprise a basic director retainer fee. The Board, in recommending to the shareholders the quantum of fees to be paid to the Directors, takes into account factors such as frequency of meetings, time spent by Directors and the responsibilities of Directors. Directors' fees are subject to the approval of the shareholders at each AGM.

Currently, the Company does not have an employees' share option scheme or any long-term scheme. The RC will recommend the implementation of incentive schemes as and when it considers appropriate.

REPORT ON CORPORATE GOVERNANCE

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

For confidential reasons, the Board has not disclosed the remuneration of the each individual Director and the Group's key executives in full.

A breakdown, showing the level and mix of each individual Director's remuneration payable for the financial year ended 31 December 2017 is as follows:

Remuneration bands	Salary	Bonus	Fees	Other Benefits	Total
	%	%	%	%	%
Below $250,000					
Toh Khai Cheng	—	—	100	—	100
Toh Gap Seng	—	—	100	—	100
Tan Tiong Cheng	—	—	100	—	100
Chew Chin Hua	—	—	100	—	100
Chia Kwok Ping	—	—	100	—	100
Between $750,000 to $1,000,000					
Teng Heng Chew Eric	49	45	—	6	100
Between $1,500,000 to $1,750,000					
Toh Giap Eng	40	59	—	1	100

The remuneration of the key executives of the Group who are not Directors or CEO for the financial year ended 31 December 2017 is shown in the following bands:

Remuneration bands	Salary	Bonus	Other Benefits	Total
	%	%	%	%
Below $250,000				
Eemin Loh Yi Xuan	65	35	—	100
Edwin Liu Chun Bong	62	24	14	100
Adrian Koh Seng Hui	73	26	1	100
Alex Chakabarti [1]	81	—	19	100
Between $250,000 to $500,000				
Tan Hong Sien, Janet	71	22	7	100
Heng Lee Cheng, Cheryl	57	40	3	100

[1] Mr Alex Chakabarti left the Group on 7 March 2018.

REPORT ON CORPORATE GOVERNANCE

The Group currently only has 5 key executives who are not Directors or CEO. Key information regarding the key executives can be found under the Key Management section in this annual report.

Currently the Company does not have an employee share option scheme.

Immediate Family Member of Director

The remuneration of Toh Giap Eng, Deputy Chairman who is the son of Toh Khai Cheng and brother of Toh Gap Seng, has been disclosed above. Other than Toh Giap Eng, there are no employees in the Group who are immediate family members of a Director or the CEO.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of Company's performance, position and prospects.

The Company provides shareholders with quarterly and annual financial statements within the timeframe in line with Listing Manual of SGX-ST. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced, clear and understandable assessment of the Company and the Group's performance, position and prospects. The Company may also, on an ad-hoc basis, hold media and analysts briefings and publish press releases of its financial results.

Procedures are put in place to provide Board members with management accounts as and when required and highlights on key business indicators and any significant business developments on a quarterly basis with such explanation and information as any Director may require, to enable the Directors to keep abreast, and make a balanced and informed assessment of the Group's financial performance, position and prospects.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board and AC have reviewed the adequacy and effectiveness of the Group's internal controls that address the Group's financial, operational and compliance and information technology controls and risks management systems. Based on the internal controls established and maintained by the Group, work performed by the outsourced internal auditors and external auditors, and reviews performed by management, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance, information technology controls risks and risk management systems, were adequate and effective as at 31 December 2017. The Board notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

The Board has established a separate risk management committee (the "Risk Management Committee") comprising of the Deputy Chairman, CEO and Chief Financial Officer to assist it in carrying out its responsibility of overseeing the Company's risk management framework and policies. The Risk Management Committee regularly reviews the Group's business and operations to identify areas of significant business risks, and put in place appropriate measures to address these risks and reports to the Board on areas of significant risks to the Group's operations, if any.

The Board has received assurance from the CEO and the Chief Financial Officer (i) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and (ii) regarding the effectiveness of the Company's risk management and internal control systems.

REPORT ON CORPORATE GOVERNANCE

The following have been identified as significant risk factors relevant to the Group's operations:

Interest rate risk

The Group's interest rate exposure relates primarily to the outstanding amounts of long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate bank financing.

Surplus funds are placed with reputable banks.

Information relating to the Group's interest rate exposure is also disclosed in the notes to the financial statements on the Group's borrowings, including lease obligations.

Liquidity risk

In the management of liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Short-term funding is from banking facilities.

Credit risk

The carrying amount of cash and cash equivalents, trade debtors and other debtors represent the Company's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentration of credit risks.

<u>Audit Committee</u>

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee ("AC") comprises two independent non-executive Directors, namely, Mr Chew Chin Hua (Chairman) and Mr Tan Tiong Cheng and a non-executive director, Mr Toh Khai Cheng.

The Chairman of the AC, Mr Chew Chin Hua has many years of experience in the accounting and auditing profession. The other members of the AC have many years of experience in business and financial management. The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the functions of the AC.

For the financial year 2017, the AC has held 4 meetings. Details of members and their attendance at meetings are provided in Table 1.

The key terms of reference of the AC include the following:

a. The AC shall consist of not less than three Directors appointed by the Board, all of whom shall be non-executive Directors with the majority being independent Directors. At least two members of the AC shall have accounting or related financial management expertise or experience and its membership, details of its activities, number of meetings and attendance at such meetings, shall be disclosed annually;
b. The Chairman of the AC shall be appointed by the Board and shall be an Independent Director; and
c. The Board shall appoint a new member so that the number of members does not fall below three if a member, for any reason, ceases to be a member.

REPORT ON CORPORATE GOVERNANCE

The AC has written terms of reference approved by the Board. The AC performs the following functions in accordance with its terms of reference:

a. Reviews the audit plans of the internal and external auditors of the Company and review internal auditors' evaluation of the adequacy of the Company's internal system of accounting controls and the assistance given by the management to the external and internal auditors;
b. Reviews the quarterly and full year financial results, annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board;
c. Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
d. Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
e. Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
f. Reviews the cost effectiveness and the independence and objectivity of the external auditors;
g. Reviews the nature and extent of non-audit services provided by the external auditors;
h. Recommends to the Board the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;
i. Reports actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and
j. Reviews interested person transactions in accordance with the requirements of the SGX-ST's Listing Manual.

The AC also has full access to and the co-operation of Management and reasonable resources to enable it to discharge its functions properly within the AC's scope of responsibility.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions. The AC also meets the external and internal auditors separately at least once a year, without the presence of management, in order to have free and unfettered access to unfiltered information and feedback.

The Company has a whistle-blowing policy and arrangement by which staff may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters to the AC Chairman or Deputy Chairman. The objective of such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

To keep abreast of the changes in accounting standards and issues which have a direct impact on financial statements, advice is sought from the external auditors when they attend the AC meetings quarterly.

The Board confirms that, in relation to the appointment of auditors for the Company, subsidiaries and significant associated companies, the Group is in compliance with the requirements of Rules 712, 715 and 716 of SGX-ST's Listing Manual.

No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

REPORT ON CORPORATE GOVERNANCE

<u>Internal Audit</u>

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company has outsourced the internal audit function to an independent external audit firm as the size of the existing operations of the Group does not warrant the Group to have an in-house internal audit team. The AC's responsibility in overseeing that the Company's risk management system and internal controls are adequate is complemented by the work of the outsourced Internal Auditor, KPMG Services Pte Ltd. IA reports directly to the AC and administratively to the CEO and has unfettered access to all the company's documents, records, properties and personnel, including access to the AC. IA plans its internal audit schedules in consultation with, but independent of, Management and its plan is submitted to the AC for approval. The AC reviews the internal audit procedures and ensures that the internal audit functions, together with the various systems put in place by the Group are adequate.

SHAREHOLDER RIGHTS AND COMMUNICATIONS WITH SHAREHOLDERS

Principle 14: Companies should treat all shareholders fairly and equitable, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board is mindful of the obligation to provide regular, effective and fair communication with shareholders. Information is communicated to the shareholders on a timely basis. The Company does not practice selective disclosure. The Board provides shareholders with an assessment of the Company's performance, position and prospects on a quarterly basis via announcements of results and other ad-hoc announcements as required by the SGX-ST. The Company's Annual Report which is sent to all shareholders is also available on request. In addition to the regular dissemination of information through SGXNET, the company also responds to enquiries from investors, analysts, fund managers and the press.

The Company has an existing investor relation firm to assist in disseminating news to the media and analysts after each quarterly results announcement and any price-sensitive information announced.

The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad-hoc basis. Shareholders will be informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Each item of special business included in the notice of the meeting will be accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions will be proposed for substantially separate issues at the meeting. The Chairman of the Audit, Remuneration and Nominating Committees are present at the Company's AGMs to answer those questions relating to the work of these committees. The external auditors are also present to assist the Directors in addressing any relevant queries by shareholders relating to the financial statements of the Company.

The shareholders of the Company (other than a shareholder who is a relevant intermediary) may to appoint one or two proxies to attend and vote in their absence at general meetings of the Company. A shareholder who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the general meetings of the Company. The Company is not implementing absentia-voting methods such as by mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved. The shareholders would be informed of the voting procedures at the commencement of the general meeting.

The Company conducts the voting of all its resolutions by poll at all its general meetings. The results of poll of each resolution tabled are announced at the meetings and in an announcement released after the meeting via SGXNET. Shareholders can vote in person or by their appointed proxies. The Company will employ electronic polling if necessary.

REPORT ON CORPORATE GOVERNANCE

The Company Secretary prepares minutes of annual general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and Management and is made available to shareholders upon their request.

The Company maintains a website (www.heeton.com) to bring public awareness of the Group's latest development and businesses. The public can provide feedback to the Company via the electronic mail address, the registered office address or calls. Calls and emails requesting for information are attended to promptly.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirement, cashflow, general business condition, development plans and other factors as Directors may deem appropriate.

Notwithstanding the above, the Company has been declaring dividends on an annual basis. Any pay-outs are clearly communicated to shareholders via the financial results announcement through SGXNET.

INTERESTED PERSON TRANSACTIONS

On 19 July 2017, the Group disposed of its 50% interest in a joint venture company, Buildhome Pte. Ltd. to Central Core Pte. Ltd. ("Central Core").

The consideration of $41.6 million for the disposal has been paid equally to the Group and its joint venture partner in the following manner (a) $30.0 million in cash paid on 19 July 2017 and (b) $11.6 million deferred to after completion, which was novated to the shareholders of Central Core.

Toh Giap Eng, the Deputy Chairman and Executive Director and a controlling shareholder of the Company, has a 12.5% shareholding interest in Central Core.

There were no other interested person transactions entered into by the Company that required disclosure under the SGX-ST's Listing Manual exceeding $100,000 during the financial year ended 2017.

DEALINGS IN SECURITIES

The Company has adopted and implemented Rule 1207(19) of the Listing Manual issued by SGX-ST on dealings in securities. This has been made known to Directors, officers, and staff of the Company and the Group. In particular, it has been highlighted that to deal in the Company's securities as well as securities of other listed companies when the officers (Directors and employees) are in possession of unpublished material price sensitive information in relation to those securities is an offence. The officers are also discouraged from dealing in the Company's securities on short-term considerations.

Directors and key senior executives of the Group are prohibited from trading in the Company's shares during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full-year financial statements. The Company has complied with Rule 1207(19) in the financial year ended 2017.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Heeton Holdings Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company for the financial year ended 31 December 2017.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are:

Toh Khai Cheng	–	Non-executive Chairman
Toh Giap Eng	–	Executive Deputy Chairman
Teng Heng Chew Eric	–	Executive Director
Toh Gap Seng	–	Non-executive Director
Chew Chin Hua	–	Independent Director
Tan Tiong Cheng	–	Independent Director
Chia Kwok Ping	–	Independent Director

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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 or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	**1 January 2017**	**31 December 2017**	**1 January 2017**	**31 December 2017**
The Company				
Heeton Holdings Limited				
(Ordinary shares)				
Toh Khai Cheng (1)	22,084,392	22,084,392	144,510,959	144,510,959
Toh Giap Eng (2)	38,741,249	38,896,249	89,854,559	89,854,559
Toh Gap Seng (3)	17,768,370	17,768,370	890,000	1,038,800
Chew Chin Hua	36,000	36,000	–	–
Tan Tiong Cheng	12,000	12,000	–	–
Teng Heng Chew Eric	70,000	70,000	–	–

(1) Toh Khai Cheng is deemed to be interested in the 89,854,559 ordinary shares held by Heeton Investments Pte Ltd and the 54,656,400 shares held by Hong Heng Company Private Limited.

(2) Toh Giap Eng is deemed to be interested in the 89,854,559 shares held by Heeton Investments Pte Ltd.

(3) Toh Gap Seng is deemed to be interested in the 1,038,800 shares held by his spouse.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2018.

By virtue of Section 7 of the Companies Act, Messrs Toh Khai Cheng and Toh Giap Eng are deemed to have interests in the shares held by Heeton Holdings Limited in all its subsidiaries.

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

SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option as at the end of the financial year.

DIRECTORS' STATEMENT

AUDIT COMMITTEE

The Audit Committee (AC) carried out its functions in accordance with Section 201B(5) of the Act, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited (SGX-ST)'s Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance in the Annual Report.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors,

Toh Giap Eng Executive Deputy Chairman	Teng Heng Chew Eric Executive Director

Singapore
28 March 2018

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF HEETON HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Heeton Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the consolidated statement of changes in equity, consolidated statement of comprehensive income 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.

In our opinion, the accompanying consolidated financial statements of the Group, and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 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 *Auditor's 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 (ACRA) 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Carrying value of development properties

The Group acquires or constructs properties for sale in the ordinary course of business. These development properties are stated at the lower of cost and net realisable value. The Group's accounting policy on development properties requires all known or anticipated losses on the development projects to be provided for in the year in which such losses are determined. The Group recognised no provision for foreseeable loss for the current year. The Group's share of associates' results included a $1.2 million provision for foreseeable loss for the current year. Estimating such losses requires the management to make significant judgments and estimates of the expected selling price of the unsold development properties and the total development costs. Changes in the estimated selling price of the development properties due to market conditions and revisions of the total estimated development costs will therefore impact the anticipated losses recognised.

We evaluated management's assessment of the adequacy of provision for foreseeable losses on development properties. We focused on projects with slower-than-expected sales or projects with low or negative margins. The Group engaged independent valuation specialists to determine the open market valuation of the unsold development properties. As part of our audit procedures, we assessed the competence, objectivity and integrity of these specialists. We held discussions with the specialists to assess the reasonableness of the key inputs and assumptions underlying the valuation. We have also reviewed the reasonableness of management's estimates of the expected selling price of the unsold development properties based on recent sales transactions. We also assessed the reasonableness of the key assumptions underlying the total estimated development costs, the process in which they were drawn up, and tested the underlying calculations. Further, we assessed the adequacy of disclosures related to development properties in Note 20.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF HEETON HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Valuation of investment properties and investment property held for sale

The Group carries its investment properties and investment property held for sale at fair value, with changes in fair values being recognised in profit or loss.

The Group engaged independent valuation specialists to determine the fair values of its investment properties and investment property held for sale as at 31 December 2017, which amounted to $160.1 million and $51.7 million respectively.

The valuation of the investment properties and investment property held for sale is a significant judgemental area and is underpinned by a number of assumptions including yield adjustments made for any difference in nature, location or condition of the specific property. The valuation exercise also relies upon the accuracy of the underlying lease and financial information provided to the valuation specialists by management.

As part of our audit procedures, we assessed the competence, objectivity and integrity of the valuation specialists. We held discussions with the specialists to understand the valuation methodologies used in the valuation and the results of their work. We assessed the reasonableness of the key inputs and assumptions underlying the valuation. These key assumptions include adjusted recent sale prices, or estimated annual net rental income after deduction of expenses capitalised at an appropriate rate of return. We also assessed the adequacy of the related disclosures in Note 13 and Note 41.

Sale of development properties under construction

The Group is involved in the construction of development properties for which it applies the percentage of completion (POC) method. The POC is measured by reference to the proportion of total contract costs incurred for work performed to date and the estimated total contract costs to completion. For the year ended 31 December 2017, the Group recognised $3.2 million of revenue from sale of development properties recognised on the POC basis.

The POC method involves the use of significant management judgement and estimates including estimates of progress towards completion, scope of deliveries and services required, total contract cost and remaining costs to completion that affect the stage of completion computation. In addition, revenue, cost and gross profit recognised on such contracts can vary from the Group's original estimates because of changes in conditions.

As part of our audit procedures, we assessed the reasonableness of the key assumptions underlying the total estimated contract costs, and the process in which they were drawn up, and tested the underlying calculations. We evaluated the processes and controls in place over the contract costs incurred and assessed the reasonableness of the estimated total contract costs to completion. We reperformed calculations of the revenue and profit recognised based on the POC method. We also assessed the adequacy of significant accounting policies for development properties under construction and related disclosures in Note 4 and Note 20.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF HEETON HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the 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.

Auditor's 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 auditor's 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 control.

- Obtain an understanding of internal control 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 control.

- 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 auditor's 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF HEETON HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditor's responsibilities for the audit of the financial statements (cont'd)

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 control 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 auditor's report unless law or regulation precludes 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 auditor's report is Mr. Ang Chuen Beng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
28 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

	Note	2017 $'000	2016 $'000
Revenue	4	57,131	67,369
Cost of properties sold		(30,900)	(31,989)
Other operating income	5	4,513	4,088
Personnel expenses	6	(11,172)	(7,754)
Depreciation of fixed assets	12	(1,565)	(1,370)
Other operating expenses		(15,672)	(15,145)
Loss on disposal of subsidiaries	7	–	(10,356)
Gain on disposal of a joint venture company	16	27,980	–
Finance expenses	8(a)	(12,578)	(11,829)
Finance income	8(b)	6,580	3,833
Share of results of associated companies/joint venture companies		11,795	19,676
Gains from fair value adjustments of investment properties	13	37,076	542
Profit before tax	9	73,188	17,065
Income tax expense	10	(1,557)	(4,835)
Profit for the year		71,631	12,230
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translation		911	(9,013)
Items that will not be reclassified to profit or loss			
Net surplus on revaluation of freehold and leasehold land and buildings		–	3,333
Share of gain on property revaluation of associated companies		–	175
		–	3,508
Other comprehensive income/(expense) for the year, net of tax		911	(5,505)
Total comprehensive income for the year		72,542	6,725
Profit/(loss) for the year			
Attributable to:			
Owners of the Company		70,993	12,481
Non-controlling interests		638	(251)
		71,631	12,230

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

	Note	2017 $'000	2016 $'000
Total comprehensive income for the year:			
Attributable to:			
Owners of the Company		71,920	6,120
Non-controlling interests		622	605
		72,542	6,725
Earnings per share attributable to owners of the Company (cents per share)			
Basic	11	21.83	3.84
Diluted	11	21.83	3.84

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2017

(In Singapore dollars)

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current assets					
Fixed assets	12	137,291	120,338	574	577
Investment properties	13	160,095	170,050	–	–
Subsidiaries	14	–	–	24,583	24,583
Associated companies	15	69,926	73,240	–	–
Joint venture companies	16	99,427	82,140	5,000	5,000
Amounts due from associated companies, joint venture companies and investee companies	17	166,108	125,572	–	–
Other investments	18	–	218	–	–
Intangible assets	19	109	109	–	–
Other receivables	22	22,000	4,000	4,000	4,000
		654,956	575,667	34,157	34,160
Current assets					
Development properties	20	54,839	106,790	39,254	90,907
Investment property held for sale	13	51,700	–	–	–
Trade receivables	21	7,780	794	6,737	–
Other receivables	22	25,929	20,799	17,524	14,855
Prepayments		1,294	1,488	850	248
Amounts due from subsidiaries (non-trade)	23	–	–	227,550	178,572
Amounts due from related parties (trade)	23	12	14	–	–
Amounts due from joint venture company (non-trade)	23	401	333	33	33
Amount due from joint venture company (trade)	23	162	339	–	–
Fixed deposits	24	3,735	654	3,583	505
Cash and bank balances	25	22,889	27,114	4,890	13,436
		168,741	158,325	300,421	298,556
Current liabilities					
Trade payables	26	3,820	6,769	2,490	4,615
Other payables and accruals	27	17,498	6,896	3,933	3,037
Derivative financial instruments	28	74	149	–	–
Amounts due to subsidiaries (non-trade)	23	–	–	88,399	60,237
Bonds	29	–	58,750	–	58,750
Short-term bank loans	30	11,500	14,000	11,500	14,000
Bank term loans	30	82,421	120,713	–	58,745
Finance lease obligations	37	76	76	50	50
Income tax payable		3,887	1,955	1,873	278
		119,276	209,308	108,245	199,712
Net current assets/(liabilities)		49,465	(50,983)	192,176	98,844

BALANCE SHEETS
AS AT 31 DECEMBER 2017

(In Singapore dollars)

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current liabilities					
Other payables and accruals	27	960	1,043	–	–
Finance lease obligations	37	192	264	142	192
Amounts due to associated companies and joint venture company	17	54,476	43,660	16,283	15,508
Amounts due to non-controlling interests	32	34,091	27,156	–	–
Bonds	29	75,000	–	75,000	–
Bank term loans	30	122,655	103,846	24,000	–
Deferred tax liabilities	33	867	3,125	32	2,309
		(288,241)	(179,094)	(115,457)	(18,009)
Net assets		416,180	345,590	110,876	114,995
Equity attributable to owners of the Company					
Share capital	34	86,624	86,624	86,624	86,624
Foreign currency translation reserve	35	(8,417)	(9,344)	–	–
Asset revaluation reserve	36	2,768	2,768	–	–
Retained earnings		332,806	263,765	24,252	28,371
		413,781	343,813	110,876	114,995
Non-controlling interests	14	2,399	1,777	–	–
Total equity		416,180	345,590	110,876	114,995

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

		Attributable to owners of the Company						
	Note	Share capital (Note 34) $'000	Foreign currency translation reserve (Note 35) $'000	Asset revaluation reserve (Note 36) $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2016		86,624	(215)	–	253,236	339,645	1,172	340,817
Profit for the year		–	–	–	12,481	12,481	(251)	12,230
Other comprehensive income								
- Foreign currency translation		–	(9,129)	–	–	(9,129)	116	(9,013)
- Net surplus on revaluation of land and buildings		–	–	2,593	–	2,593	740	3,333
- Share of gain on property revaluation of associated companies		–	–	175	–	175	–	175
Total comprehensive income for the year		–	(9,129)	2,768	12,481	6,120	605	6,725
Dividend on ordinary shares	45	–	–	–	(1,952)	(1,952)	–	(1,952)
At 31 December 2016		86,624	(9,344)	2,768	263,765	343,813	1,777	345,590
Balance at 1 January 2017		86,624	(9,344)	2,768	263,765	343,813	1,777	345,590
Profit for the year		–	–	–	70,993	70,993	638	71,631
Other comprehensive income								
- Foreign currency translation		–	927	–	–	927	(16)	911
Total comprehensive income for the year		–	927	–	70,993	71,920	622	72,542
Dividend on ordinary shares	45	–	–	–	(1,952)	(1,952)	–	(1,952)
At 31 December 2017		86,624	(8,417)	2,768	332,806	413,781	2,399	416,180

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

	Note	2017 $'000	2016 $'000
Cash flow from operating activities			
Profit before tax		73,188	17,065
Adjustments:			
Depreciation of fixed assets	12	1,565	1,370
Gain on disposal of fixed assets		–	(167)
Fair value (gain)/loss on derivatives financial instruments	9	(75)	126
Gains from fair value adjustments of investment properties	13	(37,076)	(542)
Share of results of associated companies/joint venture companies		(11,795)	(19,676)
Impairment loss on other receivables	22	1,000	–
Interest expense	8(a)	12,578	11,829
Interest income	8(b)	(6,580)	(3,833)
Dividend income from other investments	5	–	(1,356)
Loss on disposal of subsidiaries	7	–	10,356
Gain on disposal of a joint venture company	16	(27,980)	–
Unrealised exchange differences		(223)	658
Total adjustments		(68,586)	(1,235)
Operating cash flows before changes in working capital		4,602	15,830
Changes in working capital:			
Decrease/(increase) in development properties		49,352	(17,127)
Increase in trade receivables		(6,975)	(281)
Increase in other receivables		(2,151)	(234)
(Increase)/decrease in prepayments		(403)	1,113
(Decrease)/increase in trade payables		(2,974)	286
Increase in other payables and accruals		9,189	157
Decrease/(increase) in amounts due from related parties, net		2	(2)
Total changes in working capital		46,040	(16,088)
Cash flows from/(used in) operations		50,642	(258)
Interest received		6,580	3,833
Interest paid, excluding amounts capitalised		(12,578)	(11,829)
Income taxes (paid)/refunded		(1,898)	146
Net cash flows from/(used in) operating activities		42,746	(8,108)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

	Note	2017 $'000	2016 $'000
Cash flows from investing activities			
Advances to investee company		–	(2,690)
Proceeds from sale of fixed assets		–	167
Additions to fixed assets	12	(14,245)	(27,986)
Additions to investment properties	13	(3,556)	–
Dividend income from unquoted investments		–	1,356
(Net loan to)/net repayment of loan from associated companies and joint venture companies		(38,982)	25,145
Proceeds from disposal of subsidiaries		–	6,890
Subscription of notes		–	(4,000)
Proceeds from disposal of a joint venture company	16	15,000	–
Net cash flows used in investing activities		(41,783)	(1,118)
Cash flows from financing activities			
Repayment of finance lease obligations		(72)	(23)
Proceeds from bank loans		61,253	29,082
Repayment of bank loans		(84,395)	(14,549)
Repayment of bonds		(58,750)	(1,250)
Proceeds from bond issuance		75,000	–
Increase in loan from non-controlling interests		6,637	4,917
Dividends paid on ordinary shares of the Company	45	(1,952)	(1,952)
Net cash flows (used in)/from financing activities		(2,279)	16,225
Net (decrease)/increase in cash and cash equivalents		(1,316)	6,999
Effect of exchange rate changes on cash and cash equivalents		172	(1,557)
Cash and cash equivalents at beginning of year		27,768	22,326
Cash and cash equivalents at end of year	A	26,624	27,768

A. Cash and cash equivalents

Cash and cash equivalents consist of fixed deposits and cash and bank balances, as follows:

	Note	2017 $'000	2016 $'000
Fixed deposits	24	3,735	654
Cash and bank balances	25	22,889	27,114
Cash and cash equivalents at end of year		26,624	27,768

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

1. CORPORATE INFORMATION

Heeton Holdings Limited (the "Company") is a limited liability company domiciled and incorporated in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business is located at 60 Sembawang Road, #01-02 Hong Heng Mansions, Singapore 779088.

The Company's principal activities are in property development, investment holding and hospitality. The principal activities of the subsidiaries are set out in Note 14 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars ($ or SGD) and all values in the tables are rounded to the nearest thousand ($'000) except when otherwise indicated.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply a Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the SFRS(I) on 1 January 2018.

On transition to the new financial reporting framework, the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of $9.3 million of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

Other than the effects of the matter as described above and the impact on adoption of the SFRS(I) 15 and SFRS(I) 9, the Group expects that the adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 and SFRS(I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 2.3.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 102 *Classifications and Measurement of Share-Based Payment Transaction*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
Improvements to FRSs (December 2016)	
- Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
FRS 116 *Leases*	1 January 2019
Amendments to FRS 109 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to FRS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Improvement to FRSs (March 2018)	
- Amendments to FRS 103 *Business Combination*	1 January 2019
- Amendments to FRS 111 *Joint Arrangement*	1 January 2019
- Amendments to FRS 12 *Income Taxes*	1 January 2019
- Amendments to FRS 23 *Borrowing Costs*	1 January 2019
Amendments to FRS 110 & FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

<u>FRS 109 *Financial Instruments*</u>

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 ***Standards issued but not yet effective (cont'd)***

Impairment

FRS 109 requires the Group and the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. The Group also plans to apply the following practical expedients:

- For completed contracts, the Group plans not to restate completed contracts that begin and end within the same year or are completed contracts at 1 January 2017, and

- For completed contracts that have variable consideration, the Group plans to use the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year.

The Group expects the following impact upon adoption of FRS 115:

Impact on adoption of FRS 115 on sale of completed development property and pre-completion contracts for sale of development property

(a) Sale of development properties - timing of revenue recognition

The Group currently recognises revenue from the sale of development properties under construction using the percentage of completion method for contracts where the legal terms were such that the construction represented the continuous transfer of work in progress to the purchaser, otherwise, the completed contract method was used. Under FRS 115, for most of its residential and commercial developments, performance obligations for the sale of development properties are satisfied over time where the Group is restricted contractually from directing the properties for another use as they are being developed and has an enforceable right to payment for performance completed to date. For development properties whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset, usually upon vacant possession of the unit. The Group expects that the adoption of FRS 115 will have no material impact on the Group's revenue and cost of properties sold in the year of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 *Standards issued but not yet effective (cont'd)*

FRS 115 *Revenue from Contracts with Customers* (cont'd)

Impact on adoption of FRS 115 on sale of completed development property and pre-completion contracts for sale of development property (cont'd)

(b) Sales commissions paid to sales or marketing agents on the sale of development properties

The Group pays commissions to property agents on the sale of development properties and currently recognises such commissions as expense when incurred. Under FRS 115, the Group will capitalise such commissions as incremental costs to obtain a contract with a customer if these costs are recoverable. These costs are amortised to profit or loss as the Group recognises the related revenue. Upon adoption of FRS 115, the Group expects to capitalise such sales commission as at 1 January 2017 and to record a corresponding adjustment to decrease other operating expenses for the financial year ended 31 December 2017.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

2.4 *Foreign currency*

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Company on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 *Foreign currency (cont'd)*

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.5 *Subsidiaries, basis of consolidation and business combinations*

(a) *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(b) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 *Subsidiaries, basis of consolidation and business combinations (cont'd)*

(c) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.14. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.6 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.7 *Joint arrangements*

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 *Joint arrangements (cont'd)*

(a) Joint operations

The Group recognises in relation to its interest in a joint operation,

(a) its assets, including its share of any assets held jointly;
(b) its liabilities, including its share of any liabilities incurred jointly;
(c) its revenue from the sale of its share of the output arising from the joint operation;
(d) its share of the revenue from the sale of the output by the joint operation; and
(e) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

(b) Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.8.

2.8 *Joint ventures and associates*

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 *Joint ventures and associates (cont'd)*

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates and joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.9 *Fixed assets*

All items of fixed assets are initially recorded at cost. Subsequent to recognition, fixed assets other than freehold and leasehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold and leasehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the end of the reporting period.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	–	Over the remaining lease period
Freehold and leasehold buildings	–	50 years or over the remaining lease period, whichever is shorter
Plant and equipment	–	10 years
Renovations	–	5 to 6 years
Motor vehicles	–	5 to 10 years
Equipment and fixtures	–	3 to 10 years
Furniture and fittings	–	5 to 10 years
Computers	–	3 years

Assets under construction included in fixed assets are not depreciated as these assets are not yet available for use.

NOTES TO THE FINANCIAL STATEMENTS

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(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 ***Fixed assets (cont'd)***

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.10 ***Investment properties***

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for fixed assets set out in Note 2.9 up to the date of change in use. Any difference at that date between the carrying amount of the owner occupied property and its fair value is accounted for in the same way as a revaluation of fixed assets as set out in Note 2.9.

For a transfer from development property to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

2.11 ***Investment property held for sale***

Investment property is transferred to non-current assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property and its sale must be highly probable.

For the sale to be highly probable:
- The Board must be committed to a plan to sell the property and an active programme to locate a buyer and complete the plan must have been initiated
- The property must be actively marketed for sale at a price that is reasonable in relation to its current fair value, and
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

On re-classification as held for sale, investment properties that are measured at fair value continue to be so measured. Assets and liabilities classified as held for sale are presented separately as current items on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

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(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 *Construction contracts*

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date to the estimated costs to complete.

Contract revenue – Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they can be reliably measured.

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

2.13 *Development properties*

Development properties are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Development properties are held as inventories and are measured at the lower of cost and net realisable value under development.

The costs of development properties comprises specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the development property until the completion of development. A development is considered complete on the date of issue of the temporary occupation permit.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

Net realisable value of development properties is the estimated selling price in the ordinary course of the business based on market prices at the end of the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of development properties recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 ***Development properties (cont'd)***

All known or anticipated losses on the development projects are provided for in the year in which such losses are determined.

The Group recognises revenue and cost on development properties that have been sold using the percentage of completion method. Under the percentage of completion method, profits are recognised only in respect of finalised sales agreements and to the extent that such profits relate to the progress of the construction of development properties. When it is probable that the total development costs will exceed the total revenue, the expected loss is recognised as an expense immediately.

Properties under development, the sales of which are recognised using the percentage of completion method

The aggregated costs incurred together with attributable profits and net of progress billings are presented as development properties on the balance sheets.

2.14 ***Intangible assets***

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2.15 ***Impairment of non-financial assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

NOTES TO THE FINANCIAL STATEMENTS

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(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 *Impairment of non-financial assets*

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.16 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

NOTES TO THE FINANCIAL STATEMENTS

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(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 ***Financial instruments (cont'd)***

(a) *Financial assets (cont'd)*

Subsequent measurement (cont'd)

(i) Financial assets at fair value through profit or loss (cont'd)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

NOTES TO THE FINANCIAL STATEMENTS

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(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 ***Financial instruments (cont'd)***

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

Subsequent measurement

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 ***Impairment of financial assets***

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 *Impairment of financial assets (cont'd)*

(a) *Financial assets carried at amortised cost (cont'd)*

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.18 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and at banks and unpledged fixed deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 *Trade and other receivables*

Payment terms granted to customers are in accordance with the progress payment schedule for the purchase of the development properties under construction. Tenants of investment properties are granted payment terms as set out in the respective tenancy agreements.

2.20 *Financial guarantee*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.22 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.23 *Leases*

(a) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 ***Leases (cont'd)***

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.25(III). Contingent rents are recognised as revenue in the period in which they are earned.

2.24 ***Employee benefits***

(a) *Defined contribution plans*

The Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. CPF contributions are recognised as an expense in the period in which the related service is performed.

(b) *Employment leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the end of the reporting period.

2.25 ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

I *Sale of completed development property*

A development property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

II *Sale of development property under construction*

Where development property is under construction and agreement has been reached to sell such property when construction is complete, the Directors consider when the contract comprises:

- A contract to construct a property; or
- A contract for the sale of completed property

(a) Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage of completion method as construction progresses.

(b) Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer (i.e. revenue is recognised using the completed contract method).

(i) If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition is applied and revenue is recognised as work progresses.

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(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 ***Revenue (cont'd)***

II *Sale of development property under construction (cont'd)*

(ii) In Singapore context, INT FRS 115 includes an accompanying note on application of INT FRS 115 in Singapore which requires the percentage of completion method of revenue recognition to be applied to sale of private residential properties in Singapore prior to completion of the properties that are regulated under the Singapore Housing Developers (Control and Licensing) Act (Chapter 130) and uses the standard form of sale and purchase agreements (SPAs) prescribed in the Housing Developers Rules. The accompanying note to INT FRS 115 does not address the accounting treatment for other SPAs, including SPAs with a Deferred Payment Scheme feature in Singapore.

In the above situations (i) and (ii), the percentage of work completed is measured based on the costs incurred up until the end of the reporting periods as a proportion of total costs expected to be incurred.

III *Rental income*

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

IV *Hotel operation income*

Income from hotel operations is recognised when goods are delivered or services are rendered to customers.

V *Interest income*

Interest income is recognised as interest accrues using the effective interest method.

VI *Rendering of services*

Revenue from provision of services is recognised when these services are rendered.

VII *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

2.26 ***Taxes***

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 *Taxes (cont'd)*

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 *Taxes (cont'd)*

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.27 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 44, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.28 *Share capital and share issue expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.29 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.31 *Transfers between levels of the fair value hierarchy*

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statement was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) *Valuation of investment properties and investment property held for sale*

The Group carries its investment properties and investment property held for sale at fair value, with changes in fair values being recognised in profit or loss. The Group engaged independent valuation specialists to determine fair value as at 31 December 2017. The two valuation techniques adopted were the Market Comparable Approach Method and Income Approach Method. The former involves analysing recent sales evidence of similar properties. Adjustments are made to differences in location, age, tenure, floor area, condition, exposure, date of sale, amongst other factors, before arriving at the market value of the property. The latter involves the conversion of the net income of the property into a capital sum at a suitable rate of return which reflects the quality of the investment. The net income is the balance sum after deducting property tax, cost of repairs and maintenance and a reasonable percentage for vacancy from the gross rent. The value of the property is arrived at by capitalising the net rent at a suitable rate of return. The key assumptions used to determine the fair value of these investment properties and investment property held for sale and sensitivity analysis are provide in Note 41. The carrying amount of the Group's investment properties and investment property held for sale at 31 December 2017 was $160,095,000 (2016: $170,050,000) and $51,700,000 (2016: $nil) respectively.

(b) *Carrying value of development properties*

Development properties are stated at the lower of cost and net realisable value.

Net realisable value of development properties is the estimated selling price in the ordinary course of the business, based on market prices at the end of the reporting period and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale. The carrying amount of development properties at the end of the reporting period is disclosed in Note 20 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.1 *Key sources of estimation uncertainty (cont'd)*

(b) *Carrying value of development properties (cont'd)*

The Group's accounting policy on development properties requires all known or anticipated losses on the development projects to be provided for in the year in which such losses are determined. Estimating such losses requires the Group to make an estimate of the expected selling price of the unsold development properties based on recent transactions or open market valuation of the unsold units. The Group also estimates the total development costs to determine the extent of the anticipated losses, if any. Changes in the estimated selling price of the development properties due to market conditions and revisions of the total estimated development costs will therefore impact the anticipated losses recognised, and therefore provision for foreseeable losses on development properties could be revised. The Group recognised no provision for foreseeable loss for the current period (2016: $nil). The Group's share of associates' results included a $1.2 million (2016: $6.4 million) provision for foreseeable loss for the current period.

(c) *Revenue recognition on development properties under construction*

The Group recognises revenue for pre-completion sales of certain types of properties by reference to the stage of completion using the percentage of completion method. The stage of completion is measured based on the costs incurred up until the end of the reporting periods as a proportion of total costs expected to be incurred. The percentage of completion method involves the use of significant management judgement and estimates including estimates of progress towards completion, scope of deliveries and services required, total contract cost and remaining cost to completion that affect the stage of completion computation. In making these estimates, management has relied on past experience and knowledge of the project engineers. The carrying amounts of assets as well as the revenue from sale of development properties (recognised on percentage of completion basis) are disclosed in Note 20 and Note 4 to the financial statements respectively.

(d) *Income taxes*

The Group's exposure to income taxes mainly arises from Singapore. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of the Group's income tax payable and deferred tax liabilities at 31 December 2017 was $3,887,000 (2016: $1,955,000) and $867,000 (2016: $3,125,000) respectively.

(e) *Impairment of loans and receivables*

The Group follows the guidance of FRS 39 in determining when a financial asset is impaired. This determination requires significant judgement. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. The impairment loss on trade receivables and other receivables are disclosed in Notes 21 and 22 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.2 *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) *Classification of property*

The Group determines whether a property is classified as investment property, development property or fixed assets as follows:

- Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income or for capital appreciation, or both.

- Development property comprises property that is held for sale in the ordinary course of business. Principally, this is residential and commercial property that the Group develops and intends to sell before or on completion of construction.

- Fixed assets comprises land and buildings (principally hotel properties) which are held for use in the supply of services to earn hotel operation income.

(b) *Classification of investments as associated companies*

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

Management has determined that it does not have control or joint control over its associated companies. The Group's associated companies are disclosed in Note 15 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

4. REVENUE

	Group	
	2017	**2016**
	$'000	$'000
Revenue from sale of development properties (recognised on completed contract basis)	26,570	886
Revenue from sale of development properties (recognised on percentage of completion basis)	3,221	41,710
Total revenue from sale of development properties	29,791	42,596
Rental and related income from investment properties	13,357	13,300
Hotel operation income	12,830	9,825
Management fee income	1,120	1,152
Other rental income	33	496
	57,131	67,369

5. OTHER OPERATING INCOME

	Group	
	2017	**2016**
	$'000	$'000
Forfeiture of deposits	1,918	64
Tentage and other rental	201	209
Management fee income from associated companies and joint venture companies	2,120	2,104
Dividend income from other investments	–	1,356
Others	274	355
	4,513	4,088

6. PERSONNEL EXPENSES

	Group	
	2017	**2016**
	$'000	$'000
Salaries and bonuses	10,409	7,043
Central Provident Fund contributions	437	340
Other staff costs	326	371
	11,172	7,754

Personnel expenses include directors' remuneration set out in Note 9.

NOTES TO THE FINANCIAL STATEMENTS

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(In Singapore dollars)

7. DISPOSAL OF SUBSIDIARIES

On 30 September 2016, the Group disposed of its 100% interest in subsidiaries, Heeton Residence Pte. Ltd. and Heeton Realty Pte. Ltd.. The total disposal consideration of $21.0 million is to be settled in cash, of which $7.0 million was received during the year ended 31 December 2016 and $14.0 million is due in September 2018. As at 31 December 2017, the $14.0 million receivable has been classified as current other receivables on the Group and the Company's balance sheets.

Financial performance of subsidiaries disposed

The results of the disposed subsidiaries from 1 January 2016 to the date of disposal on 30 September 2016 are presented below:

	$'000
Revenue and other income	576
Expenses	(6,173)
Loss before tax	(5,597)
Tax expense	(48)
Loss for the period	(5,645)

Assets and liabilities of disposed subsidiaries

The major classes of assets and liabilities of the subsidiaries disposed on 30 September 2016 were as follows:

	$'000
Assets and liabilities disposed	
Development property	105,307
Trade receivables	26
Other receivables	7
Prepayments	19
Cash and cash equivalents	110
Trade and other payables	(537)
Bank term loans	(74,139)
Income tax payable	(2,124)
Total net assets disposed	28,669

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

7. DISPOSAL OF SUBSIDIARIES (CONT'D)

Loss on disposal of subsidiaries

	2016
	$'000
Present value of consideration, net of costs of disposal*	18,313
Less: Net assets disposed	(28,669)
Loss on disposal after tax	(10,356)

* Costs of disposal includes a $1,374,000 loss arising from the Group's agreement to provide interest support for a period of 3 years relating to the purchasers' advances to the disposed subsidiaries.

Cash flows from disposal of subsidiaries

	2016
	$'000
Cash received	7,000
Less: Cash and cash equivalents of subsidiaries disposed	(110)
Net cash inflow	6,890

8. FINANCE EXPENSES/(INCOME)

	Note	Group 2017	Group 2016
		$'000	$'000
(a) ***Finance expenses***			
Interest expense on:			
- bank loans		7,457	9,104
- bonds		4,421	3,507
- advances from associated companies/joint venture companies		775	763
- advances from non-controlling interests		905	951
- others		–	125
		13,558	14,450
Less: Interest capitalised in fixed assets	12	(768)	(795)
Less: Interest capitalised in development properties	20	(212)	(1,826)
		12,578	11,829

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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8. FINANCE EXPENSES/(INCOME) (CONT'D)

	Note	Group 2017 $'000	Group 2016 $'000
(b) *Finance income*			
Interest income from loans and receivables:			
- fixed deposits		(24)	(31)
- loans to associated companies		(1,197)	(1,514)
- loans to investee companies		–	(117)
- loans to joint venture companies		(3,191)	(2,121)
- promissory notes and other receivables		(2,168)	(50)
		(6,580)	(3,833)

9. PROFIT BEFORE TAX

Profit before tax is determined after charging/(crediting) the following:

	Note	Group 2017 $'000	Group 2016 $'000
Audit fees paid to:			
- auditor of the Company		198	241
- other auditors		193	76
Non-audit fees paid to:			
- auditor of the Company		185	80
- other auditors		20	78
Directors' remuneration		2,633	1,360
Directors' fees		381	330
Repairs and maintenance on investment properties		775	866
Amortisation of prepayment of fees for extension of sales period of unsold units of a development property		–	4,368
Impairment loss on other receivables	22	1,000	–
Property tax		2,299	1,876
Operating lease expenses		230	167
Fair value (gain)/loss on derivative financial instruments		(75)	126

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

10. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group	
	2017	**2016**
	$'000	$'000
Statement of comprehensive income:		
Current income tax:		
- Current year	3,587	1,932
- Under-provision in respect of previous years	239	1,138
	3,826	3,070
Deferred income tax:		
- Origination and reversal of temporary differences	(2,397)	1,765
- Under-provision in respect of previous years	128	–
	(2,269)	1,765
Income tax expense recognised in profit or loss	1,557	4,835
Other comprehensive income:		
- Net surplus on revaluation of freehold and leasehold land and buildings	–	793
- Share of other comprehensive income of associated companies	–	42
	–	835

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

10. INCOME TAX EXPENSE (CONT'D)

Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group	
	2017	**2016**
	$'000	$'000
Profit before tax	73,188	17,065
Tax at the domestic rates applicable to profits in the countries where the Group operates	12,918	3,462
Adjustments:		
Non-deductible expenses	1,842	3,081
Income not subject to taxation	(12,104)	(656)
Effect of tax rebate and partial tax exemption	(286)	(444)
Benefits from previously unrecognised tax losses	(41)	–
Deferred tax assets not recognised	340	41
Under-provision in respect of previous years	367	1,138
Share of results of associated companies/joint venture companies	(2,007)	(3,345)
Tax losses not allowed to be carried forward	467	1,536
Others	61	22
Income tax expense recognised in profit or loss	1,557	4,835

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2017	**2016**
	$'000	$'000
Profit for the year attributable to owners of the Company used in the computation of basic earnings per share and diluted earnings per share	70,993	12,481
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares for basic earnings per share and diluted earnings per share computation	325,156	325,156

NOTES TO THE FINANCIAL STATEMENTS

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12. FIXED ASSETS

	At valuation		At cost						
	Freehold and leasehold land	Freehold and leasehold buildings[1]	Plant and equipment	Renovations	Motor vehicles	Equipment and fixtures	Furniture and fittings	Computers	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
Cost or valuation:									
At 1 January 2016	56,007	47,870	3,700	496	696	610	889	373	110,641
Additions[2]	135	14,505	–	128	790	34	325	207	16,124
Acquisition of businesses[2]	868	9,705	–	–	–	–	1,652	–	12,225
Disposal	–	–	–	–	(538)	–	–	(2)	(540)
Revaluation surplus	1,778	2,388	–	–	–	–	–	–	4,166
Elimination of accumulated depreciation on revaluation	–	(796)	–	–	–	–	–	–	(796)
Exchange differences	(8,434)	(7,283)	–	–	–	(38)	(342)	–	(16,097)
At 31 December 2016 and 1 January 2017	50,354	66,389	3,700	624	948	606	2,524	578	125,723
Additions[2]	7,268	6,159	–	–	–	104	554	160	14,245
Transfer from development properties	1,091	1,745	–	–	–	–	–	–	2,836
Exchange differences	571	618	–	–	2	(4)	185	2	1,374
At 31 December 2017	59,284	74,911	3,700	624	950	706	3,263	740	144,178
Accumulated depreciation:									
At 1 January 2016	–	–	3,444	479	691	199	305	281	5,399
Charge for the year	–	844	70	20	58	53	248	77	1,370
Elimination of accumulated depreciation on revaluation	–	(796)	–	–	–	–	–	–	(796)

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

12. FIXED ASSETS (CONT'D)

	At valuation		At cost							
	Freehold and leasehold land	Freehold and leasehold buildings[1]	Plant and equipment	Renovations	Motor vehicles	Equipment and fixtures	Furniture and fittings	Computers	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
Accumulated depreciation (cont'd)									
Disposal	–	–	–	–	(538)	–	–	(2)	(540)
Exchange differences	–	(48)	–	–	–	–	–	–	(48)
At 31 December 2016 and 1 January 2017	–	–	3,514	499	211	252	553	356	5,385
Charge for the year	8	749	70	30	158	92	360	98	1,565
Exchange differences	–	8	–	–	–	(69)	(2)	–	63
At 31 December 2017	8	757	3,584	529	369	252	911	454	6,887
Net carrying amount:									
At 31 December 2017	59,276	74,154	116	95	581	431	2,352	286	137,291
At 31 December 2016	50,354	66,389	186	125	737	354	1,971	222	120,338

(1) As at 31 December 2017, included in freehold and leasehold buildings is an amount of $10,104,000 (2016: $18,496,000) which relates to expenditure for a hotel in the course of construction.

(2) During the year, the Group acquired fixed assets of 14,245,000 (2016: $28,349,000) (including fixed assets resulting from acquisition of businesses). The additions include paid amounts of 14,245,000 (2016: $27,986,000) and unpaid amounts of $nil (2016: $363,000) as at 31 December 2017.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

12. FIXED ASSETS (CONT'D)

	Renovations	Motor vehicles	Equipment and fixtures	Furniture and fittings	Computers	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Company						
Cost:						
At 1 January 2016	12	330	71	18	369	800
Additions	–	498	–	–	61	559
Disposal	–	(330)	–	–	(2)	(332)
At 31 December 2016 and 1 January 2017	12	498	71	18	428	1,027
Additions	–	–	–	–	154	154
At 31 December 2017	12	498	71	18	582	1,181
Accumulated depreciation:						
At 1 January 2016	12	325	71	18	279	705
Charge for the year	–	18	–	–	59	77
Disposal	–	(330)	–	–	(2)	(332)
At 31 December 2016 and 1 January 2017	12	13	71	18	336	450
Charge for the year	–	99	–	–	58	157
At 31 December 2017	12	112	71	18	394	607
Net carrying amount:						
At 31 December 2017	–	386	–	–	188	574
At 31 December 2016	–	485	–	–	92	577

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(In Singapore dollars)

12. FIXED ASSETS (CONT'D)

Acquisition of business

In 2016, the Group acquired a hotel business for a consideration of £6.1 million (equivalent to approximately $12.2 million). In 2015, the Group acquired a hotel business for a consolidated of £1.6 million (equivalent to approximately $3.2 million) (the "2015 acquisition").

The Group recorded these transactions based on the Purchase Price Allocation ("PPA"), whereby the Group allocated the purchase price into various assets acquired and liabilities assumed from the these acquisitions.

Management engaged independent valuation specialists to assist them with the PPAs, including the identification and fair value measurement of the assets acquired and liabilities assumed and the purchase consideration was allocated to land, buildings and furniture and fittings. No goodwill was recognised from these acquisitions.

The provisional PPA of the 2015 acquisition was finalised in 2016. As a result, reclassification to cost or valuation of fixed assets as at 31 December 2015 and 1 January 2016 have been made in 2016.

Revaluation of freehold and leasehold land and buildings

The Group's freehold and leasehold land and buildings were last revalued on 31 December 2016 by, Savills (UK) Limited, an independent valuation specialist engaged by the Group. Details of the valuation techniques and inputs used are disclosed in Note 41.

If the freehold and leasehold land and buildings were measured using the cost model, the carrying amounts would be as follows:

	Group	
	2017	**2016**
	$'000	$'000
Freehold and leasehold land		
- Cost	57,482	48,576
- Accumulated depreciation	(8)	–
- Net carrying amount	57,482	48,576
Freehold and leasehold buildings		
- Cost	73,859	65,081
- Accumulated depreciation	(2,073)	(1,080)
- Net carrying amount	71,786	53,159

Capitalisation of borrowing costs

During the financial year, borrowing costs of $768,000 (2016: $795,000), arising from borrowings obtained specifically for the freehold land and buildings were capitalised. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation range from 2.10% to 3.85% (2016: 3.45% to 4.32%) per annum.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

12. FIXED ASSETS (CONT'D)

Assets held under finance leases

As at 31 December 2017, the Group and Company have motor vehicles held under finance leases with a net carrying amount of approximately $541,000 and $386,000 (2016: $685,000 and $485,000) respectively.

Assets pledged as security

The Group's freehold and leasehold land and buildings are mortgaged to banks to secure banking facilities granted to the Group (Note 30).

13. INVESTMENT PROPERTIES

	Group	
	2017	**2016**
	$'000	$'000
Balance sheet		
Investment properties		
Balance at beginning of year	170,050	173,980
Exchange differences	403	(4,472)
Additions resulting from acquisition of properties	3,556	–
Additions resulting from subsequent expenditure	710	–
Gains from fair value adjustments recognised in profit or loss	37,076	542
	211,795	170,050
Transferred to as investment property held for sale[1]	(51,700)	–
Balance at year of year	160,095	170,050
Investment property held for sale		
Balance at beginning of year	–	–
Transferred from investment properties[1]	51,700	–
Balance at year of year	51,700	–

[1] The Group entered into a sale and purchase agreement for the disposal of an investment property, The Woodgrove, in December 2017. The investment property is classified as investment property held for sale as at 31 December 2017.

Statement of comprehensive income:		
Rental income from investment properties and investment property held for sale:		
- Minimum lease payments	13,357	13,300
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	3,196	3,012

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

13. INVESTMENT PROPERTIES (CONT'D)

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Investment properties and investment property held for sale are stated at fair value, which has been determined based on valuations performed as at 31 December 2017 and 31 December 2016. The valuations were performed by Colliers International Consultancy & Valuation (Singapore) Pte Ltd, Savills Valuation and Professional Services (S) Pte Ltd, Knight Frank LLP and DeVilliers Chartered Surveyors, independent valuers with recognised and relevant professional qualifications and with recent experience in the location and category of the properties being valued. Details of valuation technique and inputs used are disclosed in Note 41.

All investment properties and investment property held for sale are mortgaged to banks to secure banking facilities granted to the Group (Note 30).

The Group's investment properties and investment property held for sale as at 31 December are as follows:

Description and location	Existing use	Tenure	Unexpired lease term	Group	
				2017	2016
				$'000	$'000
Tampines Mart (Block 5, 7, 9, 11 Tampines Street 32)	Shops	Leasehold	75 years	115,000	104,000
62 Sembawang Road	Transport facility	Freehold	Estate in perpetuity	9,500	9,500
Adam House (7-10 Adam Street, London, United Kingdom)	Serviced office	Freehold	Freehold	32,310	25,350
Sawmill Studio (17-20 Parr Street, London, United Kingdom)	Residential	Freehold	Freehold	3,285	–
The Woodgrove (30 Woodlands Avenue 1)(1)	Shops	Leasehold	78 years	51,700	31,200

(1) Classified as investment property held for sale as at 31 December 2017 (2016: investment property)

NOTES TO THE FINANCIAL STATEMENTS

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(In Singapore dollars)

14. SUBSIDIARIES

(a) Investment in subsidiaries comprises:

	Company 2017 $'000	Company 2016 $'000
Unquoted equity shares, at cost	26,417	26,417
Less: Impairment losses	(1,834)	(1,834)
Carrying amount of investments	24,583	24,583
Movement of cost of investment:		
At beginning of year	26,417	27,417
Disposal of subsidiaries	–	(1,000)
At end of year	26,417	26,417
Movement of impairment losses:		
At the beginning and end of year	1,834	1,834

	Name of company (Country of incorporation and place of business)	Principal activities	Equity interest held by the Group 2017 %	Equity interest held by the Group 2016 %	Cost of investment by the Company 2017 $'000	Cost of investment by the Company 2016 $'000
	Held by the Company					
*	Heeton Estate Pte Ltd (Singapore)	Property investment holding	100	100	22,962	22,962
*	Heeton Venture (Overseas) Pte. Ltd. (Singapore)	Investment holding	100	100	99	99
*	Heeton Land Pte. Ltd. (Singapore)	Property development and property investment holding	100	100	976	976
*	Heeton Management Pte Ltd (Singapore)	Provision of administrative and management services	100	100	45	45
*	Heeton Properties Pte. Ltd. (Singapore)	Investment holding and leasing agent	100	100	501	501
*	Heeton Venture (Asia) Pte. Ltd. (Singapore)	Investment holding	100	100	–[@]	–[@]

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

14. SUBSIDIARIES (CONT'D)

(a) Investment in subsidiaries comprises: (cont'd)

	Name of company (Country of incorporation and place of business)	Principal activities	Equity interest held by the Group 2017 %	Equity interest held by the Group 2016 %	Cost of investment by the Company 2017 $'000	Cost of investment by the Company 2016 $'000
	Held by the Company (cont'd)					
*	Heeton Venture (China) Pte. Ltd. (Singapore)	Investment holding	100	100	–[@]	–[@]
*	Heeton Homes Pte. Ltd. (Singapore)	Investment holding	100	100	–[@]	–[@]
*	Heeton Capital Pte. Ltd. (Singapore)	Investment holding	100	100	–[@]	–[@]
*	MHP Pte. Ltd. (Singapore)	Investment holding	100	100	–[@]	–[@]
*	Heeton Invesco Pte. Ltd. (Singapore)	Investment holding	100	100	–[@]	–[@]
*	Heeton Corporation Pte. Ltd. (Singapore)	Investment holding	100	100	–[@]	–[@]
	Held through subsidiaries					
*	Kim Leong Development Pte Ltd (Singapore)	Dormant	100	100	–	–
*	Prospere Development Pte. Ltd. (Singapore)	Investment holding	100	100	–	–
*	Prospere Holdings Pte. Ltd. (Singapore)	Investment holding	70	70	–	–

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

14. SUBSIDIARIES (CONT'D)

(a) Investment in subsidiaries comprises: (cont'd)

	Name of company (Country of incorporation and place of business)	Principal activities	Equity interest held by the Group 2017 %	Equity interest held by the Group 2016 %	Cost of investment by the Company 2017 $'000	Cost of investment by the Company 2016 $'000
	Held through subsidiaries (cont'd)					
**	Fortitude Valley (Hotels) Pty Ltd (Australia)	Property investment holding	70	70	–	–
*	Wickham Invesco Pte. Ltd. (Singapore)	Investment holding	55	55	–	–
**	Wickham 186 Pty Ltd (Australia)	Investment holding	55	55	–	–
*	Adam Street Pte. Ltd. (Singapore)	Investment holding	75	75	–	–
**	Acework Limited (British Virgin Islands)	Property investment holding	75	75	–	–
***	Adam Street Limited (England & Wales)	Property management	75	75	–	–
**	General Wealth Holdings Limited (British Virgin Islands)	Property development	100	100	–	–
*	Venture (UK) Pte. Ltd. (Singapore)	Investment holding	80	80	–	–
**	Chatteris Development Limited (British Virgin Islands)	Investment holding	80	80	–	–
***	Woodley Hotels (Kensington) Limited (England & Wales)	Property investment holding	80	80	–	–
***	Chatteris Kensington Limited (England & Wales)	Hotel operation	80	80	–	–

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(In Singapore dollars)

14. SUBSIDIARIES (CONT'D)

(a) Investment in subsidiaries comprises: (cont'd)

	Name of company (Country of incorporation and place of business)	Principal activities	Equity interest held by the Group		Cost of investment by the Company	
			2017	2016	2017	2016
			%	%	$'000	$'000
	Held through subsidiaries (cont'd)					
**	Ace Zone Holdings Limited (Incorporated in British Virgin Islands, place of business in England & Wales)	Property development and property investment holding	60	60	–	–
*	Glenthorne Pte. Ltd. (Singapore)	Investment holding	60	60	–	–
**	Hoxton Investments Limited (British Virgin Islands)	Property development and property investment holding	100	100	–	–
*	Fairmont Land Pte. Ltd. (Singapore)	Investment holding	55	55	–	–
**	Ultra Assets Holdings Limited (Incorporated in British Virgin Islands, place of business in England & Wales)	Property development and property investment holding	55	55	–	–
**	Horizon Glory Holdings Limited (British Virgin Islands)	Investment holding	55	55	–	–
****	Gloucester Corinium Avenue Hotel Limited (England & Wales)	Property investment holding	55	55	–	–
****	Ensco 1154 Limited (England & Wales)	Hotel operation	55	55	–	–
**	Joy Light Ventures Limited (British Virgin Islands)	Investment holding	55	55	–	–

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

14. SUBSIDIARIES (CONT'D)

	Name of company (Country of incorporation and place of business)	Principal activities	Equity interest held by the Group 2017 %	Equity interest held by the Group 2016 %	Cost of investment by the Company 2017 $'000	Cost of investment by the Company 2016 $'000
	Held through subsidiaries (cont'd)					
****	Bradford Prince Court Hotel Limited (England & Wales)	Property investment holding	55	55	–	–
****	Ensco 1155 Limited (England & Wales)	Hotel operation	55	55	–	–
****	Heeton SG50 Limited (England & Wales)	Provision of administrative and management services	100	100	–	–
****	Luma Concept Hotel Limited (England & Wales)	Hotel operation	60	60	–	–
**	Hoxton One Limited (British Virgin Islands)	Property investment holding	100	100	–	–
**	Hoxton Five Limited (British Virgin Islands)	Property investment holding	100	100	–	–
**	Hoxton Eight Limited (British Virgin Islands)	Property investment holding	100	100	–	–
*	Oldham Street Pte. Ltd. (Singapore)	Property investment holding	50	–	–	–
**	Treasure Choice Enterprises Limited (British Virgin Islands)	Property investment holding	50	–	–	–
*****	Heeton Hospitality (IHQ) Limited (Thailand)	Dormant	100	–	–	–
*	Leeds Bridge Pte. Ltd. (Singapore)	Dormant	100	–	–	–
**	Ease Treasure Holdings Limited (British Virgin Islands)	Property investment holding	100	–	–	–
					24,583	24,583

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

14 SUBSIDIARIES (CONT'D)

* Audited by Ernst & Young LLP, Singapore.
** Not required to be audited in the respective country of incorporation.
*** Audited by a member firm of EY Global.
**** Audited by LB Group, United Kingdom.
***** Audited by Horwath (Thailand) Limited.

@ $2 comprising two subscriber shares of $1 each.

(b) Interest in subsidiaries with material non-controlling interest (NCI)

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(loss) allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period	Dividends paid to NCI
			$'000	$'000	$'000
31 December 2017:					
Chatteris Development Limited	British Virgin Islands	20%	(313)	(960)	–
Woodley Hotels (Kensington) Limited	England & Wales	20%	(21)	3,344	–
Acework Limited	British Virgin Islands	25%	1,834	1,634	–
31 December 2016:					
Chatteris Development Limited	British Virgin Islands	20%	(317)	(568)	–
Woodley Hotels (Kensington) Limited	England & Wales	20%	717	3,820	–
Acework Limited	British Virgin Islands	25%	(245)	213	–

Significant restrictions:

There are no significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests.

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(In Singapore dollars)

14. SUBSIDIARIES (CONT'D)

(c) *Summarised financial information about subsidiaries with material NCI*

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	Woodley Hotels (Kensington) Limited		Chatteris Development Limited		Acework Limited	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000	$'000	$'000
Current						
Assets	825	1,589	8,031	7,945	1,249	1,147
Liabilities	(6,979)	(6,277)	(38,200)	(36,156)	(11,944)	(11,917)
Net current liabilities	(6,154)	(4,688)	(30,169)	(28,211)	(10,695)	(10,770)
Non-current						
Assets	50,183	49,594	25,368	25,368	32,310	24,797
Liabilities	(21,296)	(22,368)	–	–	(15,078)	(14,878)
Net non-current assets	28,887	27,226	25,368	25,368	17,232	9,919
Net assets/(liabilities)	22,733	22,538	(4,801)	(2,843)	6,537	(851)
Summarised statement of comprehensive income						
Revenue	1,709	1,718	–	–	854	859
Profit/(loss) before income tax	169	543	(1,567)	(1,584)	7,419	(979)
Income tax expense	(275)	–	–	–	–	–
(Loss)/profit after tax	(106)	543	(1,567)	(1,584)	(82)	(979)
Other comprehensive income	–	3,042	–	–	–	–
Total comprehensive (expense)/ income	(106)	3,585	(1,567)	(1,584)	7,337	(979)
Other summarised information						
Net cash flows generated from/ (used in) operations	1,287	(595)	(20)	2,552	87	277
Acquisition of significant fixed assets	(490)	(291)	–	–	–	–

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(In Singapore dollars)

15. ASSOCIATED COMPANIES

The Group's material investment in associated companies are summarised below:

	Group	
	2017	2016
	$'000	$'000
Econolodge Co., Ltd	14,348	14,272
Unique Development Pte. Ltd.	3,331	4,814
Unique Realty Pte. Ltd.	4,732	7,226
Unique Consortium Pte. Ltd.	13,582	14,601
Unique Rezi Pte. Ltd.	22,149	21,923
Unique Resi Estate Pte. Ltd.	–	–
Other associated companies	11,784	10,404
	69,926	73,240

The Group has not recognised losses relating to certain associated companies where its share of losses exceeds the Group's interest in these associated companies. The Group's cumulative share of unrecognised losses at the end of the reporting period was $5,695,000 (2016: $6,633,000), of which $174,000 (2016: $78,000) was the share of the current year's losses. The Group has no obligation in respect of these losses.

	Name of company (Country of incorporation and place of business)	Principal activities	Proportion of ownership interest	
			2017	2016
			%	%
	Held through subsidiaries			
**	Dalvey Estate Ltd (Thailand)	Property development	38.98	38.98
**	Dalvey Residence Co., Ltd (Thailand)	Property development and investment holding	38.98	38.98
**	Dalvey Holdings Ltd (Thailand)	Investment holding	49.00	49.00
***	Residenza Pte. Ltd. (Singapore)	Property development	36.00	36.00
***	Unique Realty Pte. Ltd. (Singapore)	Property development	40.00	40.00
***	Unique Consortium Pte. Ltd. (Singapore)	Investment holding	35.00	35.00

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(In Singapore dollars)

15. ASSOCIATED COMPANIES (CONT'D)

	Name of company (Country of incorporation and place of business)	Principal activities	Proportion of ownership interest 2017 %	2016 %
***	Unique Capital Pte. Ltd. (Singapore)	Investment holding	40.00	40.00
***	Unique Development Pte. Ltd. (Singapore)	Property development	45.00	45.00
***	Unique Invesco Pte. Ltd. (Singapore)	Investment holding	25.00	–
***	Unique Rezi Pte. Ltd. (Singapore)	Investment holding	42.00	42.00
##	Jiujiang Heeton Enterprise Ltd (China)	Dormant	30.00	30.00
***	Unique Resi Estate Pte. Ltd. (Singapore)	Property development	30.00	30.00
##	Unique Wellness Pte. Ltd. (Singapore)	Dormant	20.00	20.00
** @	Dalvey Hospitality Co., Ltd (Thailand)	Investment holding	73.99	73.99
* @	Econolodge Co., Ltd. (Thailand)	Hotel operation and property investment holding	86.74	86.74
###	KBD Westwood Pte. Ltd. (Singapore)	Property development	20.00	20.00
##	186 Wickham Street (Residential) Pty Ltd (Australia)	Property development	33.00	33.00
####	Eden I Residences Pte. Ltd. (Singapore)	Investment holding	30.00	30.00
***	Prospere Hotels Pte. Ltd. (Singapore)	Investment holding	30.00	30.00
***	SH Sapporo Pte. Ltd. (Singapore)	Investment holding	20.00	20.00

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

15. ASSOCIATED COMPANIES (CONT'D)

	Name of company (Country of incorporation and place of business)	Principal activities	Proportion of ownership interest 2017 %	2016 %
	Held through subsidiaries (cont'd)			
***	Development 24 Pte. Ltd. (Singapore)	Property development	10.00	–
***	Development 26 Pte. Ltd. (Singapore)	Property development	10.00	–
***	Development 32 Pte. Ltd. (Singapore)	Property development	10.00	–
****	KAP Holding (China) Pte. Ltd. (Singapore)	Investment holding	15.00	–
******	Unique Commercial Pte. Ltd. (Singapore)	Property development	15.00	–
#####	Panareno Sdn. Bhd.	Property development	15.00	–
	Held through associated companies			
**	Dalvey Park Co., Ltd (Thailand)	Investment holding	48.99	48.99
######	G.E.T. Realty Co. Ltd (Thailand)	Dormant	38.98	38.98
*	Barracuda Group Co., Ltd (Thailand)	Hotel operation and property investment holding	38.98	38.98
**	Dalvey Place Co., Ltd (Thailand)	Property development and property investment holding	48.99	48.99
######	Dalvey Homes Co., Ltd (Thailand)	Dormant	48.99	48.99
#	Oxley Viva Pte. Ltd. (Singapore)	Property development	12.25	12.25
#	Oxley YCK Pte. Ltd. (Singapore)	Property development	12.25	12.25

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(In Singapore dollars)

15. ASSOCIATED COMPANIES (CONT'D)

	Name of company (Country of incorporation and place of business)	Principal activities	Proportion of ownership interest 2017 %	2016 %
	Held through associated companies (cont'd)			
#	Oxley Sanctuary Pte. Ltd. (Singapore)	Property development	12.60	12.60
***	Mountbatten Edge Pte. Ltd. (Singapore)	Property investment holding	16.00	16.00
##	Manchester Property Holdings Ltd (Jersey)	Property investment holding	30.00	30.00
*****	Ensco 1160 Limited (England and Wales)	Hotel operation	30.00	30.00
##	Ippan Shadan Hojin SH002 (Japan)	Investment holding	20.00	20.00
##	Godo Kaisha GK002 (Japan)	Property investment holding	20.00	20.00
#	Oxley Serangoon Pte. Ltd. (Singapore)	Property Development	5.00	–
*******	Sino-Singapore KAP Construction Co., Ltd (People's Republic of China)	Property Development	7.50	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

15. ASSOCIATED COMPANIES (CONT'D)

* Audited by member firm of Ernst & Young Global in Thailand.
** Audited by Horwath (Thailand) Limited.
*** Audited by Ernst & Young LLP, Singapore.
**** Audited by Deloitte & Touche LLP, Singapore.
***** Audited by LB Group, United Kingdom
****** Audited by Baker Tilly TFW LLP, Singapore.
******* Audited by Baoding Jiahe Certified Public Accountants Co., Ltd, People's Republic of China
\# Audited by RSM Chio Lim LLP, Singapore.
\## Not required to be audited in the respective country of incorporation.
\### Audited by Pricewaterhousecoopers LLP, Singapore.
\#### Audited by CPA Link Certified Public Accountants, Singapore.
\##### Audited by Cherng & Co., Charted Accountants (M), Malaysia.
\######Audited by Orbis Legal Advisory LLP, Thailand.
@ Classified as associated companies based on agreed terms in the shareholders agreement that the Group does not have control.

Aggregate information about the Group's investments in associated companies that are not individually material are as follows:

	Group	
	2017	**2016**
	$'000	$'000
Profit/(losses) after tax from continuing operations	2,492	(6,393)
Other comprehensive income	–	583
Total comprehensive income/(expense)	2,492	(5,810)

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15. ASSOCIATED COMPANIES (CONT'D)

The summarised financial information in respect of the material investments in associated companies, based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Econolodge Co., Ltd		Unique Development Pte. Ltd.		Unique Realty Pte. Ltd.		Unique Consortium Pte. Ltd.		Unique Rezi Pte. Ltd.		Unique Resi Estate Pte. Ltd.	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current assets	1,814	1,378	7,643	12,203	15,439	27,757	7,023	41	26	23	38,659	52,560
Non-current assets excluding goodwill	5,644	6,032	941	860	–	–	71,342	102,867	60,518	90,399	–	–
Total assets	7,458	7,410	8,584	13,063	15,439	27,757	78,365	102,908	60,544	90,422	38,659	52,560
Current liabilities	(1,456)	(1,648)	(1,181)	(2,366)	(3,512)	(9,624)	(15)	(5)	(7)	(5)	(21,980)	(31,303)
Non-current Liabilities	–	–	–	–	(98)	(68)	(39,543)	(61,185)	(7,800)	(38,220)	(34,326)	(26,161)
Total liabilities	(1,456)	(1,648)	(1,181)	(2,366)	(3,610)	(9,692)	(39,558)	(61,190)	(7,807)	(38,225)	(56,306)	(57,464)
Net assets	6,002	5,762	7,403	10,697	11,829	18,065	38,807	41,718	52,737	52,197	(17,647)	(4,904)
Net assets excluding goodwill	6,002	5,762	7,403	10,697	11,927	18,065	38,807	41,718	52,737	52,197	(17,647)	(4,904)
Proportion of the Group's ownership	86.74%	86.74%	45%	45%	40%	40%	35%	35%	42%	42%	30%	30%
Group's share of net assets/ (liabilities)	5,206	4,998	3,331	4,814	4,732	7,226	13,582	14,601	22,149	21,923	(5,294)	(1,471)
Negative goodwill on acquisition	(564)	(564)	–	–	–	–	–	–	–	–	–	–
Other adjustments	9,706[1]	9,838[1]	–	–	–	–	–	–	–	–	5,294[2]	1,471[2]
Carrying amount of the investment	14,348	14,272	3,331	4,814	4,732	7,226	13,582	14,601	22,149	21,923	–	–

(1) Other adjustments comprise of fair value adjustments to the assets of the associated company.

(2) This has been adjusted against amounts due from associated company (non-current).

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(In Singapore dollars)

15. ASSOCIATED COMPANIES (CONT'D)

Summarised statement of comprehensive income

	Econolodge Co., Ltd		Unique Development Pte. Ltd.		Unique Realty Pte. Ltd.		Unique Consortium Pte. Ltd.		Unique Rezi Pte. Ltd.		Unique Resi Estate Pte. Ltd.	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	3,498	4,274	3,150	6,488	–	–	–	–	–	–	15,980	–
Share of results of associated companies	–	–	–	–	–	–	(2,518)	5,214	589	26,122	–	–
Profit or loss from continuing operations	157	201	(94)	(3,848)	(1,764)	(1,289)	(2,911)	4,696	540	26,005	(12,743)	(5,522)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income/ (expense)	157	201	(94)	(3,848)	(1,764)	(1,289)	(2,911)	4,696	540	26,005	(12,743)	(5,522)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

16. JOINT VENTURE COMPANIES

The Company's investment in joint venture companies comprises:

	Company 2017 $'000	Company 2016 $'000
Unquoted equity shares, at cost	5,000	5,000

The Group's material investments in joint venture companies are summarised below:

	Group 2017 $'000	Group 2016 $'000
Canberra Development Pte Ltd	83,279	77,181
Unique Residence Pte. Ltd.	16,263	4,959
Other joint venture companies	(115)	–
	99,427	82,140

Details of the joint venture companies are as follows:

	Name of company (Country of incorporation and place of business)	Principal activities	Proportion of ownership interest 2017 %	Proportion of ownership interest 2016 %
*	Canberra Development Pte Ltd (Singapore)	Property investment holding	50	50
	Held through subsidiaries			
*	Buildhome Pte. Ltd. (Singapore)	Disposed during the year	–	50
*	Phileap Pte. Ltd. (Singapore)	Property development	25	25
*	Unique Residence Pte. Ltd. (Singapore)	Investment holding	50	50
*	Unique Real Estate Pte. Ltd. (Singapore)	Investment holding	50	–
*	Atlantic Star Pte. Ltd. (Singapore)	Provision of property management	50	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

16. JOINT VENTURE COMPANIES (CONT'D)

Details of the joint venture companies are as follows (cont'd):

	Name of company (Country of incorporation and place of business)	Principal activities	Proportion of ownership interest 2017 %	2016 %
	Held through joint venture companies			
*	Fernvale Development Pte. Ltd. (Singapore)	Property development	20	20
*	CEL Unique Pte. Ltd. (Singapore)	Investment holding	20	–
*	CEL Unique Holding Pte. Ltd. (Singapore)	Investment holding	20	–
*	CEL Unique Development Pte. Ltd. (Singapore)	Property development	20	–

* Audited by Ernst & Young LLP, Singapore.

Summarised financial information in respect of the Group's material investments in joint venture companies, based on its FRS financial statements, and reconciliation with the carrying amount of the investments in the consolidated financial statements are as follows:

Summarised balance sheet

	Canberra Development Pte. Ltd.		Unique Residence Pte. Ltd.	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash and cash equivalents	8,097	6,159	115	168
Other current assets	32,581	31,088	–	–
Trade receivables	551	1,118	–	–
Current assets	41,229	38,365	115	168
Non-current assets	352,603	345,046	120,672	93,716
Total assets	393,832	383,411	120,787	93,884

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

16. JOINT VENTURE COMPANIES (CONT'D)

Summarised balance sheet (cont'd)

	Canberra Development Pte. Ltd.		Unique Residence Pte. Ltd.	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Current liabilities	(7,684)	(9,049)	(48)	(47)
Non-current liabilities (excluding trade, other payables and provision)	(217,000)	(217,000)	(88,214)	(83,918)
Other non-current liabilities	(2,591)	(3,000)	–	–
Total non-current liabilities	(219,591)	(220,000)	(88,214)	(83,918)
Total liabilities	(227,275)	(229,049)	(88,262)	(83,965)
Net assets	**166,557**	**154,362**	**32,525**	**9,919**
Net assets excluding goodwill	**166,557**	**154,362**	**32,525**	**9,919**
Proportion of the Group's ownership	50%	50%	50%	50%
Group's share of net assets	83,279	77,181	16,263	4,959
Carrying amount of the investment	83,279	77,181	16,263	4,959

Summarised statement of comprehensive income

	Canberra Development Pte. Ltd.		Unique Residence Pte. Ltd.	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Revenue	24,351	24,621	–	–
Operating income, net	23,037	37,359	22,524	10,399
Interest income	775	–	3,928	3,946
Interest expense	(4,969)	(5,709)	(3,843)	(3,833)
Profit before tax	18,843	31,650	22,609	10,512
Income tax expense	(1,648)	(1,544)	(3)	(27)
Profit after tax, representing total comprehensive income	17,195	30,106	22,606	10,485

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

16. JOINT VENTURE COMPANIES (CONT'D)

Summarised statement of comprehensive income (cont'd)

Aggregate information about the Group's investments in joint venture companies that are not individually material is as follows:

	Group	
	2017	**2016**
	$'000	$'000
Loss after tax from continuing operations	5,312	5,228
Other comprehensive expense	–	–
Total comprehensive expense	5,312	5,228

Disposal of a joint venture company

On 19 July 2017, the Group disposed of its 50% interest in a joint venture company, Buildhome Pte. Ltd. ("Buildhome") to Central Core Pte. Ltd. ("Central Core") and recorded a gain on disposal of $27,980,000. Toh Giap Eng, the Deputy Chairman and Executive Director and a controlling shareholder of the Company, has a 12.5% shareholding interest in Central Core.

The total disposal consideration of $20.8 million is to be settled in cash, of which $15.0 million was received during the year with the balance to be received in July 2018. The amount receivable from Central Core was novated to the shareholders of Central Core during the financial year. As at 31 December 2017, the amount receivable from shareholders of Central Core, which included an amount of $691,000 (2016: $nil) due from a director of the Company, has been classified as current other receivables on the Group's balance sheets (Note 22).

In addition, as part of the transaction consideration, the Group has agreed to convert the outstanding shareholder loans to Buildhome aggregating $18 million into a 3-year promissory note bearing interest at 5% per annum (Note 22).

17. AMOUNTS DUE FROM/TO ASSOCIATED COMPANIES, JOINT VENTURE COMPANIES AND INVESTEE COMPANIES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Amounts due from associated companies	78,896	66,469	–	–
Amounts due from joint venture companies	87,212	47,082	–	–
Amounts due from investee companies	–	12,021	–	–
	166,108	125,572	–	–
Amounts due to associated companies	38,193	28,152	–	–
Amounts due to joint venture company	16,283	15,508	16,283	15,508
	54,476	43,660	16,283	15,508

Amounts due from/to associated companies, joint venture companies and investee companies are non-trade related, unsecured and are to be settled in cash. These amounts are expected to be repaid from 2019 to 2020.

NOTES TO THE FINANCIAL STATEMENTS

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(In Singapore dollars)

17. AMOUNTS DUE FROM/TO ASSOCIATED COMPANIES, JOINT VENTURE COMPANIES AND INVESTEE COMPANIES (CONT'D)

Amounts due from/to associated companies, joint venture companies and investee companies are non-trade related, unsecured and are to be settled in cash. These amounts are expected to be repaid from 2019 to 2020.

Amounts due to associated companies are non-trade related and interest-free except for an amount of $nil (2016: $28,152,0000) denominated in Singapore Dollars which bear interest at rates ranging from 5.00% to 5.35% per annum.

Amounts due from joint venture companies are interest free except for an amount of $83,307,000 (2016: $44,777,000) which bear interest at rates ranging from 5.00% to 5.35% (2016: 2.30% to 5.35%) per annum. Amounts due to joint venture companies of $15,508,000 (2016: 15,508,000) bear interest at 2.50% (2016: 2.50%) per annum.

In the previous financial year, amounts due from investee companies were interest free except for an amount of $3,566,000 which bore interest at 0.25% above the local banks' prime rate per annum.

18. OTHER INVESTMENTS

	Group	
	2017	**2016**
	$'000	$'000
Equity instruments (unquoted), at cost	–	218

19. INTANGIBLE ASSETS

	Goodwill
	$'000
Group	
Cost:	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	175
Accumulated impairment:	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	(66)
Net carrying amount:	
At 31 December 2016 and 31 December 2017	109

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(In Singapore dollars)

19. INTANGIBLE ASSETS (CONT'D)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated for impairment testing purposes to the individual entity which is also the cash-generating unit ("CGU").

Allocated goodwill based on the CGU is as follows:

	Carrying amount as at		Basis on which recoverable amount is determined	Pre-tax discount rate
	2017	**2016**		
	$'000	$'000		
Heeton Estate Pte Ltd	109	109	Value-in-use	10%

A summary of goodwill allocated to the reportable segments to which this CGU belongs is presented below:

	Property investment
	$'000
Net carrying amount:	
At 31 December 2016 and 2017	109

The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budgets and forecasts approved by management covering a 5-year period. The pre-tax discount rates applied to the cash flow projections are derived from the cost of capital plus a reasonable risk premium. The growth rate during the forecast period has been conservatively assumed to be zero in the absence of a reliable average growth rate for the industry in which the entity operates.

No impairment loss was required for the financial years ended 31 December 2017 and 2016 as the amount of discounted net cash inflows attributable to the CGU was in excess of the carrying amount of the goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

20. DEVELOPMENT PROPERTIES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Comprise of:				
Completed development properties	39,254	–	39,254	–
Development properties under construction	15,585	106,790	–	90,907
	54,839	106,790	39,254	90,907

(i) During the financial year, borrowing costs of $212,000 (2016: $1,826,000), arising from borrowings obtained specifically for the development properties were capitalised. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation range from 2.10% to 2.87% (2016: 2.20% to 3.61%) per annum.

(ii) Development properties amounting to $39,254,000 (2016: $90,907,000) under development have been pledged as security for bank loans (Note 30).

(iii) As at 31 December 2017, the aggregate amount of costs incurred and recognised profits relating to agreements that are in progress at the reporting date for which the Group and the Company recognise revenue using the percentage of completion method amounted to $nil (2016: $113,229,000) and $nil (2016: $15,406,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

20. DEVELOPMENT PROPERTIES (CONT'D)

The development properties held by the Group (excluding associated companies/joint venture companies) as at 31 December 2017 are:

Name and Location	Percentage held (%)	Tenure	Proposed Development	Development	Approximate Land Area (sq m)	Approximate Gross Floor Area (sq m)	Estimated stage of completion as at date of annual report (%) (Expected year of completion)
Onze@Tanjong Pagar at 11 Kee Seng Street	100	Freehold	Commercial and residential	Mixed development consisting of 56 residential units and 13 commercial units	1,373	5,572	100% (FY2017)
New York Road, Leeds, United Kingdom	55	Freehold	Commercial and residential	Proposed development consisting of 700 residential units[1]	8,409	77,749	0% (to be confirmed)

[1] Following the finalisation of the Group's development plans during the financial year, the Group transferred the proportionate cost of the land and building to be used for the hotel operation of $1,091,000 and $1,745,000 respectively to fixed assets (freehold land) (Note 12).

NOTES TO THE FINANCIAL STATEMENTS

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(In Singapore dollars)

21. TRADE RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables	7,801	815	6,737	–
Less: Allowance for impairment	(21)	(21)	–	–
	7,780	794	6,737	–

Movements in allowance for impairment during the year are as follows:

At beginning and end of year	21	21	–	–

Trade receivables are non-interest bearing and are generally on cash basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Receivables that are past due but not impaired

The Group and Company have trade receivables amounting to $485,000 (2016: $794,000) and $nil (2016: $nil) respectively that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period are as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables past due but not impaired:				
Lesser than 30 days	173	685	–	–
30 to 60 days	184	65	–	–
61 to 90 days	42	10	–	–
91 to 120 days	57	3	–	–
More than 120 days	24	31	–	–
	480	794	–	–

Receivables that are impaired

	Group	
	Individually impaired	
	2017	2016
	$'000	$'000
Trade receivables – nominal amounts	21	21
Less: Allowance for impairment	(21)	(21)
	–	–

NOTES TO THE FINANCIAL STATEMENTS

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(In Singapore dollars)

21. TRADE RECEIVABLES (CONT'D)

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

22. OTHER RECEIVABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Non-current portion:				
Senior notes receivables	4,000	4,000	4,000	4,000
Promissory notes receivables	18,000	–	–	–
	22,000	4,000	4,000	4,000
Current portion				
Other receivables	12,805	4,118	4,484	1,553
Less: Allowance for impairment	(1,000)	–	(1,000)	–
	11,805	4,118	3,484	1,553
Deposits	124	3,384	40	5
Promissory notes receivables	14,000	13,297	14,000	13,297
	25,929	20,799	17,524	14,855

Non-current senior notes receivables are unsecured, bear interest at 5.0% and are repayable in 2019.

Non-current promissory notes receivables were entered into during the current year, as part of the Group's disposal of a joint venture company (Note 16). These receivables are unsecured, bear interest at 5.0% per annum (2016: nil) and are repayable in 2020, or if extended, repayable in 2022.

Current promissory notes receivables were entered into during the previous financial year, as part of the Group's disposal of subsidiaries (Note 7). These receivables are unsecured and non-interest bearing for the initial 12 months from 30 September 2016, and if extended, interest will be chargeable at 5.0% per annum thereafter.

Other receivables amounting to $5,524,000 (2016: nil) were related to the Group's disposal of a joint venture company during the financial year (Note 16). These receivables are unsecured and non-interest bearing for the initial 12 months from 19 July 2017, and if extended, interest will be chargeable at 3.0% per annum thereafter. Other receivables amounting to $3,945,000 (2016: $1,500,000) are unsecured, bear interest at 5.0% per annum (2016: 5.0%) and repayable on demand. The remaining current other receivables of $3,336,000 (2016: $2,618,000) are unsecured, non-interest bearing and repayable within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

22. OTHER RECEIVABLES (CONT'D)

Movements in allowance for impairment of other receivables are as follows:

	Group and Company	
	2017	**2016**
	$'000	$'000
At beginning of year	–	–
Charge for the year	(1,000)	–
At end of year	(1,000)	–

Receivables that are impaired

At the end of the reporting period, the Group and the Company had provided an allowance of $1,000,000 (2016: nil) for impairment of other receivables.

23. AMOUNTS DUE FROM/TO SUBSIDIARIES (NON-TRADE)
AMOUNTS DUE FROM RELATED PARTIES (TRADE)
AMOUNTS DUE FROM JOINT VENTURE COMPANY (NON-TRADE)
AMOUNTS DUE FROM JOINT VENTURE COMPANY (TRADE)

These balances are unsecured, non-interest bearing and are repayable on demand except for amounts due from subsidiaries of $180,330,000 (2016: $136,544,000) and amounts due to subsidiaries of $87,885,000 (2016: $59,603,000) which bear interest at 4.50% (2016: 4.50%) per annum. These amounts are to be settled in cash.

	Company	
	2017	**2016**
	$'000	$'000
Amounts due from subsidiaries	232,474	183,496
Less: Allowance for impairment	(4,924)	(4,924)
	227,550	178,572

Movements in allowance for impairment of amounts due from subsidiaries are as follows:

At beginning of year	(4,924)	(5,263)
Write-back during the year	–	339
At end of year	(4,924)	(4,924)

Receivables that are impaired

At the end of the reporting period, the Company has provided an allowance for impairment of $4,924,000 (2016: $4,924,000) of receivables from subsidiaries with a nominal amount of $7,328,000 (2016: $8,862,000). These subsidiaries have been suffering financial losses for the current and past financial years.

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24. FIXED DEPOSITS

The fixed deposits of the Group and the Company have an average maturity of 26 days (2016: 50 days) and 12 days (2016: 5 days) respectively, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate of the fixed deposits as at 31 December 2017 for the Group and the Company were 0.84% (2016: 0.09%) and 0.85% (2016: nil%) respectively.

The Group's and Company's fixed deposits include $3,000,000 (2016: $5,500,000) held under the Housing Developers' (Project Account) Rules 1985, withdrawals from which are specific to payments for expenditure incurred on specified projects.

25. CASH AND BANK BALANCES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Cash at bank	22,889	27,114	4,890	13,436

The Group's and Company's cash at bank includes $573,000 (2016: $3,076,000) held under the Housing Developers' (Project Account) Rules 1985, withdrawals from which are specific to payments for expenditure incurred on specified projects.

26. TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Current portion:				
Financial liabilities				
Accrued operating expenses	5,467	4,225	2,187	1,652
Rental deposits received	1,438	937	28	–
Other deposits received	6,728	123	332	9
Other payables	2,319	81	7	2
	15,952	5,366	2,554	1,663
Non-financial liabilities				
Advance rental received	55	54	5	–
Deferred lease income	117	102	–	–
Provision for interest support	1,374	1,374	1,374	1,374
	17,498	6,896	3,933	3,037

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

27. OTHER PAYABLES AND ACCRUALS (CONT'D)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Non-current portion:				
Financial liabilities				
Rental deposits received	960	1,043	–	–

Provision for interest support arose from Group's agreement to provide interest support for a period of 3 years relating to the purchasers' advances to the disposed subsidiaries, Heeton Residence and Heeton Realty (Note 7).

Other payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2017		**2016**	
	Outstanding notional amounts	**Liabilities**	**Outstanding notional amounts**	**Liabilities**
	$'000	$'000	$'000	$'000
Current:				
Interest rate swaps	15,000	74	15,000	149

The Group enters into interest rate swaps to manage its exposure to interest rate fluctuation on its floating rate loans and borrowings. The interest rate swaps pay floating rate interest equal to 6-month Swaps Offer Rate ("SOR") and receive fixed rates of interest ranging from 1.82% to 2.07% (2016: 1.82% to 2.07%). The interest rate swaps mature within the next 12 months.

The Group has not applied hedge accounting. Fair value gains and losses on interest rate swaps are recognised in profit or loss. The fair values of interest rate swaps shown above are determined by marked-to-market values provided by counterparties. The marked-to-market values obtained are determined by reference to market values for similar instruments.

29. BONDS

Bonds with a face value of $75,000,000 were issued in 2017. The bonds are unsecured, bear interest at a fixed rate of 6.1% per annum and will mature in May 2020.

During the financial year, the Group and the Company fully repaid the outstanding balance of bonds issued in 2014 amounting to $58,750,000. The bonds issued in 2014 were unsecured and bore interest at a fixed rate of 5.9% (2016: 5.9%) per annum.

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(In Singapore dollars)

30. SHORT-TERM BANK LOANS AND BANK TERM LOANS

(a) ***Short-term bank loans***

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Secured	11,500	14,000	11,500	14,000

The Group's and Company's short-term loans are unsecured and bear interest at rates ranging from 2.61% to 3.05% (2016: 2.85% to 3.60%) per annum during the year.

(b) ***Bank term loans***

Details of bank term loans are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Secured	205,076	224,559	24,000	58,745
Repayable:				
- not later than 1 year	82,421	120,713	–	58,745
- 1 year through 5 years	122,655	103,846	24,000	–
	205,076	224,559	24,000	58,745

Terms loans are generally secured by:

- first legal mortgage over the investment properties, development property and freehold and leasehold properties of the Group or Company;
- legal assignment of all sales and leasehold proceeds from the investment properties, development property and freehold and leasehold properties;
- legal assignment of tenancy, rental, lease and licence agreements;
- legal assignment of construction contract(s) and performance bonds;
- legal assignment of fire insurance policy; and
- corporate guarantee by the Company.

The Group's bank term loans bear interest at floating rates ranging from 2.1% to 4.0% (2016: 1.5% to 4.0%) above bank's borrowing rate per annum during the year. The Company's bank term loans bear interest at 2.0% (2016: 2.0%) above bank's borrowing rate per annum during the year.

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31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2016	Cash flow	Non-cash changes		2017
			Foreign exchange movement	Other	
	$'000	$'000	$'000	$'000	$'000
Short-term bank loans (Note 30(a))					
- current	14,000	(2,500)	–	–	11,500
Bank term loans (Note 30(b))					
- current	120,713	(81,895)	577	43,026	82,421
- non-current	103,846	61,253	582	(43,026)	122,655
Finance lease obligations (Note 37)					
- current	76	(72)	–	72	76
- non-current	264	–	–	(72)	192
Bonds (note 29)					
- current	58,750	(58,750)	–	–	–
- non-current	–	75,000	–	–	75,000
Amounts due to non-controlling interests (Note 32)					
- non-current	27,156	6,637	298	–	34,091

32. AMOUNTS DUE TO NON-CONTROLLING INTERESTS (NON-TRADE)

Amounts due to non-controlling interest amounting to $28,870,000 (2016: $22,289,000) are denominated in Pound Sterling. Amounts due to non-controlling interests of $13,880,000 (2016: $19,277,000) bear interest at 5% (2016: 5%) per annum. Amounts due to non-controlling interests of $20,211,000 (2016: $7,879,000) are non-interest bearing. These amounts are unsecured, have no fixed terms of repayment, and are not expected to be repaid within the next 12 months, and are to be settled in cash.

33. DEFERRED TAX LIABILITIES

Deferred tax liabilities arose as a result of:

	Group				Company	
	Consolidated statement of financial position		Consolidated statement of comprehensive income		Statement of financial position	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities						
Provisions	63	2,332	2,269	1,765	32	2,309
Revaluation of land and buildings	804	793	–	–	–	–
	867	3,125			32	2,309
Deferred tax expense			(2,269)	1,765		

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33. DEFERRED TAX LIABILITIES (CONT'D)

As at 31 December 2017, the Group had unutilised tax losses of approximately $2,890,000 (2016: $1,420,000) available for offset against future taxable income, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the Inland Revenue Authority of Singapore and compliance with the relevant provisions of the Singapore Income Tax Act.

Tax consequences of proposed dividends

There are no income tax consequences (2016: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 45).

Unrecognised temporary differences relating to investments in associates

At the end of the reporting period, no deferred tax liability (2016: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's overseas associates as the overseas associates of the Group cannot distribute its earnings until it obtains the consent of the shareholders. At the end of the reporting period, the Group does not foresee giving such consent.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $15,000 (2016: $20,000).

34. SHARE CAPITAL

	Group and Company	
	2017	**2016**
	$'000	$'000
Issued and fully paid:		
At beginning and end of year		
325,156,000 ordinary shares	86,624	86,624

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

35. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

36. ASSET REVALUATION RESERVE

The asset revaluation reserve represents increases in the fair value of freehold and leasehold land and buildings, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

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37. COMMITMENTS

(a) ***Operating lease commitments – as lessee***

As at 31 December 2017, the Group has operating lease commitments in respect of the rental of office premises. These leases have an average tenure of three years. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Operating lease payments recognised in the consolidated statement of comprehensive income during the year amounted to $230,000 (2016: $167,000).

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2017	**2016**
	$'000	$'000
Future minimum payments		
- not later than 1 year	129	129
- 1 year through 5 years	43	211
	172	340

(b) ***Operating lease commitments – as lessor***

The Group has entered into property leases on its investment properties. These non-cancellable leases have remaining lease terms of between one and six years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rental receivables under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2017	**2016**
	$'000	$'000
Lease payments receivables		
- not later than 1 year	6,986	9,479
- 1 year through 5 years	5,488	7,949
- after 5 years	–	174
	12,474	17,602

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37. COMMITMENTS (CONT'D)

(c) ***Finance lease commitments***

	Total minimum lease payments 2017	**Present value of payments 2017**	**Total minimum lease payments 2016**	**Present value of payments 2016**
	$'000	$'000	$'000	$'000
Group				
Within one year	82	76	82	76
After one year but not more than five years	220	192	302	264
Total minimum lease payments	302	268	384	340
Less: Amounts representing finance charges	(34)	–	(44)	–
Present value of minimum lease payments	268	268	340	340

The Group has finance leases for motor vehicles. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. These leases also do not have terms of renewal, purchase options and escalation clauses. The finance lease obligations bear effective interest rate ranging from 2.48% to 2.78% (2016: 2.48% to 2.78%) per annum.

	Total minimum lease payments 2017	**Present value of payments 2017**	**Total minimum lease payments 2016**	**Present value of payments 2016**
	$'000	$'000	$'000	$'000
Company				
Within one year	56	50	56	50
After one year but not more than five years	160	142	216	192
Total minimum lease payments	216	192	272	242
Less: Amounts representing finance charges	(24)	–	(30)	–
Present value of minimum lease payments	192	192	242	242

The Company has finance lease for a motor vehicle. Lease terms do not contain restrictions concerning dividend, additions debt as further leasing. The lease also does not have terms of renewal, purchase options and escalation clauses. The finance lease obligations bear effective interest rate ranging from 2.48% to 2.78% (2016: 2.48% to 2.78%) per annum.

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38. RELATED PARTY TRANSACTIONS

(a) *Sale and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following transactions between the Group and Company and their related parties took place during the year at terms agreed between the parties:

During the year, the Group has engaged a firm of which one of the independent directors of the Company is the chairman, for the provision of marketing and consultancy services for an amount of $nil (2016: $13,000).

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Income				
Interest income				
- subsidiaries	–	–	9,956	9,511
- associated companies	1,197	1,514	–	–
- joint venture companies	3,191	2,121	–	–
- investee companies	–	167	–	–
Management fee income				
- joint venture companies	2,381	2,478	2,000	2,000
- subsidiaries	–	–	1,693	838
- associated companies	859	733	120	104
- related party	45	45	–	–
Expenses				
Management fee paid to a subsidiary	–	–	1,080	648
Interest expenses				
- subsidiaries	–	–	6,032	4,893
- joint venture companies	775	–	775	–
- associated companies	–	763	–	–
Rental paid to related party	129	115	–	–

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38. RELATED PARTY TRANSACTIONS (CONT'D)

(b) ***Compensation of key management personnel***

	Group	
	2017	**2016**
	$'000	$'000
Short-term employee benefits	3,939	2,421
Central Provident Fund contributions	130	106
Other short-term benefits	196	197
	4,265	2,724
Comprise amounts paid to:		
- Directors of the Company	2,633	1,360
- Other key management personnel	1,632	1,364
	4,265	2,724

39. CONTINGENCIES

The Company has provided corporate guarantees to banks and financial institutions of $501,913,000 (2016: $564,032,000) for credit facilities (Note 30) taken by its subsidiaries, joint venture companies, associated companies and investee companies.

The Company has undertaken to provide continuing financial support to certain subsidiaries to enable them to operate as going concerns at least through twelve months from the date of the Directors' statements of the subsidiaries.

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40. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Classification

The table below is an analysis of the carrying amounts of financial instruments by categories as defined in FRS 39 as at 31 December:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Loans and receivables				
Amounts due from associated companies, joint venture companies and investee companies	166,108	125,572	–	–
Trade receivables	7,780	794	6,737	–
Other receivables	47,929	24,799	21,524	18,855
Amounts due from subsidiaries (non-trade)	–	–	227,550	178,572
Amounts due from related parties (trade)	12	14	–	–
Amounts due from joint venture company (non-trade)	401	333	33	33
Amount due from joint venture company (trade)	162	339	–	–
Fixed deposits	3,735	654	3,583	505
Cash and bank balances	22,889	27,114	4,890	13,436
	249,016	179,619	264,317	211,401
Available-for-sale financial assets				
Other investments	–	218	–	–
Financial liabilities measured at amortised cost				
Trade and other payables (current)				
Trade payables	3,820	6,769	2,490	4,615
Other payables and accruals	15,952	5,366	2,554	1,663
Amounts due to subsidiaries	–	–	514	634
	19,772	12,135	5,558	6,912
Other payables (non-current)				
Other payables and accruals	960	1,043	–	–
Total trade and other payables	20,732	13,178	5,558	6,912
Loans and borrowings (current)				
Amounts due to subsidiaries	–	–	88,399	59,603
Finance lease obligations	76	76	50	50
Bonds	–	58,750	–	58,750
Short-term bank loans	11,500	14,000	11,500	14,000
Bank term loans	82,421	120,713	–	58,745
	93,997	193,539	99,949	191,148

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40. CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

Classification (cont'd)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Loans and borrowings (non-current)				
Amounts due to associated companies and joint venture companies (non-trade)	54,476	43,660	16,283	15,508
Amounts due to non-controlling interests (non-trade)	34,091	27,156	–	–
Finance lease obligations	192	264	142	192
Bonds	75,000	–	75,000	–
Bank term loans	122,655	103,846	24,000	–
Total loans and borrowings	380,411	368,465	215,374	206,848
Total finance liabilities measured at amortised cost	401,143	381,643	220,932	213,760
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	74	149	–	–

41. FAIR VALUE OF ASSETS AND LIABILITIES

(a) ***Fair value hierarchy***

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are 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.

(b) ***Fair value of financial instruments that are carried at fair value***

Derivatives are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and interest rate curves.

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(In Singapore dollars)

41. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(c) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

Management has determined that the carrying amounts of cash and bank balances and fixed deposits, current trade and other receivables (including amounts due from subsidiaries, related parties and joint venture company), current trade and other payables (including amounts due to subsidiaries) and accruals, short-term bank loans, current bank term loans and current bonds, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Non-current bank term loans reasonably approximate their fair values as they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

(d) ***Financial instruments carried at other than fair value***

The non-current amounts due from associated companies, joint venture companies and investee companies and non-current amounts due to associated companies, joint venture companies and non-controlling interests have no fixed terms of repayment and are not expected to be repaid within the next 12 months from balance sheet date. The fair values of these amounts are not determinable, as the timing of the future cash flows arising from these amounts cannot be estimated reliably. However, the directors do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be settled.

(e) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value***

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	2017		2016	
	$'000		$'000	
	Carrying amount	Fair value	Carrying amount	Fair Value
Group				
Financial assets:				
Equity instruments (unquoted), at cost	–	*	218	*
Financial liabilities:				
Finance lease obligations	268	302	340	384
Company				
Financial liabilities:				
Finance lease obligations	192	216	242	272

* Investments in equity instruments carried at cost (Note 18)

Fair value of the finance lease obligations has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of leasing arrangements.

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41. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(e) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (cont'd)***

Fair value information has not been disclosed for the Group's investments in unquoted equity securities that are carried at cost because fair value cannot be measured reliably. These equity securities represent ordinary shares in investee companies (Note 18) that are not quoted on any market and do not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of this investment in the foreseeable future.

(f) ***Level 3 fair value measurements***

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements*

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3)

Description	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements			
2017			
Investment properties and investment property held for sale:			
Retail and commercial	Market comparable approach	Yield adjustments *	10% to 20%(1)
	Income approach	Capitalisation rate	5.8% (2) 5% to 8%
Freehold and leasehold land and buildings	Market comparable approach	Yield adjustments*	10% to 20%(1)

* The yield adjustments are made for any difference in the nature, location, condition or size of the specific property.

(1) A significant increase (decrease) in yield adjustments would result in a significantly higher (lower) fair value assessment.

(2) A significant increase (decrease) in capitalisation rate would result in a significantly lower (higher) fair value measurement.

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41. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(f) *Level 3 fair value measurements*

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)*

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3)

Description	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements			
2016			
Investment properties and investment property held for sale:			
Retail and commercial	Market comparable approach	Yield adjustments*	10% to 20%[1]
	Income approach	Capitalisation rate	5.8%[2]
Fixed Assets:			
Freehold and leasehold land and buildings	Market comparable approach	Yield adjustments*	10% to 20%[1]

* The yield adjustments are made for any difference in the nature, location, condition or size of the specific property.

(1) A significant increase (decrease) in yield adjustments would result in a significantly higher (lower) fair value measurement.

(2) A significant increase (decrease) in capitalisation rate would result in a significantly lower (higher) fair value measurement.

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41. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(f) *Level 3 fair value measurements (cont'd)*

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)*

The following table shows the impact on the Level 3 fair value measurement of assets and liabilities that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

		Effect of reasonably possible alternative assumptions	
	Carrying amount	**Profit or loss**	**Other comprehensive income**
	$'000	$'000	$'000
31 December 2017			
Recurring fair value measurements			
Investment properties and investment property held for sale:			
- Retail and commercial	211,795	6,354	–
Fixed assets:			
- Freehold and leasehold land and buildings	133,430	–	3,201
31 December 2016			
Recurring fair value measurements			
Investment properties:			
- Retail and commercial	170,050	5,102	–
Fixed assets:			
- Freehold and leasehold land and buildings	116,743	–	2,801

In order to determine the effect of the above reasonably possible alternative assumptions, the Group adjusted the following key unobservable inputs used in the fair value measurement:

- For retail and commercial investment properties, investment property held for sale and freehold and leasehold land and buildings, the Group adjusted the yield adjustments by increasing and decreasing the adjustments by 3% depending on nature, location or condition of the specific property.

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41. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(f) *Level 3 fair value measurements (cont'd)*

(ii) *Movements in Level 3 assets and liabilities measured at fair value*

During the year, the Group has recognised gains from fair value adjustments of investment properties which amounted to $37,076,000 (2016: $542,000) (Note 13) and gains from fair value adjustments of freehold and leasehold land and buildings which amounted to $nil (2016: $4,166,000) (Note 12). The disclosure of the movement in investment properties and investment property held for sale and freehold and leasehold land and buildings in Note 13 and Note 12 respectively constitutes a reconciliation of the movement of assets which are measured at fair value based on significant unobservable inputs.

(iii) *Valuation policies and procedures*

The senior management of the Group (the "Management") oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the Management reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. The Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance.

For valuations performed by external valuation experts, the Management reviews the appropriateness of the valuation methodologies and assumptions adopted. The Management also evaluates the appropriateness and reliability of the inputs used in the valuations.

Significant changes in fair value measurements from period to period are evaluated by the Management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The Group also has an interest rate swap facility. The purpose is to manage the interest rate risks arising from the Group's operations and sources of financing. Details of the derivatives are disclosed in Note 28.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's and Company's exposure to these financial risks or the manner in which it manages and measures the risk.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) *Credit risk*

Credit risk is the risk of loss that may arise from outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. 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

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets; and
- a nominal amount of $501,913,000 (2016: $564,032,000) relating to corporate guarantees provided by the Company to banks/ financial institutions on subsidiaries'/joint ventures'/associated companies' credit facilities.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an on-going basis.

At the end of the reporting period, 90% (2016: 23%) of the Group's trade receivables were due from customers located in Singapore.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21 (Trade receivables) and Note 22 (Other receivables).

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with three different banks. At the end of the reporting period, approximately 26% (2016: 47%) of the Group's loans and borrowings (Note 40) will mature in less than one year based on the carrying amount reflected in the financial statements.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted payments.

	1 year or less	1 to 5 years	Total
	$'000	$'000	$'000
Group			
2017			
Financial assets:			
Amounts due from associated companies, joint venture companies and investee companies	–	166,108	166,108
Trade receivables	7,780	–	7,780
Other receivables	25,929	24,641	50,570
Amounts due from related parties (trade)	12	–	12
Amounts due from joint venture company	563	–	563
Fixed deposits	3,735	–	3,735
Cash and bank balances	22,889	–	22,889
Total undiscounted financial assets	60,908	190,749	251,657
Financial liabilities:			
Trade payables	3,820	–	3,820
Other payables and accruals	15,952	960	16,912
Derivatives financial instruments	74	–	74
Loans and borrowings	108,609	304,768	413,377
Total undiscounted financial liabilities	128,455	305,728	434,183
Total net undiscounted financial liabilities	(67,547)	(114,979)	(182,526)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) ***Liquidity risk (cont'd)***

	1 year or less $'000	1 to 5 years $'000	Total $'000
Group			
2016			
Financial assets:			
Amounts due from associated companies, joint venture companies and investee companies	–	125,572	125,572
Trade receivables	794	–	794
Other receivables	20,799	4,550	25,349
Amounts due from related parties (trade)	14	–	14
Amounts due from joint venture company	672	–	672
Fixed deposits	654	–	654
Cash and bank balances	27,114	–	27,114
Total undiscounted financial assets	50,047	130,122	180,169
Financial liabilities:			
Trade payables	6,769	–	6,769
Other payables and accruals	5,366	1,043	6,409
Derivatives	149	–	149
Loans and borrowings	201,896	225,203	427,099
Total undiscounted financial liabilities	214,180	226,246	440,426
Total net undiscounted financial liabilities	(164,133)	(96,124)	(260,257)
Company			
2017			
Financial assets:			
Other receivables	17,524	4,350	21,874
Amounts due from subsidiaries (non-trade)	227,550	–	227,550
Amounts due from joint venture company (non-trade)	33	–	33
Fixed deposits	3,583	–	3,583
Cash and bank balances	4,890	–	4,890
Total undiscounted financial assets	253,580	4,350	257,930
Financial liabilities:			
Trade payables	2,490	–	2,490
Other payables and accruals	2,554	–	2,554
Amounts due to subsidiaries	514	–	514
Loans and borrowings	100,277	127,556	227,833
Total undiscounted financial liabilities	105,835	127,556	233,391
Total net undiscounted financial assets/(liabilities)	147,745	(123,206)	24,539

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) ***Liquidity risk (cont'd)***

	1 year or less	1 to 5 years	Total
	$'000	$'000	$'000
Company			
2016			
Financial assets:			
Other receivables	14,855	4,550	19,405
Amounts due from subsidiaries (non-trade)	178,572	–	178,572
Amounts due from joint venture company (non-trade)	33	–	33
Fixed deposits	505	–	505
Cash and bank balances	13,436	–	13,436
Total undiscounted financial assets	207,401	4,550	211,951
Financial liabilities:			
Trade payables	4,615	–	4,615
Other payables and accruals	1,663	–	1,663
Amounts due to subsidiaries	634	–	634
Loans and borrowings	194,161	16,498	227,717
Total undiscounted financial liabilities	201,073	16,498	217,571
Total net undiscounted financial assets/(liabilities)	6,328	(11,948)	(5,620)

The table below shows the contractual expiry by maturity of the Group and Company's contingent liabilities. The maximum amount of the financial guarantee contracts is allocated to the earliest period in which the guarantee could be called.

	Group and Company	
	1 year or less	
	2017	2016
	$'000	$'000
Financial guarantees	501,913	564,032

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and interest-bearing loans given to related parties, amounts due from investee companies and fixed deposits.

The Group's policy is to manage interest cost using floating rate debts.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 75 (2016: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $1,039,000 (2016: $1,031,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

The following tables sets out the carrying amount, by maturity, of the Group's and Company's financial instruments that are exposed to material interest rate risk:

	Note	Within 1 year	1 to 5 Years	Total
		$'000	$'000	$'000
Group				
2017				
Floating rate				
Short-term bank loans	30	11,500	–	11,500
Bank term loans	30	80,887	115,792	196,679
2016				
Floating rate				
Short-term bank loans	30	14,000	–	14,000
Bank term loans	30	116,720	80,682	197,402
Company				
2017				
Floating rate				
Short-term bank loans	30	11,500	–	11,500
Bank term loans	30	–	24,000	24,000
2016				
Floating rate				
Short-term bank loans	30	14,000	–	14,000
Bank term loans	30	58,745	–	58,745

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months. Interests on financial instruments at fixed rates are fixed until the maturity of the instrument. The other financial instruments of the Group and Company that are not included in the above tables are not subject to material interest rate risks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) ***Foreign currency risk***

The Group's foreign currency risk arises mainly from the Group's operations in Thailand, Australia and London. The results and financial position of foreign operations are translated into SGD as disclosed under Note 2.4(b). Accordingly, the Group's balance sheet may be affected by fluctuations in the exchange rate between Thai Baht ("THB"), Australian Dollar ("AUD"), Pound Sterling ("GBP") and Singapore dollar. It is not the Group's policy to hedge exposures arising from such translations. The Group's strategy is to fund overseas operations with borrowings denominated in their functional currency as a natural hedge against overseas assets.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Pound Sterling ("GBP")	8,537	12,942	5	1,429
Australian dollar ("AUD")	679	643	2	2
United States dollar ("USD")	13	9	13	9

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the AUD, CNY, GBP and THB exchange rates (against SGD), with all other variables held constant, of the Group's profit net of tax and equity.

		2017		2016	
		Profit net of tax	**Equity**	**Profit net of tax**	**Equity**
		$'000	$'000	$'000	$'000
AUD	- strengthened 3% (2016: 3%)	11	219	6	226
	- weakened 3% (2016: 3%)	(11)	(219)	(6)	(226)
CNY	- strengthened 3% (2016: 3%)	–	92	–	–
	- weakened 3% (2016: 3%)	–	(92)	–	–
GBP	- strengthened 3% (2016: 3%)	(118)	1,746	1,486	584
	- weakened 3% (2016: 3%)	118	(1,746)	(1,486)	(584)
THB	- strengthened 3% (2016: 3%)	1	451	490	148
	- weakened 3% (2016: 3%)	(1)	(451)	(490)	(148)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

43. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

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 or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the equity owners of the Company.

		Group	
	Note	**2017**	**2016**
		$'000	$'000
Trade and other payables	40	20,732	13,178
Loans and borrowings	40	380,411	368,465
Less:			
Cash and bank balances and fixed deposits		(26,624)	(27,768)
Net debt		374,519	353,875
Equity attributable to owners of the Company		413,781	343,813
Capital and net debt		788,300	697,688
Gearing ratio		48%	51%

44. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

I. The property investment segment is engaged in the leasing of residential, retail and commercial properties.

II. The property development segment is involved in the development and sale of private residential properties.

III. The corporate segment is involved in Group-level corporate services and treasury functions.

IV. The hospitality segment is involved in hotel operations and related services.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

44. SEGMENT INFORMATION (CONT'D)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Geographical information

As at 31 December 2017, the Group operates mainly in Singapore and none of its foreign operations' results constitute 10% or more of the Group's total segment results, or own assets amounting to 10% or more of the total assets of all segments.

As at 31 December 2017, revenue and non-current assets information based on geographical location of customers and assets respectively are as follow:

	Revenue	**Non-current assets**
	$'000	$'000
Singapore	44,301	430,978
United Kingdom	12,830	174,888
Thailand	–	31,972
Australia	–	11,014
Others	–	6,104
	57,131	654,956

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

44. SEGMENT INFORMATION (CONT'D)

	Property investment $'000	Property development $'000	Corporate $'000	Hospitality $'000	Elimination $'000	Note	Consolidated $'000
31 December 2017							
Revenue:							
Sales to external customers	13,390	29,791	1,120	12,830	–		57,131
Inter-segment revenue	854	–	4,390	4,300	(9,544)	A	–
	14,244	29,791	5,510	17,130	(9,544)		57,131
Results:							
Interest income	–	–	27,706	–	(21,126)	A	6,580
Interest expense	(3,120)	(1,547)	(25,764)	(2,706)	20,559	A	(12,578)
Gains from fair value adjustments of investment properties	37,076	–	–	–	–		37,076
Depreciation of fixed assets	(108)	–	(307)	(1,150)	–		(1,565)
Gain on disposal of joint venture	–	27,980	–	–	–		27,980
Share of results of associated companies/joint venture companies	8,251	4,117	–	(573)	–		11,795
Segment profit/(loss) before tax	51,712	28,850	(5,859)	(948)	(567)	B	73,188
Assets:							
Investment in associated companies/joint venture companies	86,375	68,686	–	14,292	–		169,353
Additions to non-current assets[1]	103	–	235	13,907	–		14,245
Segment assets	232,545	209,320	643,690	187,076	(448,934)	C	823,697
Segment liabilities	140,058	81,898	639,114	92,068	(545,621)	D	407,517

[1] Additions to non-current assets consist of additions to fixed assets and investment properties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

44. SEGMENT INFORMATION (CONT'D)

	Property investment $'000	Property development $'000	Corporate $'000	Hospitality $'000	Elimination $'000	Note	Consolidated $'000
31 December 2016							
Revenue:							
Sales to external customers	13,300	43,092	1,152	9,825	–		67,369
Inter-segment revenue	859	–	4,626	3,567	(9,052)	A	–
	14,159	43,092	5,778	13,392	(9,052)		67,369
Results:							
Interest income	–	–	26,060	–	(22,227)	A	3,833
Interest expense	(3,337)	(2,279)	(25,391)	(1,887)	21,065	A	(11,829)
Gains from fair value adjustments of investment properties	542	–	–	–	–		542
Depreciation of fixed assets	(92)	–	(167)	(1,111)	–		(1,370)
Loss on disposal of subsidiaries	–	(10,356)	–	–	–		(10,356)
Share of results of associated companies/joint venture companies	14,873	4,285	–	518	–		19,676
Segment profit/(loss) before tax	22,342	(1,381)	(2,168)	913	(2,641)	B	17,065
Assets:							
Investment in associated companies/joint venture companies	80,625	59,889	–	14,866	–		158,380
Additions to non-current assets [1]	23	–	1,163	27,163	–		28,349
Segment assets	258,762	268,292	511,887	179,024	(483,973)	C	733,992
Segment liabilities	118,301	111,016	582,761	82,481	(506,157)	D	388,402

1 Additions to non-current assets consist of additions to fixed assets and investment properties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

44. SEGMENT INFORMATION (CONT'D)

Notes:

A Inter-segment revenue, interest income and interest expense are eliminated on consolidation.

B The following items are added to/(deducted from) segment profit to arrive at profit before tax presented in the consolidated statement of comprehensive income:

	2017	2016
	$'000	$'000
Profit from inter-segment sales	–	(1,479)
Finance expenses	20,559	21,065
Finance income	(21,126)	(22,227)
	(567)	(2,641)

C The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated balance sheet.

	2017	2016
	$'000	$'000
Investment in subsidiaries	(50,625)	(50,220)
Intangible assets	109	109
Fixed assets	4,584	(2,238)
Development properties	(1,373)	(1,735)
Intra-group loans	(401,629)	(429,889)
	(448,934)	(483,973)

D The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2017	2016
	$'000	$'000
Intra-group loans	(545,621)	(506,157)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

45. DIVIDEND

	Group and Company	
	2017	**2016**
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2016: 0.60 cents (2015: 0.60 cents) per share	1,952	1,952
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Final exempt (one-tier) dividend for 2017: 0.60 cents (2016: 0.60 cents) per share	1,952	1,952
- Special dividend for 2017: 0.40 cents (2016: nil) per share	1,300	–

46. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Group completed the disposal of the investment property held for sale (Note 13) in February 2018.

47. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 28 March 2018.

综合全面收益表

截至2017年12月31日之财政年度

(以新元表示)

	注释	2017 $'000	2016 $'000
营业额	4	57,131	67,369
出售房地产成本		(30,900)	(31,989)
其他营业收入	5	4,513	4,088
人员费用	6	(11,172)	(7,754)
固定资产折旧及摊销	12	(1,565)	(1,370)
其他营业费用		(15,672)	(15,145)
出售子公司亏损	7	–	(10,356)
出售合营公司收益	16	27,980	–
财务费用	8(a)	(12,578)	(11,829)
财务收入	8(b)	6,580	3,833
应占联营公司和合资企业收益		11,795	19,676
投资产业公允价值收益	13	37,076	542
税前利润	9	73,188	17,065
税项	10	(1,557)	(4,835)
本年税后利润		71,631	12,230
其他综合收入:			
随后可能重新分类至损益之项目			
外币折算		911	(9,013)
不会重新分类至损益之项目			
永久业权和租赁土地和建筑物重估的净盈余		–	3,333
应占关联公司物业重估收益		–	175
		–	3,508
其他综合收入(费用),税后		911	(5,505)
年度综合收入总额		72,542	6,725
年度利润(亏损)			
归属于:			
公司权益持有人		70,993	12,481
非控制性权益		638	(251)
		71,631	12,230

综合全面收益表

截至2017年12月31日之财政年度

(以新元表示)

	注释	2017 $'000	2016 $'000
年度综合收入总额			
归属于:			
公司权益持有人		71,920	6,120
非控制性权益		622	605
		72,542	6,725
持续经营业务每股收益 (分)归属于公司权益持有人			
基本	11	21.83	3.84
摊薄	11	21.83	3.84

本年报的综合全面收益表以英文和中文同时准备。如中英文版本有任何差异，请以英文版为准。

资产负债表

截至2017年12月31日之财政年度

(以新元表示)

	注释	本集团 2017 $'000	本集团 2016 $'000	本公司 2017 $'000	本公司 2016 $'000
非流动资产					
固定资产	12	137,291	120,338	574	577
投资产业	13	160,095	170,050	–	–
子公司	14	–	–	24,583	24,583
联营公司	15	69,926	73,240	–	–
合营公司	16	99,427	82,140	5,000	5,000
联营公司, 合营公司和其他投资应付欠款	17	166,108	125,572	–	–
其他投资	18	–	218	–	–
无形资产	19	109	109	–	–
其他应收账款	22	22,000	4,000	4,000	4,000
		654,956	575,667	34,157	34,160
流动资产					
发展产业	20	54,839	106,790	39,254	90,907
投资产业待售	13	51,700	–	–	–
应收账款	21	7,780	794	6,737	–
其他应收账款	22	25,929	20,799	17,524	14,855
预付款项		1,294	1,488	850	248
子公司应付欠款(非贸易)	23	–	–	227,550	178,572
关联方应付欠款(贸易)	23	12	14	–	–
合营公司应付欠款(非贸易)	23	401	333	33	33
合营公司应付欠款(贸易)	23	162	339	–	–
定期存款	24	3,735	654	3,583	505
现金及银行结存	25	22,889	27,114	4,890	13,436
		168,741	158,325	300,421	298,556
流动负债					
应付账款	26	3,820	6,769	2,490	4,615
其他应付款项及应计项目	27	17,498	6,896	3,933	3,037
衍生金融工具	28	74	149	–	–
应付子公司款项(非贸易)	23	–	–	88,399	60,237
债券	29	–	58,750	–	58,750
短期银行贷款	30	11,500	14,000	11,500	14,000
定期银行贷款	30	82,421	120,713	–	58,745
融资租赁负债	37	76	76	50	50
应交税费		3,887	1,955	1,873	278
		119,276	209,308	108,245	199,712
净流动资产(负债)		49,465	(50,983)	192,176	98,844

资产负债表

截至2017年12月31日之财政年度

(以新元表示)

	注释	本集团 2017 $'000	本集团 2016 $'000	本公司 2017 $'000	本公司 2016 $'000
非流动负债					
其他应付款项及应计项目	27	960	1,043	–	–
融资租赁负债	37	192	264	142	192
应付联营及合营公司款项	17	54,476	43,660	16,283	15,508
应付非控制性权益款项	32	34,091	27,156	–	–
债券	29	75,000	–	75,000	–
定期银行贷款	30	122,655	103,846	24,000	–
递延税项负债	33	867	3,125	32	2,309
		(288,241)	(179,094)	(115,457)	(18,009)
净资产		416,180	345,590	110,876	114,995
归属于本公司股权持有人的权益					
股本	34	86,624	86,624	86,624	86,624
外币兑换储备	35	(8,417)	(9,344)	–	–
资产重估储备	36	2,768	2,768	–	–
累计利润		332,806	263,765	24,252	28,371
		413,781	343,813	110,876	114,995
非控制性权益	14	2,399	1,777	–	–
总权益		416,180	345,590	110,876	114,995

本年报的综合全面收益表以英文和中文同时准备。如中英文版本有任何差异，请以英文版为准。

STATISTICS OF SHAREHOLDERS

SHARE CAPITAL

Number of Issued shares:	:	325,156,492
Issued and fully paid-up capital	:	S$87,032,525.674
Class of Shares	:	Ordinary shares
Number of Treasury Shares held	:	Nil
Number of subsidiary holdings held	:	Nil
Voting rights	:	One vote per share

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 15 March 2018, approximately 24.47% of the total number of ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2018

(According to Register of Substantial Shareholders)

	Name of Substantial Shareholder	Direct Interest	%	Deemed Interest	%
1.	Heeton Investments Pte Ltd[(1)]	64,854,559	19.95	25,000,000	7.69
2.	Hong Heng Company Private Limited	54,656,400	16.81	-	-
3.	Toh Khai Cheng[(2)]	22,084,392	6.79	144,510,959	44.44
4.	Toh Giap Eng[(3)]	38,896,249	11.96	89,854,559	27.64
5.	Toh Gap Seng[(4)]	17,768,370	5.46	1,038,800	0.32
6.	Kim Seng Holdings Pte Ltd	-	-	18,000,000	5.54
7.	Tan Fuh Gih[(5)]	-	-	18,000,000	5.54
8.	Tan Hoo Lang[(5)]	-	-	18,000,000	5.54
9.	Tan Kim Seng[(5)]	-	-	18,000,000	5.54

Notes:

(1) Heeton Investments Pte Ltd is deemed to be interested in the 25,000,000 ordinary shares held by Sing Investments and Finance Limited.

(2) Toh Khai Cheng is deemed to be interested in the 89,854,559 ordinary shares held by Heeton Investments Pte Ltd and the 54,656,400 ordinary shares held by Hong Heng Company Private Limited.

(3) Toh Giap Eng is deemed to be interested in the 89,854,559 ordinary shares held by Heeton Investments Pte Ltd.

(4) Toh Gap Seng is deemed to be interested in the 1,038,800 ordinary shares held by his spouse.

(5) Tan Fuh Gih, Tan Hoo Lang and Tan Kim Seng are deemed to be interested in the 18,000,000 ordinary shares held by Kim Seng Holdings Pte Ltd.

STATISTICS OF SHAREHOLDERS

ANALYSIS OF SHAREHOLDINGS AS AT 15 MARCH 2018

Range of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	9	1.09	60	0.00
100 - 1,000	26	3.16	15,412	0.00
1,001 - 10,000	252	30.58	1,452,394	0.45
10,001 - 1,000,000	516	62.62	33,489,966	10.30
1,000,001 and above	21	2.55	290,198,660	89.25
TOTAL	824	100.00	325,156,492	100.00

MAJOR SHAREHOLDERS AS AT 15 MARCH 2018

No	Name of Shareholder	Number of Shares Held	%
1	Heeton Investments Pte Ltd	64,854,559	19.95
2	Hong Heng Co Pte Ltd	54,656,400	16.81
3	Toh Giap Eng	38,896,249	11.96
4	Sing Investment & Finance Nominees Pte Ltd	25,000,000	7.69
5	Toh Khai Cheng	22,084,392	6.79
6	Raffles Nominees (Pte) Ltd	19,755,300	6.08
7	Toh Gap Seng	17,768,370	5.46
8	Maybank Kim Eng Securities Pte Ltd	14,190,259	4.36
9	OCBC Securities Private Limited	10,658,133	3.28
10	UOB Kay Hian Pte Ltd	3,946,800	1.21
11	DBS Nominees Pte Ltd	3,641,909	1.12
12	Phillip Securities Pte Ltd	2,601,700	0.80
13	Tan Su Lan @ Tan Soo Lung	2,000,000	0.61
14	Ng Wee Chu	1,918,810	0.59
15	CGS-CIMB Securities (S) Pte Ltd	1,789,799	0.55
16	Tan Swee Lang	1,253,790	0.39
17	Morph Investments Ltd	1,060,000	0.33
18	Tan Hee Nam	1,042,800	0.32
19	Toh Bee Lian	1,039,590	0.32
20	Lim Poh Suan	1,038,800	0.32
		289,197,660	88.94

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 60 Sembawang Road #01-02/03 Hong Heng Mansions, Singapore 779088, on Tuesday, 24 April 2018 at 10.00 a.m., for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2017 and the Directors' Statements and the Auditor's Report thereon. **Resolution 1**

2. To declare a 1-tier tax exempt final dividend of 0.60 cents per share in respect of the financial year ended 31 December 2017. **Resolution 2**

3. To declare a 1-tier tax exempt special dividend of 0.40 cents per share in respect of the financial year ended 31 December 2017. **Resolution 3**

4. To approve Directors' fees of $245,000 for the financial year ended 31 December 2017. (2016: $221,000) **Resolution 4**

5. To re-elect the following Directors retiring by rotation pursuant to Article 95(2) of the Company's Constitution:-

   (i) Tan Tiong Cheng *(See Explanatory Note)* **Resolution 5**

   (ii) Toh Giap Eng **Resolution 6**

   (iii) Chia Kwok Ping *(See Explanatory Note)* **Resolution 7**

6. To re-appoint Messrs Ernst & Young LLP as Auditor and to authorise the Directors to fix their remuneration. **Resolution 8**

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolution:-

7. That pursuant to Section 161 of the Companies Act (Chapter 50) and in accordance with the listing rules of Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), authority be and is hereby given to the Directors to:

   (a) (i) allot and 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,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

PROVIDED THAT

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares in the capital of the Company, excluding treasury shares and subsidiary holdings, (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro-rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 20% of the total number of issued shares in the capital of the Company, excluding treasury shares and subsidiary holdings, (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares in the capital of the Company, excluding treasury shares and subsidiary holdings, at the time this Resolution is passed, after adjusting for:

  (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

  (ii) any subsequent bonus issue, consolidation or subdivision of the shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier. *(See Explanatory Note)* **Resolution 9**

BY ORDER OF THE BOARD

ZHU ZHIWEI / CHEW BEE LENG
Company Secretaries

Singapore
9 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

Resolution 5

Mr Tan Tiong Cheng, Chairman of the Remuneration Committee, a member of the Audit Committee and a member of Nominating Committee, will continue to serve in these capacities if re-elected as a Director of the Company, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Resolution 7

Mr Chia Kwok Ping, Chairman of the Nominating Committee and a member of the Remuneration Committee, will continue to serve in these capacities if re-elected as a Director of the Company, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Resolution 9

The Ordinary Resolution no. 9, if passed, will empower the Directors of the Company to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings (if any)) in the capital of the Company, with a sub-limit of twenty per cent (20%) for issued other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares (excluding treasury shares and subsidiary holdings (if any)) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings (if any)) in the capital of the Company at the time that this resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that this resolution is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

Notes:

(1) (a) A member of the Company ("**Member**") (other than a member who is a relevant intermediary) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf.

(b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50) of Singapore.

(2) A proxy need not be a member of the Company.

(3) The instrument appointing a proxy or proxies that has been executed by a Member, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof), must be deposited at the registered office of the Company at 60 Sembawang Road #01-02/03 Hong Heng Mansions, Singapore 779088, not less than 48 hours before the time set for holding the meeting.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) agrees to provide the Company with written evidence of such prior consent upon reasonable request, and (iv) agrees to indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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HEETON HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration number: 197601387M)

PROXY FORM – ANNUAL GENERAL MEETING

IMPORTANT

1. A relevant intermediary may appoint more than two (2) proxies to attend the Annual General Meeting of the Company.
2. For investors who have used their Central Provident Fund ("CPF") monies ("CPF Investors") and/or monies in the Supplementary Retirement Scheme (SRS) accounts ("SRS Investors") to buy Heeton Holdings Limited's shares, this annual report and its enclosures are forwarded to you at the request of their CPF and/or SRS Approved Nominees (as the case may be) and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. CPF investors and SRS investors who wish to attend and vote at the Annual General Meeting of the Company should contact their CPF and/or SRS Approved Nominees.

I/We, ______________________________ NRIC/ Passport/ Co. Reg. No. ____________________

of ____(Address)

being a member/members of HEETON HOLDINGS LIMITED (the "Company") hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or failing him/her (delete as appropriate)

or failing him/her, the Chairman of the Annual General Meeting ("AGM") of the Company as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the AGM of the Company to be held at 60 Sembawang Road #01-02/03 Hong Heng Mansions, Singapore 779088, on Tuesday, 24 April 2018 at 10.00 a.m., and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of the AGM. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the AGM).

	Ordinary Resolutions	For	Against
1.	To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2017 and the Directors' Statement and the Auditor's Report thereon.		
2.	To declare a 1-tier tax exempt final dividend of 0.60 cents per share in respect of the financial year ended 31 December 2017.		
3.	To declare a 1-tier tax exempt special dividend of 0.40 cents per share in respect of the financial year ended 31 December 2017.		
4.	To approve Directors' fees of $245,000 for the financial year ended 31 December 2017. (2016: $221,000)		
5.	To re-elect Mr Tan Tiong Cheng retiring by rotation pursuant to Article 95(2) of the Company's Constitution.		
6.	To re-elect Mr Toh Giap Eng retiring by rotation pursuant to Article 95(2) of the Company's Constitution.		
7.	To re-elect Mr Chia Kwok Ping retiring by rotation pursuant to Article 95(2) of the Company's Constitution.		
8.	To re-appoint Messrs Ernst & Young LLP as Auditor and to authorise the Directors to fix their remuneration.		
9.	To authorise the Directors to allot and issue new shares.		

Dated this ______________ day of________________ 2018

Total number of Shares

____
Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. (a) A member of the Company (other than a member who is a relevant intermediary) entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where a member appoints two (2) proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of the proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.

   (b) A Member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50) of Singapore.

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 60 Sembawang Road #01-02/03 Hong Heng Mansions, Singapore 779088, not less than 48 hours before the time appointed for the holding of the meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.

6. Where the instrument appointing a proxy is signed by an attorney, the letter or power of attorney or other authority, if any, or a duly certified copy thereof shall (failing previous registration with the Company) be stamped and be lodged with the instrument of proxy at the registered office of the Company, not less than 48 hours before the time for holding the meeting and/or any adjournment thereof at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

8. In the case of joint holders of shares, any one of such persons may vote, but if more than one of such persons is present at the AGM, the person whose name stands first on the Register of Members or (as the case may be) in the Depository Register shall alone be entitled to vote.

Any alteration made to the instrument of proxy should be initialled by the person who signs it.

General: The sending of a Proxy Form by a Member does not preclude him from attending and voting in person at the meeting if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked. The Company shall be entitled to reject an instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified on the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies lodged if the member, being the appointer, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy: By submitting an instrument appointing a proxy(ies) and/or representative(s), the Member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.

HEETON

Heeton Holdings Limited

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