Redefining Heeton

HEETON

The Next Stage of Growth

Heeton Holdings Limited
Annual Report 2016

REDEFINING HEETON

Heeton's new logo derives inspiration from the urban landscape viewed from top down: a union of fresh perspectives and traditional values, signifying our resolve to stay relevant to the market by leveraging on our past experience and expertise to continuously deliver excellence to our customers.

The logo's evolution in form and aesthetics expressed through custom typography, shapes and colours reflects our dynamic journey from our early founding years to the present.

The stylized 'H' presented as building blocks depicts the company's relationship with its environment and its role in urban development: a high-achieving, well-established presence on the ground.

The name 'Heeton' with its straightforward typeface completes the image; an expression of pride and distinction, in the manner of a signature monogram.

Overall, the new logo seeks to iconize the brand's progressive, global, and innovative character, with redefined positioning and presence; it articulates the company's ethos of keeping its foundational values while continuing to evolve along with the changing times.

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. Most recently, the company led a consortium in the acquisition of a 2.4 acre mixed-use site in the heart of Leeds, UK. With the plan for six buildings forming an important component of a regional gentrification scheme spearheaded by Leeds City Council, the project will be the Group's largest and most ambitious development undertaking to date.

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. 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 seven properties world-wide, with three others in the pipeline as at December 2016. The sector is a relatively new area of focus for Heeton but it has become a primary business segment for the group; going forward, developing the hotel division will be a key priority for Heeton, with the objective of becoming a prominent player on the international hospitality stage.

CONTENTS

SIGNIFICANT EVENTS IN 2016

January 2016

Acquisition of ibis Hotel Gloucester

The Ibis hotel Gloucester was acquired in January 2016 from Accor and is operated by Heeton under a new franchise agreement. The hotel features 127 rooms and is located in the west country close to the celebrated Cotswolds district.

March 2016

Acquisition of Holiday Inn Express Manchester

The Holiday Inn Express Manchester was added to the Heeton portfolio in March 2016. The 147 bedroomed hotel is operated under a franchise agreement with Intercontinental Hotels Group.

2016

February 2016

Acquisition of the Group's first property in Japan

Heeton in partnership with KSH Holdings Limited and Shikizakura Ltd jointly acquired their first Japanese investment property in Sapporo City, Hokkaido, in February 2016 - a mixed use development featuring the Super Hotel as its centrepiece.

July 2016

40th Anniversary

Heeton celebrated its 40th anniversary in July 2016 with a company excursion to Thailand.

July 2016

NEWest TOP

TOP was granted to project NEWest in July 2016. The development will feature a 12- storey mixed use development housing 136 residential units and 141 commercial units including retail, restaurants and a supermarket.

September 2016

Disposal of iLiv@Grange

Heeton's iconic residential development iLiv@ Grange, located in the premier district of Orchard Road Singapore, was sold via the disposal of the Group's 100% interest in subsidiaries, Heeton Residence Pte Ltd and Heeton Realty Pte Ltd in September 2016.

November 2016

KAP and KAP Residences TOP

KAP and KAP Residences were granted TOP in November 2016. Situated in the prime residential area of Bukit Timah, the freehold development comprises 107 commercial units and 142 residential apartments.

2017

LUMA
CONCEPT HOTEL
HAMMERSMITH•LONDON

October 2016

Creation of new hospitality brand - LUMA

October 2016 saw the creation of Heeton's new hospitality brand LUMA. The brand roll-out begins with the LUMA CONCEPT HOTEL London Hammersmith, located in the west of the city and scheduled to open in 2017.

REINVIGORATING OUR BRAND

In recent years Heeton has made great business strides across continents, and the Heeton brand is now coming of age. From brand identity to project executions, we are making things better. Our past projects have been designed and built on integrity. Our present and future undertakings will continue to live up to the highest of standards, delivering value through strategic developments to those we serve. Our brand will be the promise of excellence.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

A journey of Transformation and Consolidation

2016 is a watershed in the story of the Heeton journey.

We started off 40 years ago as a small-scale and localised property developer. Through the years, with planning and hard work, Heeton has been transformed into a leading boutique property player within the Singapore market. Today, we have expanded beyond the shores of Singapore to key countries such as Australia, Japan, Malaysia, Thailand, Vietnam and United Kingdom.

Over the past years, we have refined our strategy of focusing on good quality investment properties, which will have the potential for further yield enhancement. Our development portfolio now includes jointly-developed mass market projects such as Westwood Residences and High Park Residences. In the UK, development plans for a 2.4 acre site in Leeds are attracting international attention. Going forward, we will continue to look for suitable development projects and investment properties across our key markets.

At each stage of our transformation, it is timely for the Group to consolidate before progressing to the next stage of growth. The current economy and property market are challenging and different from before. Coupled with the rapid changes in technology and disruption in the way we do business, we must be clear in identifying our next stage of growth.

In 2016, the Group led a consortium to acquire, through its subsidiaries, three hotels – two in the United Kingdom and one in Japan. By mid-2017, the Group will commence operations of a newly-built hotel in London, UK and unveil its first own-hotel brand. There are two more hotel sites undergoing planning and re-development, due for completion in 2019.

In this regard, amongst our business segments, the hospitality business will be an added opportunity for growth.

FY2016 Financial Performance

Despite the challenges of the property market and the difficult operating environment both locally and overseas for FY2016, I am pleased to announce that the Group has performed well for FY2016 as compared with FY2015.

Revenue and net profit after tax for the period under review increased 96.4% and 165.3% to $67.37 million and $12.23 million respectively.

The Board of Directors are pleased to propose a final dividend of 0.60 Singapore cents per share to reward our shareholders for their confidence and trust in Heeton.

A New Corporate Identity

As we move forward to our next stage of growth, Heeton will adopt a new corporate identity (CI) for the Group. We have recently undertaken a rebranding exercise to modernize our CI in order to better engage our investors and stakeholders (including shareholders, our customers, bankers, partners and business associates) in the key markets that we operate.

The increased effort in our communication activities will enable a better understanding of our business and our values to gain strong support from the various communities.

Acknowledgement

On behalf of the Board of Directors, I would like to express my heartfelt appreciation to our management and staff for their hard work and dedication to the Group. I would like to take this opportunity to thank our investors and stakeholders for their confidence and continued support for the Group.

Finally, I would like to thank my fellow Directors for their invaluable inputs and advice in the past year.

TOH KHAI CHENG
Non-Executive Chairman

Luma Concept Hotel London (Artist's Impression)

亲爱的股东们，

转变整合之旅

2016 年是喜敦成长旅途的一个分水岭。

40年前，我们从一家小规模本地发展商开始，经过长年的规划和努力，喜敦已转变成一个引领新加坡精品市场的发展商。今时今日，我们已经扩展版图到新加坡以外的几个主要国家，如澳大利亚、日本、马来西亚、泰国、越南和英国。

这些年来，我们完善了着重于优质投资物业的策略， 这些投资物业都有进一步提升收益的潜力。我们现今的开发项目有联合开发的大众市场项目如西林苑（Westwood Residences）和峰景苑（High Park Residences）。在英国利兹，2.4英亩土地的发展计划备受国际瞩目。接下来，我们将会继续在主要市场寻找适合的开发项目和投资物业。

在我们转型的每一个阶段，集团都适时整合才进入下一阶段的增长。当前的经济与房地产市场极具挑战性，与以往有所不同。加上科技的快速变化和对现有商业模式的干扰因素，我们必须明确确定我们下一步的成长方向。

在2016年，集团领导了一个财团，通过其附属公司收购了3家酒店 — 英国2家以及日本1家。2017年中旬，集团将会在英国伦敦推出并开始营运一个全新的酒店。这也是集团的第一间自主品牌酒店。另外，我们还有2个酒店地段正在进行规划和重建，预计将于2019年完工。

就这方面而言，酒店业将会成为我们业务领域中新的成长机会。

2016财政年财务表现

尽管房地产市场充满挑战，本地和海外营运环境困难，我很荣幸的宣布与2015财政年相比，集团在2016财政年里取得了良好的业绩。

这期间，营业额和税后净利润分别增长了96.4% 和 165.3%至6,737万和1,223万元。

以答谢和回报股东们对喜敦的信心和信任，董事局很高兴提出每股新币0.6分的最终股息。

新的企业标识

随着我们进入集团下一个增长阶段，喜敦将采用新的企业标识。近日，我们进行了品牌重塑，使我们的企业标识现代化，以便让集团在主要经营市场更好地吸引投资者和利益相关者（其中包括股东，客户，银行家，伙伴和商业伙伴们）。

这更积极的企业沟通活动会促使人们更了解我们的业务和价值观，以便相应地获得各界的大力支持。

致谢

我在此代表董事局，衷心感谢我们的管理层和员工们为本集团的辛勤工作和奉献精神。我也想借此机会感谢投资者和利益相关者对本集团的信心和持续的支持。

最后，我也非常感激各位董事们在过去的一年所提供的宝贵意见和建议。

卓开清
非执行主席

CEO'S MESSAGE

DEAR SHAREHOLDERS,

FY2016 was a year of uncertainties for the business environment. The Singapore property market continued to be subdued. Housing prices fell for the third consecutive year. Many international events such as Brexit and U.S. presidential election had sent ripples on the global economy. Despite these challenges, we have managed to achieve growth in both our revenue and net profit.

Financial Review

The Group's revenue grew 96.4% from $34.29 million a year ago (FY2015) to $67.37 million in FY2016. This was mainly due to the recognition of higher sales proceeds from residential projects, primarily Onze@Tanjong Pagar, as well as revenue from the newly acquired hotels comprising Holiday Inn Express Manchester, ibisBudget Bradford and ibis Hotel Gloucester in the United Kingdom (UK). Net profit after tax came in at $12.23 million in FY2016 versus $4.61 million in FY2015, primarily as a result of a significant provision made in FY2015 for foreseeable losses on a development property. The Group has a net asset value of $345.59 million.

Development Properties

The Group has achieved several breakthroughs with our development properties. We had successfully disposed iLiv@Grange through a sale of shares of the development company to a group of high networth investors.

With this disposal, the Group's total bank term loans have declined from $310.08 million in FY2015 to $238.56 million in FY2016. The Group will achieve financial savings from the elimination of qualifying certificate extension fee and interest expenses associated with iLiv@Grange.

Another achievement for the Group was the sales of High Park Residences - developed jointly with Chip Eng Seng Corporation Limited and KSH Holdings Limited. The 1,399 units project was launched in July 2015 and are 100% sold in 20 months. We are pleased our retail and residential project - Onze@Tanjong Pagar - has obtained its TOP in January 2017.

Investment & Hospitality Properties

Milestones were attained during the year for our investment and hospitality properties segment. The Group had acquired three hotels in early 2016. These include ibis Hotel Gloucester, Holiday Inn Express Hotel Manchester City Centre in the United Kingdom and a hotel building in Sapporo City, Hokkaido, Japan. These bring the total number of hotels that the Heeton-led consortium own to seven, with three more hotel sites undergoing planning and re-development. In FY2016, the Group had unveiled a masterplan for its site in Leeds, United Kingdom and obtained approval to redevelop an existing office building to the south of the site into a business cum leisure hotel.

In the first half of 2017, we expect to complete the re-development of our site at 28-36 Glenthorne Road, London, United Kingdom.

Preparing for the next stage of growth

Following the rebranding exercise and consolidation strategy of the Group as highlighted by Chairman, we are strengthening our business structure to prepare ourselves for the next stage of growth. We are building our management team with the appointment of business units heads as well as reorganising roles and responsibilities to achieve better work efficiencies.

We will focus our efforts on building recurring income from quality investment properties as well as growing our hospitality business mainly in key gateway cities. The management will explore yield enhancement programs to further boost revenue from the investment properties. For the property development business, the Group will continue to seek development opportunities both locally and abroad.

Acknowledgement

A "Big Thank You" to the management team and all my colleagues. Your effort and contribution have helped the Group to achieve a good set of results for FY2016. I am grateful to Chairman, Executive Deputy Chairman and Board members

Onze@Tanjong Pagar (Artist's Impression)

for their invaluable guidance and advice. Many thanks and appreciation to our bankers, partners and business associates for their commitment and support too.

Let us steer Heeton together towards its next phase of growth.

ERIC TENG HENG CHEW
Chief Executive Officer and Executive Director

总裁致辞

尊敬的各位股东，

2016财政年是整体商业环境充满不确定性的一年。新加坡房地产市场持续疲弱，房价连续三年下滑，许多国际动态如英国脱欧和美国总统选举都对国际经济有着深远的影响。尽管如此，我们仍然在营业额和净利润方面都取得了增长。

财务回顾

集团的营业额上涨了96.4%，从去年（2015财政年）的3,429万增加至2016财政年的6,737万。这主要是由于住宅项目（主要是Onze@Tanjong Pagar）更高的销售收入确认，以及来自新收购酒店的收入。这些酒店包括在英国的曼切斯特快捷假日酒店（Holiday Inn Express Hotel Manchester），布拉德福德宜必思快捷酒店（ibis Budget Bradford）和格洛斯特宜必思酒店（ibis Hotel Gloucester）。集团税后净利润从2015财政年的461万增加至2016财政年的1,223万。这主要来自于2015财政年为一个发展项目的可预见损失提供的重大储备。集团拥有3亿4,559 万的净资产。

房地产开发

在房地产开发业务方面，集团取得了好几项突破。我们成功的脱售了iLiv@Grange，我们以销售发展公司股份的方式将其卖给了一群高净资产投资者。

随着这个脱售，集团银行总贷款从2015财政年的3亿1,008万下滑至2016财政年的2亿3,856万。集团将通过减去iLiv@Grange相关费用如合格证书延期费（qualifying certificate extension fee）和利息费用以取得更多财务收益。

集团的另一成绩是峰景苑（High Park Residences）的销售表现。这个项目是与集永成机构有限公司（Chip Eng Seng Corporation Ltd）以及金成兴控股有限公司（KSH Holdings Limited）合作推出。这个1399单位的项目在2015年7月首次发售并且在20个月内100%售出所有单位。同时，我们也很高兴我们的零售及住宅项目— Onze@Tanjong Pagar—在2017年1月份取得了临时入伙准证（T.O.P.）。

我们预计在2017上半年会完成在英国伦敦28-36 Glenthorne Road地段的重建项目。

房地产投资以及酒店业资产

在房地产投资以及酒店业投资方面，我们也在这一年里取得了众多的里程碑。在2016财政年上旬，集团收购了3家酒店。这包括英国格洛斯特宜必思酒店（ibis Hotel Gloucester），曼切斯特快捷假日酒店（Holiday Inn Express Hotel Manchester）以及在日本北海道札幌市的一栋酒店大楼。这使得喜敦所引领的财团旗下的酒店增加到7家。另外还有3个酒店地段正在进行规划和重建。在2016财政年中，集团也为其英国利兹地段的发展总蓝图拉开序幕并获得批准,将地段南面的一个现有办公楼改建成商业和休闲酒店。

为下一步成长做好准备

继主席所提起集团的品牌重塑计划和整合策略，我们正在强化我们的业务结构以便为下一阶段的增长做好准备。我们正在建立我们的管理团队，任命业务部门负责人，同时也重组了各个职责以便取得更高的工作效率。

我们将集中精力从优质的投资物业中建立稳定收入并且继续在主要门户城市发展酒店业务。管理层会探索提升收益的计划以进一步增加投资物业的收入。在房地产开发业务方面，集团会继续在本地及海外寻求开发机会。


Luma Concept Hotel London

感谢

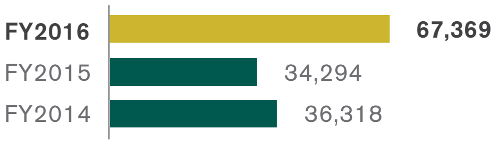
非常感谢管理团队以及所有的同事。你们的努力和贡献帮助集团在2016财政年取得了优异的表现。我很感激主席、执行副主席还有各位董事们宝贵的指导和建议，也非常感谢我们的银行家、合作伙伴和商业伙伴们一直以来的承诺与支持。

让我们一起带领喜敦迈向其下一阶段的成长。

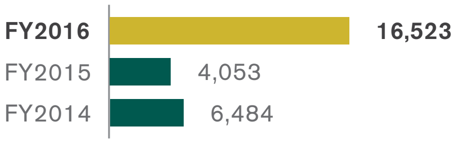
丁行洲
总裁以及执行董事

FINANCIAL HIGHLIGHTS

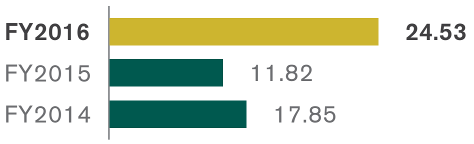
Turnover
($'000)



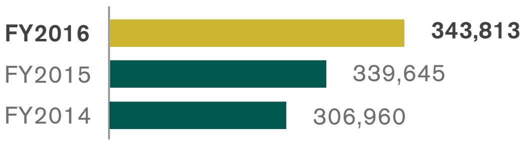
PBT (Before gain on fair value of investment properties)
($'000)



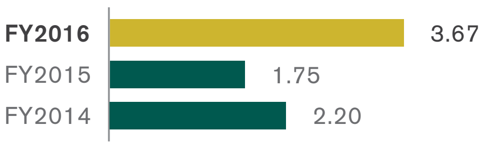
PBT margin (Before gain on fair value of investment properties)
($'000)



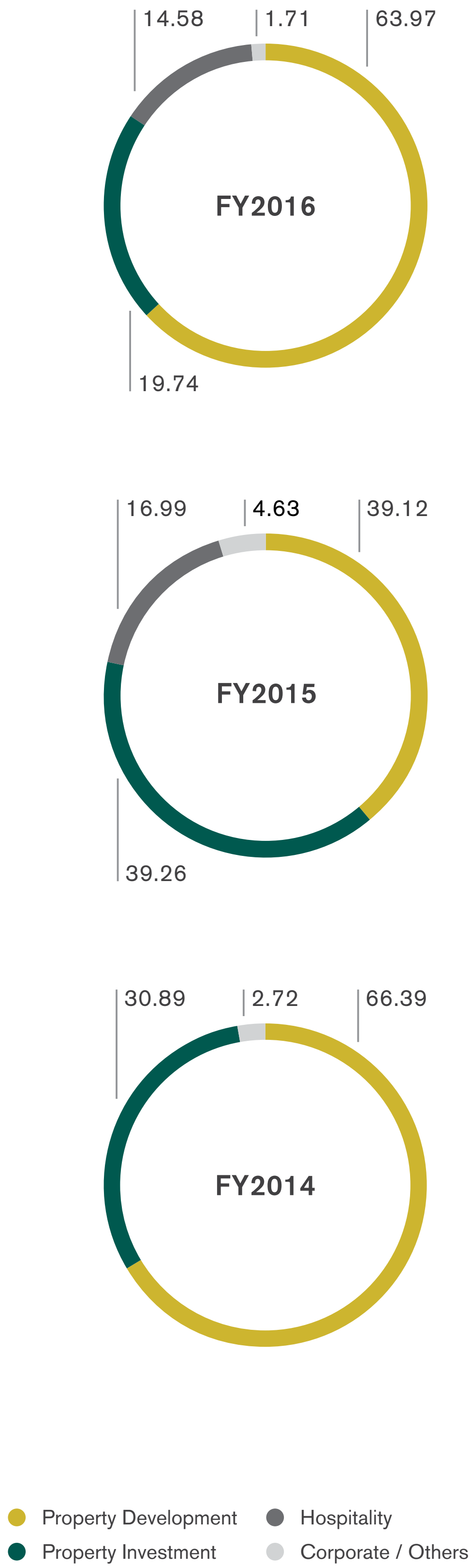
Net Assets Value before NCI
($'000)



EPS (Before gain on fair value of investment properties)
($'000)



Turnover by Activity (%)



CORPORATE INFORMATION

Board Of Directors

Executive

Toh Giap Eng (Deputy Chairman)
Eric Teng Heng Chew (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

60 Sembawang Road
#01-02 Hong Heng Mansions
Singapore 779088
Tel: (65) 6456 1188
Fax: (65) 6455 5478
Website: www.heeton.com

Auditor

Ernst & Young
One Raffles Quay
North Tower, Level 18
Singapore 048583
Sam Lo
(Partner-in-charge since financial year ended 31 Dec 2012)

Company Secretaries

Lee Ho Wah
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

REWARDING OUR RELATIONSHIPS

At Heeton we integrate corporate and family values. We share our vision with our people, partners and stakeholders; together we constitute a dynamic family, where business acumen, technology and artistry, and a world class service culture are blended as ingredients for a successful business recipe. The team spirit that binds us inspires us to create opportunities, ultimately enhancing value and reaping rewards.

BOARD OF DIRECTORS

MR TOH KHAI CHENG
Non-Executive Chairman

MR TOH GIAP ENG
Deputy Chairman, Executive Director

MR ERIC TENG HENG CHEW
CEO, Executive Director

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 GIAP ENG
Deputy Chairman, Executive Director

Formerly CEO of the Group, Mr Toh was appointed as Executive Deputy Chairman of the Group with effect from 4 January 2016. Mr Toh's responsibilities are to identify and secure investment and development properties in new markets, explore and develop related or 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), United Kingdom. Mr Toh is also a member of the Nominating Committee.

MR ERIC TENG HENG CHEW
CEO, Executive Director

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 30 years of experience in marketing, communications, property and hospitality in both private 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 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 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 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 about 20 years' experience in property development, property investment and hospitality. Mr Chia is the Chairman of the Nomination Committee and a member of the Remuneration Committee. He is currently an independent director of Amara Holdings Limited.

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

ERIC TENG HENG CHEW
CEO, Executive Director

HENG LEE CHENG, CHERYL
Chief Financial Officer

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

LIU CHUNG BONG, EDWIN
Country Head, United Kingdom and Europe

ALEX CHAKRABARTI
Head of Hospitality, International

ADRIAN KOH SENG HUI
General Manager, Corporate Communications & Investor Relations

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), United Kingdom.

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.

GENERAL MANAGER, CORPORATE COMMUNICATIONS & INVESTOR RELATIONS

Adrian Koh Seng Hui has worked in the field of asset management and overseas investments since 1995. He joined Heeton in 2014 as part of the International Operations team. He currently oversees the Group's corporate communications and assists the directors with Investor Relations. Adrian has a law degree from Kings College London University. Prior to joining Heeton he worked for two other Singaporean PLCs representing their interests overseas.

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.

HEAD OF HOSPITALITY, INTERNATIONAL

Alex Chakrabarti has 20 years of experience in the hospitality industry across Europe, Africa and Asia. Before joining Heeton in October 2016, Alex held several key appointments including General Manager at Hotel G Beijing, Beach Republic Koh Samui, Hotel Muse Bangkok, and Cluster General Manager for Mercure Hotel and Hotel Baraquda Pattaya. As Head of Hospitality for Heeton, Alex is responsible for spearheading the Group's hospitality segment, setting strategic directions, developing business opportunities and cultivating talent.

CHIEF EXECUTIVE OFFICER & EXECUTIVE DIRECTOR

Eric Teng Heng Chew 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.

COUNTRY HEAD, UNITED KINGDOM AND EUROPE

Liu Chun Bong, **Edwin**, joined the Group in 2012. He oversees property development and investment matters in the UK and Europe. Working closely with the Singapore head office, Edwin assists the executive board in identifying opportunities in the region. He manages the operation of the Heeton UK office in London and spearheads the implementation of development projects. Edwin is a Chartered Architect of the UK with two Bachelor degrees in Architecture who has practiced for over 10 years in the UK and in South East Asia.

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 Resources 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).

REINFORCING OUR POSITION

As one of Singapore's leading boutique property developers, we fortify our position by going the extra mile: applying state of the art development techniques and design, at the same time mindful of customer interests. At Heeton we create living spaces that offer quality residences, consumer value and rewarding experiences in equal measure. By building on our strengths and refining our standards, Heeton continues to be recognised as an innovative developer with a heart for fostering the essence of home.

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

PROPERTY PORTFOLIO

Westwood Residences (Artist's Impression)

121 Collection on Whitley (Artist's Impression)

121 Collection on Whitley (Artist's Impression)

(A) Property Developments and Land Bank (Singapore)

Name of development	Location / Type of development	Tenure	Approximate total Gross Floor Area (sq m)	Residential Units	Shop Units	% sold as at 31 December 2016	Group's stake (%)	Launched / Expected Launch Date	Targeted Completion / Completion Date
Lincoln Suites	1/3 Khiang Guan Avenue / Residential	Freehold	16,826	175	N/A	96.6	25	Oct 2009	Apr 2014
The Lumos	9 Leonie Hill / Residential	Freehold	9,953	53	N/A	32.1	50	Jul 2007	Aug 2011
Sky Green	568 & 570 Macpherson Road / Residential	Freehold	13,907	176	N/A	97.7	40	Oct 2012	Nov 2015
KAP and KAP Residences	9 and 11 King Albert Park / Commercial and Residential	Freehold	17,178	142	107	99.2	12.60	May 2013	Nov 2016
Floraville, Floravista & Floraview	2/A/B – 20A/B/C Cactus Road / Commercial and Residential	Freehold	11,549	140	28	82.1	12.25	Aug 2013	2017
121 Collection on Whitley	121 Whitley Road / Residential	Freehold	2,108	9	N/A	0	30	Apr 2016	Feb 2017

Onze@Tanjong Pagar (Artist's Impression)

High Park Residences (Artist's Impression)

Onze@Tanjong Pagar (Artist's Impression)

Name of development	Location / Type of development	Tenure	Approximate total Gross Floor Area (sq m)	Residential Units	Shop Units	% sold as at 31 December 2016	Group's stake (%)	Launched / Expected Launch Date	Targeted Completion / Completion Date
Rezi 3Two	48-60 Lorong 32 Geylang Road / Residential	Freehold	3,455	65	N/A	89.2	10	Nov 2013	2017
Trio	7 to 19 Sam Leong Road / Commercial	Freehold	3,445	0	43	37.2	15	May 2014	2017
Onze@Tanjong Pagar	11 Kee Seng Street/ Commercial and Residential	Freehold	5,572	56	13	46.0	100	Sep 2013	Jan 2017
Westwood Residences	180 to 196 Westwood Avenue / Residential	Leasehold term of 99 years from 14 Apr 2014	48,397	480	N/A	65.2	20	May 2015	2017
High Park Residences	40 Fernvale Road / Commercial and Residential	Leasehold term of 99 years from 8 Aug 2014	112,300	1,390	9	99.4	20	Jul 2015	2019

PROPERTY PORTFOLIO

Sun Plaza (Artist's Impression)

Ibis Hotel Gloucester

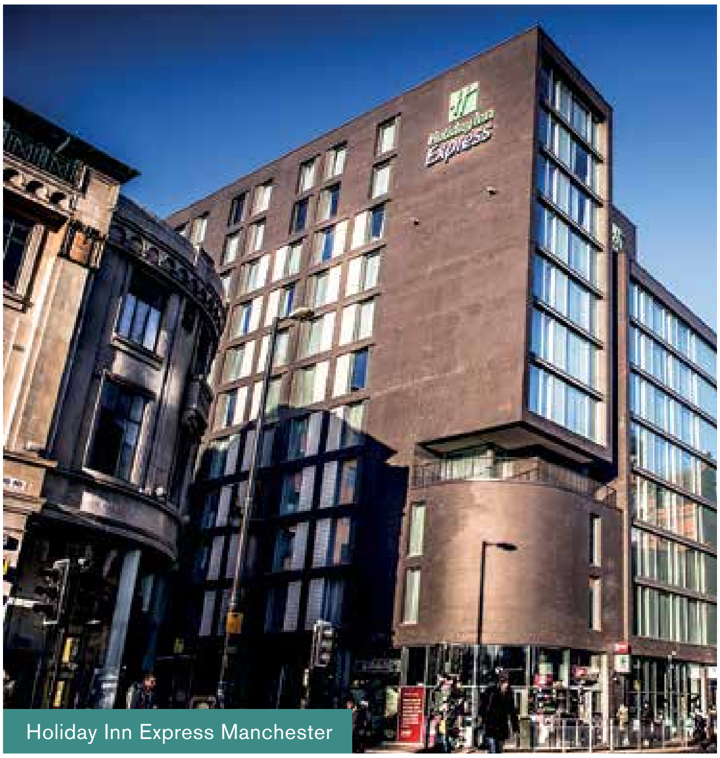
Mercure Hotel Pattaya

(B) Property Developments and Land Bank (Overseas)

Name of development	Location / Type of development	Tenure	Approximate total Gross Floor Area (sq m)	Residential Units	Hotel Units	% sold as at 31 December 2016	Group's stake (%)	Launched / Expected Launch Date	Targeted Completion / Completion Date
Haus[23]	Ladprao 23 Road, Ladyarw (Bangsae-nuar) Bangkhen Bangkok Thailand / Residential	Freehold	17,214	236	N/A	78.0	48.99	Sep 2011	May 2014
188 W Residences	186 Wickham Street Fortitude Valley, Queensland, Australia / Residential	Freehold	28,000	324	N/A	-	18.15	To be confirmed	To be confirmed
Leeds / Hampton by Hilton Leeds City Centre	New York Road, Leeds as registered at the Land Registry under title number WYK592211 / Residential and Hotel	Freehold	84,568	To be confirmed	Proposed 192 hotel rooms	-	55.0	To be confirmed	To be confirmed

(C) Investment Properties (in Singapore)

Name of development	Location / Type of development	Tenure	Approximate total Lettable Area (sq m)	Number of units	Fair value as at 31 December 2016 ($'mil)	Group's stake (%)
Tampines Mart	Blocks 5, 7, 9 and 11 Tampines Street 32 / Retail and Commercial	Leasehold term of 99 years from 1 May 1993	7,900	61 shops and 57 wet market stalls	104.0	100
The Woodgrove	30 Woodlands Avenue 1 / Retail and Commercial	Leasehold term of 99 years from 26 Jun 1996	3,785	36	31.2	100
62 Sembawang Road	62 Sembawang Road / Transport Facilities	Estate in Perpetuity	1,239	1	9.5	100
Sun Plaza	30 Sembawang Drive / Retail and Commercial	Leasehold term of 99 years from 26 Jun 1996	14,573	131	345.0	50
223@Mountbatten	223 Mountbatten Road / Commercial	Leasehold term of 15 years from 20 Feb 2012	10,447	90	43.0	16



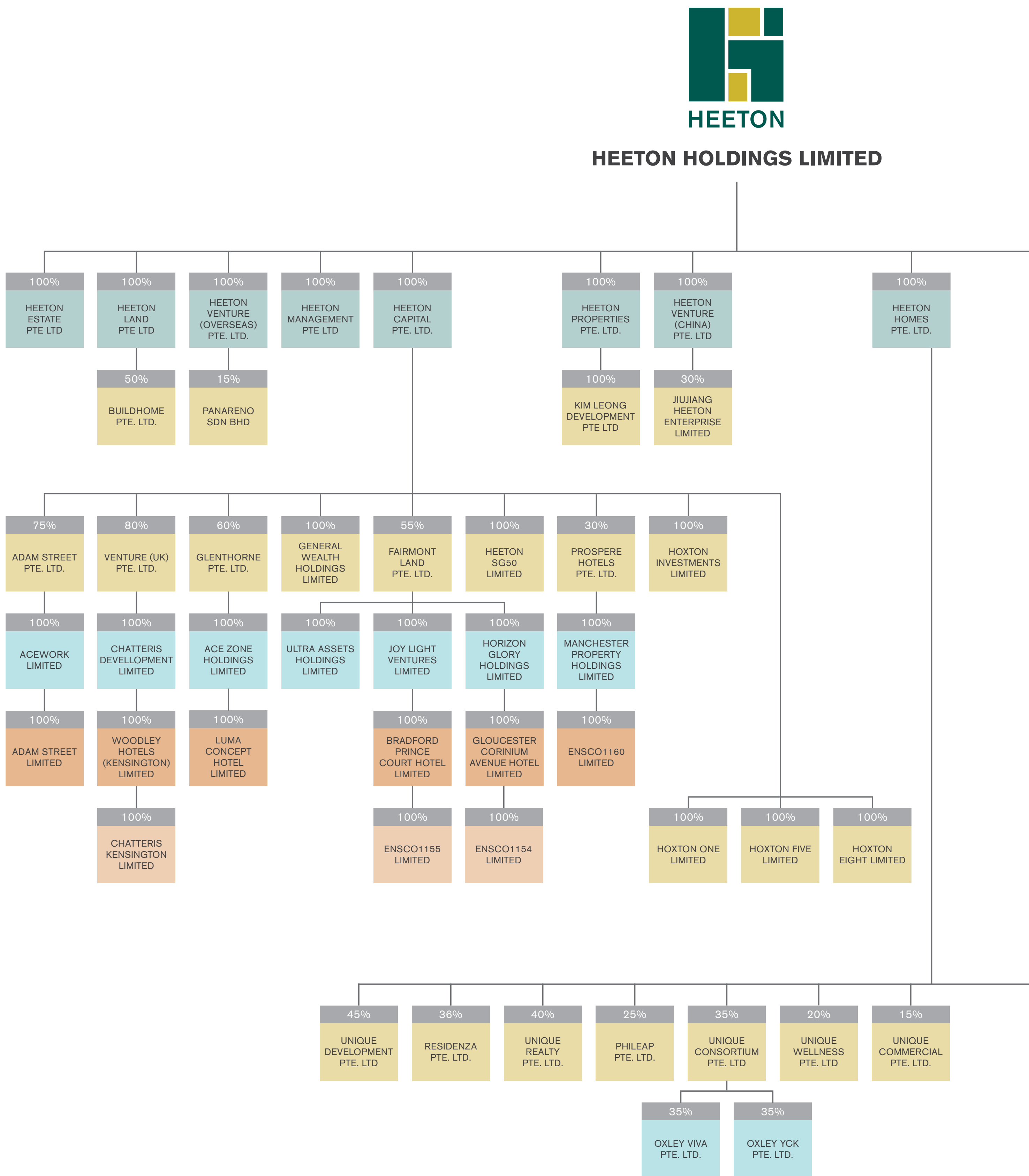
Holiday Inn Express Manchester

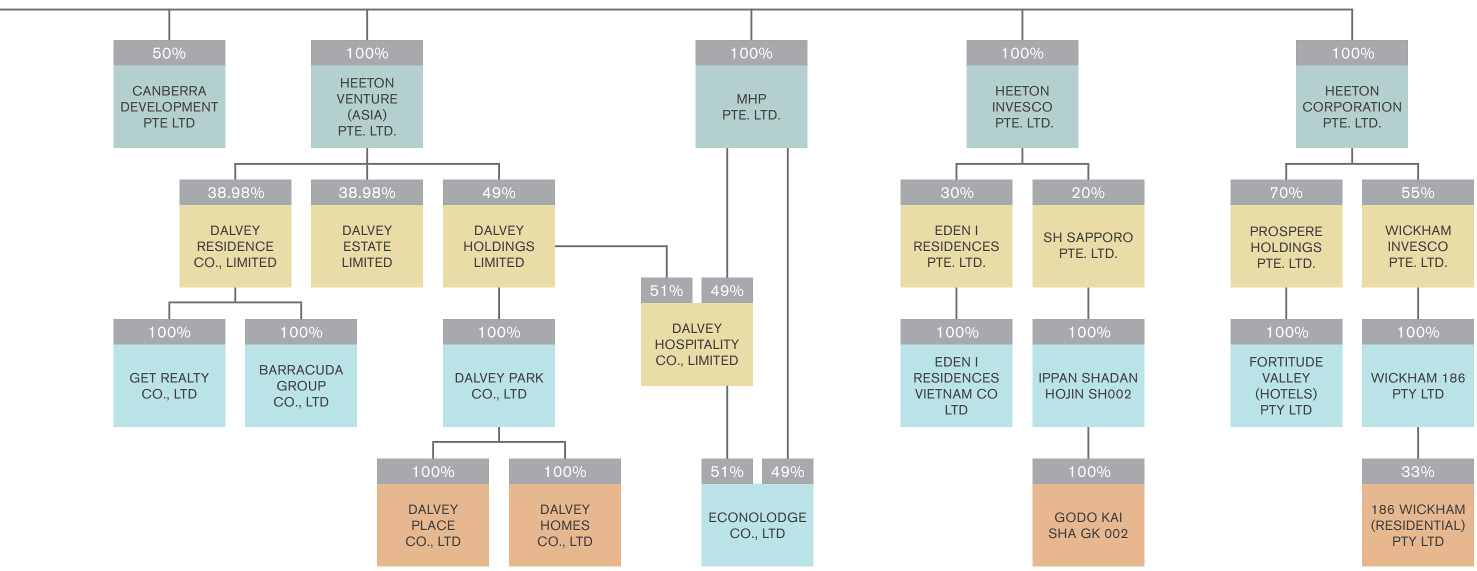
Super Hotel Sapporo - Susukino

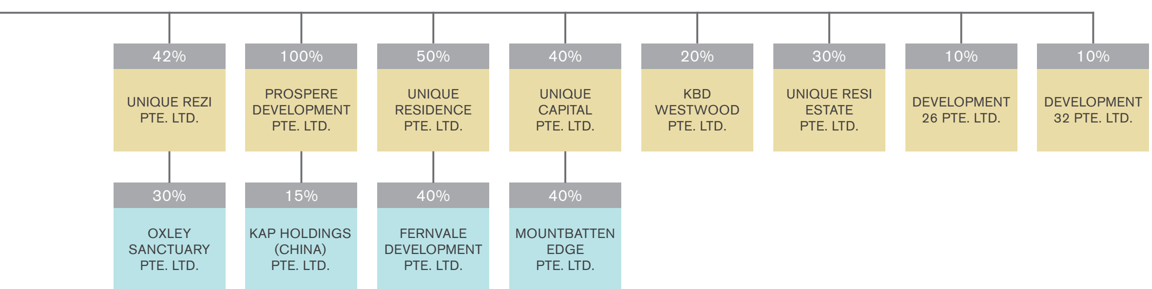
(D) Hotels and Investment Properties (outside of Singapore)

Name of development	Location / Type of development	Tenure	Number of units	Fair value as at 31 December 2016 ($'mil)	Group's stake (%)
Mercure Hotel Pattaya	Pattaya, Thailand / Hotel	Freehold	247 hotel rooms	21.4	86.7
Hotel Baraquda Pattaya, MGallery Collection	Pattaya, Thailand / Hotel	Freehold	72 hotel rooms	16.7	38.98
Hotel ibis Style London Kensington	15 – 25 Hogarth Road, Kensington, London, United Kingdom / Hotel	Freehold	116 hotel rooms	49.6	80.0
Ibis Budget Bradford	Prince Court, Canal Road, Bradford, United Kingdom / Hotel	Freehold	86 hotel rooms	2.8	55.0
Luma Concept Hotel London	28 - 36 Glenthorne Road, Hammersmith, London, W6 0LS / Hotel	Freehold	Proposed 89 hotel rooms	49.4	60.0
Holiday Inn Express Manchester	2-4 Oxford Road, Manchester M1 5QA	Freehold	147 hotel rooms	30.4	30.0
Ibis Hotel Gloucester	Sawmills End, Corinium Ave A471, Gloucester, GL4 3DG United Kingdom	125 years leasehold from 19 Oct 2009	127 hotel rooms	10.8	55.0
29 Ranwell Lane	29 Ranwell Lane Fortitude Valley / Hotel	Freehold	Proposed 198 hotel rooms	6.3	70.0
Adam House	7 – 10 Adam Street, London, United Kingdom / Serviced office	Freehold	35 office units and 175 desks	25.4	75.0
Super Hotel Sapporo - Susukino	2-8-7 Minami 6 Jonishi, Chuo-ku Sapporo-shi, Hokkaido, Japan	Freehold	164 hotel rooms and 66 residential and retail units	34.7	20.0

GROUP STRUCTURE (AS AT 31 DECEMBER 2016)




50%
CANBERRA DEVELOPMENT 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., LIMITED
38.98%
DALVEY ESTATE LIMITED
49%
DALVEY HOLDINGS LIMITED
30%
EDEN I RESIDENCES PTE. LTD.
20%
SH SAPPORO PTE. LTD.
70%
PROSPERE HOLDINGS PTE. LTD.
55%
WICKHAM INVESCO PTE. LTD.
51%
49%
DALVEY HOSPITALITY CO., LIMITED
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 GK 002
33%
186 WICKHAM (RESIDENTIAL) PTY LTD


42%
UNIQUE REZI PTE. LTD.
100%
PROSPERE DEVELOPMENT PTE. 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.
30%
OXLEY SANCTUARY PTE. LTD.
15%
KAP HOLDINGS (CHINA) PTE. LTD.
40%
FERNVALE DEVELOPMENT PTE. LTD.
40%
MOUNTBATTEN EDGE PTE. LTD.

CORPORATE SOCIAL RESPONSIBILITY

Business Dictionary defines Corporate Social Responsibility (CSR) as "a company's sense of responsibility towards the community and environment, both ecological and social, in which it operates."

CSR recognises that every action we take will have an impact on the community and environment. At Heeton, we maintain that corporate success is not based solely on the company's business achievements, but also on community involvement and its role in environmental sustainability. We actively encourage our staff to be aware of social issues, to participate in community projects and fundraising activities, and to be knowledgeable of environmental matters.

2016 saw Heeton's first organised CSR effort, "Clean-up @ Sembawang Park", where a team of Heeton volunteers from director level to service staff spent the day clearing the beach of litter and waste, to much fulfilment and acclaim.

Going forward, the Group will continue to seek out suitable community involvement programmes. There are currently plans to support charities for the underprivileged, the aged and the disabled through initiatives led by voluntary welfare organisations like the Down's Syndrome Association, and national bodies such as the People's Association, mainly through sponsorship, volunteer work and fund-raising activities. Aligning our interests with those of the communities we interact with have translated into positive goodwill for our Group.

Other than community support, Heeton is committed to other CSR practices such as promoting green policies through recycling, waste and water management, reusable materials and reducing paper use. We believe greatly in investing in a sustainable workforce and have established human resource policies devoted to the welfare of our workers, which have had a positive effect on employee retention and staff morale; and as an active participant in the building sector, we work closely with our construction partners to ensure a high level of safety in all our development projects.

CONTENTS

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 FY2016

	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	5	4
Toh Giap Eng	4	4	1	1	-	-	-	-
Toh Gap Seng	4	3	-	-	-	-	-	-
Teng Heng Chew	4	4	-	-	-	-	-	-
Chew Chin Hua	4	4	1	1	-	-	5	5
Tan Tiong Cheng	4	4	1	1	1	1	5	5
Chia Kwok Ping	4	4	1	1	1	1	-	-

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, 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/ 24 April 2015	Non-executive	Retirement by rotation pursuant to Article 95(2)
Toh Giap Eng	Member of Nominating Committee	1 July 1996/ 28 April 2016	Executive	Not applicable
Teng Heng Chew	-	4 January 2016/ 28 April 2016	Executive	Not applicable
Toh Gap Seng	-	10 February 1978/ 24 April 2015	Non-executive	Retirement by rotation pursuant to Article 95(2)
Chew Chin Hua	Chairman of Audit Committee and Member of Nominating Committee	27 December 2002/ 24 April 2014	Non-executive/ Independent	Retirement by rotation pursuant to Article 95(2)
Tan Tiong Cheng	Chairman of Remuneration Committee, Member of Nominating Committee and Audit Committee	28 April 2009/ 24 April 2015	Non-executive/ Independent	Not applicable
Chia Kwok Ping	Chairman of Nominating Committee and Member of Remuneration Committee	15 October 2012/ 28 April 2016	Non-executive/ Independent	Not applicable

Role of Chairman, Deputy Chairman and Chief Executive Officer

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, 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.

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.

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 2016.

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.

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.

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 2016 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
Low Yee Khim	100	—	—	—	100
Between $500,000 to $750,000					
Toh Giap Eng	93	4	—	3	100
Teng Heng Chew	85	4	—	12	100

The remuneration of the key executives of the Group who are not Directors or CEO for the financial year ended 31 December 2016 is shown in the following bands:

Remuneration bands	Salary %	Bonus %	Fees %	Other Benefits %	Total %
Below $250,000					
Eemin Loh Yi Xuan	81	19	-	-	100
Edwin Liu Chun Bong	61	26	-	13	100
Adrian Koh Seng Hui	77	14	-	9	100
Alex Chakabarti	82	-	-	18	100
Between $250,000 to S$500,000					
Tan Hong Sien, Janet	64	30	-	6	100
Heng Lee Cheng, Cheryl	71	18	7	4	100

The Group currently only has 6 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 2016. 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.

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.

Audit Committee

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 2016, the AC has held 5 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.

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 auditor's 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.

Internal Audit

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 LLP ("IA"). 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.

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

There were no interested person transactions entered into by the Company that required disclosure under the SGX-ST's Listing Manual exceeding S$100,000 during the financial year ended 2016.

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 2016.

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 2016.

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 2016 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	–	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' 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 2016/ date of appointment**	**31 December 2016**	**1 January 2016/ date of appointment**	**31 December 2016**
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	38,741,249	89,854,559	89,854,559
Toh Gap Seng [(3)]	17,768,370	17,768,370	770,000	890,000
Chew Chin Hua	36,000	36,000	–	–
Tan Tiong Cheng	12,000	12,000	–	–
Teng Heng Chew	–	70,000	–	–

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

(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 890,000 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 2017.

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 of the financial year or date of appointment, if later 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.

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 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 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 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, 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.

AUDIT COMMITTEE (CONT'D)

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 five 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
Executive Director

Singapore
5 April 2017

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 2016, 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 2016 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 $6.4 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.

Valuation of investment properties and freehold and leasehold land and buildings

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group carries its freehold and leasehold land and buildings at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. 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.

The Group engaged independent valuation specialists to determine the fair values of its investment properties and freehold and leasehold land and buildings as at 31 December 2016, which amounted to $170.1 million and $116.7 million respectively.

The valuation of the investment properties and freehold and leasehold land and buildings 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 Notes 12 and 13.

Construction contracts revenue recognition

The Group derives a significant portion of its revenue from construction contracts that is recognised by reference to the stage of completion of the contract activity at the end of the reporting period (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 2016, the Group recognised $41.7 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, remaining costs to completion, total contract revenues, and recoverable amount of variation works 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 disclosures related to construction contracts revenue in Note 4 and Note 20.

Acquisition of businesses

During the year, the Group acquired a hotel business for a consideration of £6.1 million (equivalent to approximately $12.2 million). In addition, the Group's associated company acquired a hotel business for a consideration of £17.2 million (equivalent to approximately $33.7 million). The Group has performed a Purchase Price Allocation ("PPA") exercise, whereby the Group allocated the purchase price into various assets acquired and liabilities assumed from the new businesses. In addition, the provisional PPA of the acquisition of a hotel business in financial year 2015 was finalised in 2016. No goodwill was recognised from these acquisitions. Given the high level of management judgement on the PPAs, in particular in relation to the valuation of the fixed assets acquired, the quantitative materiality of the acquisitions and the complexity of contractual agreements, we considered this area to be a key audit matter.

INDEPENDENT AUDITOR'S REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF HEETON HOLDINGS LIMITED

Acquisition of businesses (cont'd)

As part of our audit procedures on the accounting for the acquisitions, we reviewed the purchase agreements to obtain an understanding of the transactions and the key terms. Management engaged independent valuation specialists to assist them with the PPAs. We assessed the competence, objectivity and integrity of the valuation specialists. We also held discussions with the valuation specialists to assess the key assumptions underlying the PPAs. An important element of our audit relates to the identification and fair value measurement of the assets acquired and liabilities assumed, in particular, the fair value adjustments to the fixed assets. We tested this identification based on our discussion with management and our understanding of the business of the acquired companies. We involved our internal valuation specialists in reviewing the valuation methodologies used by management and assessed the key assumptions and inputs used in measuring the fair value of the assets acquired and liabilities assumed. We also assessed the adequacy of the related disclosures in Note 12.

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.

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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF HEETON HOLDINGS LIMITED

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

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.

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. Sam Lo.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
5 April 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(In Singapore dollars)

	Note	2016 $'000	2015 $'000
Revenue	4	67,369	34,294
Cost of properties sold		(31,989)	(10,001)
Other operating income	5	4,088	3,008
Personnel expenses	6	(7,754)	(6,087)
Depreciation of fixed assets		(1,370)	(506)
Other operating expenses		(15,145)	(11,785)
Loss on disposal of subsidiaries	7	(10,356)	–
Profit from operations	8	4,843	8,923
Finance expenses	9(a)	(11,829)	(16,286)
Finance income	9(b)	3,833	5,881
Share of results of associated companies/joint venture companies		19,676	34,615
Gains from fair value adjustments of investment properties	13	542	600
Provision for foreseeable losses on development property	20	–	(29,080)
Profit before tax		17,065	4,653
Income tax expense	10	(4,835)	(43)
Profit for the year		12,230	4,610
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(9,013)	626
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 (expense)/income for the year, net of tax		(5,505)	626
Total comprehensive income for the year		6,725	5,236
Profit for the year			
Attributable to:			
Owners of the Company		12,481	5,651
Non-controlling interests		(251)	(1,041)
		12,230	4,610

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(In Singapore dollars)

	Note	2016	2015
		$'000	$'000
Total comprehensive income for the year:			
Attributable to:			
Owners of the Company		6,120	6,476
Non-controlling interests		605	(1,240)
		6,725	5,236
Earnings per share attributable to owners of the Company (cents per share)			
Basic	11	3.84	1.96
Diluted	11	3.84	1.96

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

BALANCE SHEETS
AS AT 31 DECEMBER 2016

(In Singapore dollars)

		Group		Company	
	Note	2016	2015	2016	2015
		$'000	$'000	$'000	$'000
Non-current assets					
Fixed assets	12	120,338	105,242	577	95
Investment properties	13	170,050	173,980	–	–
Subsidiaries	14	–	–	24,583	25,583
Associated companies	15	73,240	64,689	–	–
Joint venture companies	16	82,140	64,091	5,000	5,000
Amounts due from associated companies, joint venture companies and investee companies	17	125,572	149,076	–	–
Other investments	18	218	218	–	–
Intangible assets	19	109	109	–	–
Other receivables	22	4,000	–	4,000	–
		575,667	557,405	34,160	30,678
Current assets					
Development properties	20	106,790	198,765	90,907	75,695
Trade receivables	21	794	538	–	120
Other receivables	22	20,799	7,275	14,855	8
Prepayments		1,488	2,620	248	26
Amounts due from subsidiaries (non-trade)	23	–	–	178,572	218,035
Amounts due from related parties (trade)	23	14	12	–	–
Amounts due from joint venture company (non-trade)	23	333	606	33	536
Amount due from joint venture company (trade)	23	339	341	–	–
Fixed deposits	24	654	6,099	505	5,934
Cash and bank balances	25	27,114	16,227	13,436	4,155
		158,325	232,483	298,556	304,509
Current liabilities					
Trade payables	26	6,769	8,046	4,615	2,112
Other payables and accruals	27	6,896	4,833	3,037	1,444
Derivatives	28	149	23	–	–
Amounts due to subsidiaries (non-trade)	23	–	–	60,237	35,981
Bonds	29	58,750	–	58,750	–
Short-term bank loans	30	14,000	4,000	14,000	4,000
Bank term loans	31	120,713	163,885	58,745	58,745
Finance lease obligations	37	76	–	50	–
Income tax payable		1,955	935	278	728
		209,308	181,722	199,712	103,010
Net current (liabilities)/assets		(50,983)	50,761	98,844	201,499

BALANCE SHEETS

AS AT 31 DECEMBER 2016

(In Singapore dollars)

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Non-current liabilities					
Other payables and accruals	27	1,043	1,150	–	–
Finance lease obligations	37	264	–	192	–
Amounts due to associated companies and joint venture companies	17	43,660	38,273	15,508	15,508
Amounts due to non-controlling interests	32	27,156	25,230	–	–
Bonds	29	–	60,000	–	60,000
Bank term loans	31	103,846	142,197	–	–
Deferred tax liabilities	33	3,125	499	2,309	545
		(179,094)	(267,349)	(18,009)	(76,053)
Net assets		345,590	340,817	114,995	156,124
Equity attributable to owners of the Company					
Share capital	34	86,624	86,624	86,624	86,624
Foreign currency translation reserve	35	(9,344)	(215)	–	–
Asset revaluation reserve	36	2,768	–	–	–
Retained earnings		263,765	253,236	28,371	69,500
		343,813	339,645	114,995	156,124
Non-controlling interests	14	1,777	1,172	–	–
Total equity		345,590	340,817	114,995	156,124

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 2016

(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 2015		58,803	(1,040)	–	249,197	306,960	19,787	326,747
Issuance of ordinary shares		27,821	–	–	–	27,821	–	27,821
Profit for the year		–	–	–	5,651	5,651	(1,041)	4,610
Other comprehensive income								
- Foreign currency translation		–	825	–	–	825	(199)	626
Total comprehensive income for the year		–	825	–	5,651	6,476	(1,240)	5,236
Dividend on ordinary shares	45	–	–	–	(1,612)	(1,612)	–	(1,612)
Return of capital contribution to non-controlling interests		–	–	–	–	–	(17,375)	(17,375)
At 31 December 2015		86,624	(215)	–	253,236	339,645	1,172	340,817
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

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 2016

(In Singapore dollars)

	Note	2016 $'000	2015 $'000
Cash flow from operating activities			
Profit before tax		17,065	4,653
Adjustments:			
Depreciation of fixed assets	12	1,370	506
(Gain)/Loss on disposal of fixed assets		(167)	898
Fair value loss on derivatives	8	126	23
Gains from fair value adjustments of investment properties	13	(542)	(600)
Share of profits of associated companies/joint venture companies		(19,676)	(34,615)
Interest expense	9(a)	11,829	16,286
Interest income	9(b)	(3,833)	(5,881)
Dividend income from other investments	5	(1,356)	–
Loss on disposal of subsidiaries	7	10,356	–
Provision for foreseeable losses on development property	20	–	29,080
Unrealised exchange differences		658	786
Total adjustments		(1,235)	6,483
Operating cash flows before changes in working capital		15,830	11,136
Changes in working capital:			
Increase in development properties		(17,127)	(17,151)
Increase in trade receivables		(281)	(379)
(Increase)/decrease in other receivables		(234)	1,395
Decrease/(increase) in prepayments		1,113	(2,046)
Increase in trade payables		286	2,102
Increase/(decrease) in other payables and accruals		157	(177)
(Increase)/decrease in amounts due from related parties (trade)		(2)	25
Total changes in working capital		(16,088)	(16,231)
Cash flows used in operations		(258)	(5,095)
Interest received		3,833	5,881
Interest paid, excluding amounts capitalised		(11,829)	(16,286)
Income taxes refunded/(paid)		146	(175)
Net cash flows used in operating activities		(8,108)	(15,675)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(In Singapore dollars)

	Note	2016 $'000	2015 $'000
Cash flows from investing activities			
Advances to investee company		(2,690)	–
Proceeds from sale of fixed assets		167	–
Purchase of fixed assets		(27,986)	(37,845)
Renovation of investment property		–	(553)
Dividend income from unquoted investments		1,356	–
Net repayment of loan from associated companies and joint venture companies		25,145	28,777
Proceeds from disposal of subsidiaries	7	6,890	–
Subscription of notes		(4,000)	–
Proceeds from liquidation of an associated company		–	200
Net cash flows used in investing activities		(1,118)	(9,421)
Cash flows from financing activities			
Repayment of finance lease obligations		(23)	(20)
Proceeds from loans and borrowings		29,082	59,603
Repayment of bond		(1,250)	(75,000)
Increase in loan from non-controlling interests		4,917	6,764
Repayment of bank loan		(14,549)	(10,050)
Dividends paid on ordinary shares of the Company	45	(1,952)	(1,612)
Proceeds from issuance of ordinary shares, net of share issue expenses		–	27,821
Net cash flows generated from financing activities		16,225	7,506
Net increase/(decrease) in cash and cash equivalents		6,999	(17,590)
Effect of exchange rate changes on cash and cash equivalents		(1,557)	395
Cash and cash equivalents at beginning of year		22,326	39,521
Cash and cash equivalents at end of year	A	27,768	22,326

A. Cash and cash equivalents

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

	Note	2016	2015
Fixed deposits	24	654	6,099
Cash and bank balances	25	27,114	16,227
Cash and cash equivalents at end of year		27,768	22,326

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

(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 and investment holding. 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.

Going concern consideration

As at 31 December 2016, the Group's current liabilities exceeded its current assets by $50,983,000. The financial statements of the Group have been prepared on a going concern basis as the directors are of the view that the Group will be able to generate adequate cash flows in the foreseeable future from its operating, financing and investing activities to enable it to meet its financial obligations as and when they fall due.

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 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Improvements to FRSs (December 2016)	
(a) Amendments to FRS 112 *Disclosure of Interests in Other Entities*	1 January 2017
(b) Amendments to FRS 28 *Investments in Associates and Joint Venture*	1 January 2018
FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to FRS 110 & FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined
Amendments to FRS 40: *Transfers of Investment Property*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018

(In Singapore dollars)

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

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

Description	Effective for annual periods beginning on or after
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 115: *Clarifications to 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
Amendments to FRS 104: Apply FRS 109 *Financial Instruments* with FRS 104 *Insurance Contracts*	1 January 2018
FRS 116 *Leases*	1 January 2019

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 is effective for annual periods beginning 1 January 2018.

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. 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. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

(a) Classification and measurement

The Group currently measures its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure these investments at fair value. Any difference between the previous carrying amount under FRS 39 and the fair value would be recognised in the opening retained earnings when the Group applies FRS 109.

(b) Impairment

FRS 109 requires the Group 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.

Transition

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.

<u>FRS 115 *Revenue from Contracts with Customers*</u>

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. 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 principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

(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)

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

Transition

The following practical expedients are available when applying FRS 115 retrospectively.

- For completed contracts, an entity need not restate contracts that begin and end with the same annual reporting period or are completed contracts at the beginning of the earliest period presented.

- For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating the variable consideration amounts in the comparative reporting periods; and

- For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:

  - o identifying the satisfied and unsatisfied performance obligations;
  - o determining the transaction price; and
  - o allocating the transaction price to the satisfied and unsatisfied performance obligations.

- For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue.

The Group plans to adopt the new standard on the required effective date using the full retrospective method and apply all the practical expedients available for full retrospective approach under FRS 115 as listed above.

The Group performed a preliminary assessment of FRS 115 which is subject to changes arising from a more detailed ongoing analysis. 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

The Group is engaged in the development of residential and commercial properties for sale. Management has assessed that for most of the Group's residential and commercial developments, performance obligations for the sale of pre-completion units will be satisfied over time. Accordingly, certain revenue previously recognised using the completed contract method will be adjusted upon adoption of FRS 115 to be recognised over time and the Group expects an increase in its attributable profit recognised on development properties arising from the adoption of FRS 115.

(b) Sales commissions paid to sales or marketing agents on the sale of real estate units

The Group pays sales commissions to sales or marketing agents on the sale of real estate units and currently recognises such sales commissions as expense when incurred. FRS 115 requires an entity to capitalise incremental costs to obtain a contract with a customer if these costs are recoverable and amortised to profit or loss as the entity expects to recognise the related revenue. Upon adoption of FRS 115, the Group expects to capitalise such sales commissions.

(In Singapore dollars)

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

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

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 exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

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.

(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.

(In Singapore dollars)

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

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

(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.

(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 2.13. 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.

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

(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 (cont'd)*

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 units to which goodwill have 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.

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.

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.

(In Singapore dollars)

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

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.

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. The cost includes the cost of replacing part of fixed assets and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying fixed asset. The accounting policy for borrowing costs is set out in Note 2.20. The cost of an item of fixed asset is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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.

(In Singapore dollars)

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

2.9 *Fixed assets (cont'd)*

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:

Freehold and leasehold buildings	–	50 years
Leasehold land	–	Over the remaining lease period
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.

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.

(In Singapore dollars)

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

2.10 *Investment properties (cont'd)*

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 *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.

2.12 *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.

The costs of development properties consist of land stated at cost and development expenditure incurred to date. Development expenditure includes finance charges and all expenditure incurred in connection with the development of the properties. Finance charges are not capitalised once the development is completed. 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 paid.

Net realisable value of development properties is the estimated selling price in the ordinary course of the business 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.

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

(In Singapore dollars)

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

2.12 *Development properties (cont'd)*

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.

2.13 *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.

2.14 *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.

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.

(In Singapore dollars)

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

2.14 *Impairment of non-financial assets (cont'd)*

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.

2.15 *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.

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.

(In Singapore dollars)

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

2.15 *Financial instruments (cont'd)*

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

Subsequent measurement (cont'd)

(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.

(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.

(In Singapore dollars)

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

2.15 *Financial instruments (cont'd)*

(b) *Financial liabilities (cont'd)*

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.

(c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.16 *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.

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.

(In Singapore dollars)

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

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

(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.

2.17 *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.

2.18 *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.

2.19 *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.

(In Singapore dollars)

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

2.20 *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.

2.21 *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.

2.22 *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.

(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 2.24(III). Contingent rents are recognised as revenue in the period in which they are earned.

2.23 *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.

(In Singapore dollars)

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

2.23 *Employee benefits (cont'd)*

(b) *Employment leave entitlement*

Employee entitlements to annual leave are recognised when they accrue 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.

2.24 *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.

(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.

(In Singapore dollars)

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

2.24 *Revenue (cont'd)*

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.

2.25 *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.

(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:

(In Singapore dollars)

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

2.25 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

- 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.

(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.

2.26 *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.

(In Singapore dollars)

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

2.27 *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.

2.28 *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.

2.29 *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.

2.30 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(In Singapore dollars)

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

2.30 *Related parties (cont'd)*

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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*

The Group carries its investment properties 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 2016. The two valuation techniques adopted were the Direct Comparison 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 carrying amount of the Group's investment properties at 31 December 2016 was $170,050,000 (2015: $173,980,000).

If the yield adjustments used in the valuation had been 3% higher than management's estimate, the carrying amount of the investment properties would have been $5,102,000 (2015: $5,219,000) higher.

(b) *Valuation of freehold and leasehold land and buildings*

The Group carries its freehold and leasehold land and buildings at fair value, with changes in fair values being recognised in other comprehensive income. The Group engaged independent valuation specialists to determine fair value as at 31 December 2016. The valuation technique adopted was the Direct Comparison Method which 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 carrying amount of the Group's freehold and leasehold land and buildings at 31 December 2016 was $116,743,000 (2015: $103,877,000).

(In Singapore dollars)

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

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

(c) *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.

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 (2015: $29.1 million). The Group's share of associates' results included a $6.4 million (2015: $0.3 million) provision for foreseeable loss for the current period.

(d) *Construction contracts revenue recognition*

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. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion and the revenue respectively. 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 property (recognised on percentage of completion basis) are disclosed in Note 20 and Note 4 to the financial statements respectively.

(e) *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 2016 was $1,955,000 (2015: $935,000) and $3,125,000 (2015: $499,000) respectively.

(f) *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 are disclosed in Note 21.

(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.

4. REVENUE

	Group	
	2016	2015
	$'000	$'000
Revenue from sale of development properties (recognised on completed contract basis)	886	941
Revenue from sale of development properties (recognised on percentage of completion basis)	41,710	12,476
Total revenue from sale of development properties	42,596	13,417
Rental and related income from investment properties	13,300	13,463
Hotel operation income	9,825	5,826
Management fee income	1,152	1,588
Other rental income	496	–
	67,369	34,294

(In Singapore dollars)

5. OTHER OPERATING INCOME

	Group	
	2016	**2015**
	$'000	$'000
Forfeiture of deposits	64	15
Tentage and other rental	209	207
Management fee income from associated companies and joint venture companies	2,104	2,603
Dividend income from other investments	1,356	–
Others	355	183
	4,088	3,008

6. PERSONNEL EXPENSES

	Group	
	2016	**2015**
	$'000	$'000
Salaries and bonuses	7,043	5,584
Central Provident Fund contributions	471	359
Other staff costs	240	144
	7,754	6,087

Personnel expenses include directors' remuneration set out in Note 8.

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 and $14.0 million will be received in September 2017. As at 31 December 2016, 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 the beginning of the year to the date of disposal on 30 September 2016 are presented below:

	1 January 2016 to 30 September 2016
	$'000
Revenue and other income	576
Expenses	(6,173)
Loss before tax	(5,597)
Tax expense	(48)
Loss for the period	(5,645)

(In Singapore dollars)

7. DISPOSAL OF SUBSIDIARIES (CONT'D)

Assets and liabilities of disposed subsidiaries

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

	30 September 2016
	$'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

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

(In Singapore dollars)

8. PROFIT FROM OPERATIONS

Profit from operations is determined after charging the following:

	Group	
	2016	**2015**
	$'000	$'000
Audit fees paid to:		
- auditor of the Company	241	205
Non-audit fees paid to:		
- auditor of the Company	80	81
- other auditors	78	37
Directors' remuneration	1,360	1,164
Directors' fees	308	308
Repairs and maintenance on investment properties	866	906
Amortisation of prepayment of fees for extension of sales period of unsold units of a development property	4,368	1,456
Property tax	1,876	1,433
Operating lease expenses	167	124
Fair value loss on derivatives	126	23

9. FINANCE EXPENSES/(INCOME)

		Group	
	Note	**2016**	**2015**
		$'000	$'000
(a) ***Finance expenses***			
Interest expense on:			
- bank loans		9,104	8,114
- bonds		3,507	7,096
- advances from associated companies/joint venture companies		763	1,299
- advances from non-controlling interests		951	1,547
- others		125	138
		14,450	18,194
Less: Interest capitalised in fixed assets	12	(795)	(137)
Less: Interest capitalised in development properties	20	(1,826)	(1,771)
		11,829	16,286
(b) ***Finance income***			
Interest income from loans and receivables:			
- fixed deposits		(31)	(91)
- loans to associated companies		(1,514)	(4,510)
- loans to investee companies		(167)	(492)
- loans to joint venture companies		(2,121)	(788)
		(3,833)	(5,881)

(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 2016 and 2015 are:

	Group	
	2016	**2015**
	$'000	$'000
Statement of comprehensive income:		
Current income tax:		
- Current year	1,932	(294)
- Under/(over) provision in respect of previous years	1,138	(3)
	3,070	(297)
Deferred income tax:		
- Origination and reversal of temporary differences	1,765	380
- Over provision in respect of previous years	–	(40)
	1,765	340
Income tax expense recognised in profit or loss	4,835	43
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	–

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 2016 and 2015 are as follows:

	Group	
	2016	**2015**
	$'000	$'000
Profit before tax	17,065	4,653
Tax at the domestic rates applicable to profits in the countries where the Group operates	3,462	791
Adjustments:		
Non-deductible expenses	3,081	781
Income not subject to taxation	(656)	(335)
Effect of tax rebate and partial tax exemption	(444)	(240)
Benefits from previously unrecognised tax losses	–	(1,479)
Deferred tax assets not recognised	41	6,402
Under/(over) provision in respect of previous years	1,138	(43)
Share of results of associated companies/joint venture companies	(3,345)	(5,885)
Tax losses not allowed to be carried forward	1,536	35
Others	22	16
Income tax expense recognised in profit or loss	4,835	43

(In Singapore dollars)

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.

For the purposes of calculating basic and diluted loss per share, the weighted average number of ordinary shares for the previous year ended 31 December 2015 was adjusted to take into account the effect arising from the renounceable rights issue undertaken by the Company in 2015 (Note 34).

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	
	2016	**2015**
	$'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	12,481	5,651
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share and diluted earnings per share computation	325,156	288,150

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(In Singapore dollars)

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 2015 (restated)	24,246	43,402	3,498	484	696	508	305	333	73,472
Additions[2]	30,887	3,290	202	12	–	98	102	48	34,639
Acquisition of businesses[2]	425	2,299	–	–	–	–	482	–	3,206
Disposal	–	(894)	–	–	–	–	–	(8)	(902)
Elimination of accumulated depreciation on revaluation	–	(284)	–	–	–	–	–	–	(284)
Exchange differences	449	57	–	–	–	4	–	–	510
At 31 December 2015 and 1 January 2016 (restated)	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	50,354	66,389	3,700	624	948	606	2,524	578	125,723
Accumulated depreciation:									
At 1 January 2015	–	–	3,399	475	591	197	281	238	5,181
Charge for the year	–	284	45	4	100	2	24	47	506
Elimination of accumulated depreciation on revaluation	–	(284)	–	–	–	–	–	–	(284)
Disposal	–	–	–	–	–	–	–	(4)	(4)
At 31 December 2015 and 1 January 2016	–	–	3,444	479	691	199	305	281	5,399

(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)									
Charge for the year	–	844	70	20	58	53	248	77	1,370
Elimination of accumulated depreciation on revaluation	–	(796)	–	–	–	–	–	–	(796)
Disposal	–	–	–	–	(538)	–	–	(2)	(540)
Exchange differences	–	(48)	–	–	–	–	–	–	(48)
At 31 December 2016	–	–	3,514	499	211	252	553	356	5,385
Net book value:									
At 31 December 2016	50,354	66,389	186	125	737	354	1,971	222	120,338
At 31 December 2015 (restated)	56,007	47,870	256	17	5	411	584	92	105,242

(1) As at 31 December 2016, included in freehold and leasehold buildings is an amount of $18,496,000 (2015: $3,607,000) which relates to expenditure for a hotel in the course of construction.

(2) During the year, the Group acquired fixed assets of $28,349,000 (2015: $37,845,000) (including fixed assets resulting from acquisition of businesses). The additions include paid amounts of $27,986,000 (2015: $37,845,000) and unpaid amounts of $363,000 (2015: $nil) as at 31 December 2016.

(In Singapore dollars)

12. FIXED ASSETS (CONT'D)

	Renovations	Equipment and fixtures	Furniture and fittings	Computers	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Company						
Cost:						
At 1 January 2015	12	71	18	329	330	760
Additions	–	–	–	48	–	48
Disposal	–	–	–	(8)	–	(8)
At 31 December 2015 and 1 January 2016	12	71	18	369	330	800
Additions	–	–	–	61	498	559
Disposal	–	–	–	(2)	(330)	(332)
At 31 December 2016	12	71	18	428	498	1,027
Accumulated depreciation:						
At 1 January 2015	12	71	18	239	259	599
Charge for the year	–	–	–	44	66	110
Disposal	–	–	–	(4)	–	(4)
At 31 December 2015 and 1 January 2016	12	71	18	279	325	705
Charge for the year	–	–	–	59	18	77
Disposal	–	–	–	(2)	(330)	(332)
At 31 December 2016	12	71	18	336	13	450
Net book value:						
At 31 December 2016	–	–	–	92	485	577
At 31 December 2015	–	–	–	90	5	95

Acquisition of businesses

During the current financial year, the Group acquired a hotel business for a consideration of £6.1 million (equivalent to approximately $12.2 million). During the prior financial year, the Group acquired a hotel business for a consideration of £1.6 million (equivalent to approximately $3.2 million) (the "2015 acquisition").

The Group has 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 new businesses.

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. See Note 46 for more details.

(In Singapore dollars)

12. FIXED ASSETS (CONT'D)

Revaluation of freehold and leasehold land and buildings

The Group has engaged an independent valuation specialist, Savills (UK) Limited, to determine the fair value of the freehold and leasehold land and buildings. 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	
	2016	**2015**
	$'000	$'000 (restated)
Freehold and leasehold land		
- Cost	48,576	56,007
- Accumulated depreciation	–	–
- Net carrying amount	48,576	56,007
Freehold and leasehold buildings		
- Cost	65,081	48,154
- Accumulated depreciation	(1,080)	(284)
- Net carrying amount	64,001	47,870

Capitalisation of borrowing costs

As at the end of financial year, borrowing costs of $795,000 (2015: $137,000), 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 3.45% to 4.32% (2015: 3.68%) per annum.

Assets held under finance leases

As at 31 December 2016, the Group and Company have motor vehicles held under finance leases with a net book value of approximately $685,000 and $485,000 (2015: $nil and $nil), 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 31).

13. INVESTMENT PROPERTIES

	Group	
	2016	**2015**
	$'000	$'000
Balance sheet		
Balance as at beginning of year	173,980	172,333
Exchange differences	(4,472)	494
Additions	–	553
Gains from fair value adjustments recognised in profit or loss	542	600
Balance as at end of year	170,050	173,980

(In Singapore dollars)

13. INVESTMENT PROPERTIES (CONT'D)

	Group	
	2016	2015
	$'000	$'000
Statement of comprehensive income:		
Rental income from investment properties:		
- Minimum lease payments	13,300	13,463
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	3,012	3,371

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 are stated at fair value, which has been determined based on valuations performed as at 31 December 2016 and 31 December 2015. The valuations were performed by Colliers International Consultancy & Valuation (Singapore) Pte Ltd, Savills Valuation and Professional Services (S) Pte Ltd and Savills (UK) Limited, 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 inputs used are disclosed in Note 41.

All investment properties are mortgaged to banks to secure banking facilities granted to the Group (Note 31).

The investment properties held by the Group as at 31 December are as follows:

Description and location	Existing use	Tenure	Unexpired lease term	Group	
				2016	2015
				$'000	$'000
Tampines Mart (Block 5, 7, 9, 11 Tampines Street 32)	Shops	Leasehold	76 years	104,000	104,000
The Woodgrove (30 Woodlands Avenue 1)	Shops	Leasehold	79 years	31,200	31,200
62 Sembawang Road	Transport facility	Freehold	Estate in perpetuity	9,500	7,700
Adam House (7-10 Adam Street, London, United Kingdom)	Serviced office	Freehold	Freehold	25,350	31,080
				170,050	173,980

(In Singapore dollars)

14. SUBSIDIARIES

(a) Investment in subsidiaries comprises:

	Company 2016 $'000	Company 2015 $'000
Unquoted equity shares, at cost	26,417	27,417
Less: Impairment losses	(1,834)	(1,834)
Carrying amount of investments	24,583	25,583
Movement of cost of investment:		
At beginning of year	27,417	27,417
Disposal of subsidiaries	(1,000)	–
At end of year	26,417	27,417
Movement of impairment losses:		
At beginning of year	1,834	1,811
Add: Impairment loss on investment in subsidiary	–	23
At 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 2016 %	Equity interest held by the Group 2015 %	Cost of investment by the Company 2016 $'000	Cost of investment by the Company 2015 $'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	2,335	2,335
*	Heeton Venture (Asia) Pte. Ltd. (Singapore)	Investment holding	100	100	–@	–@

(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		Cost of investment by the Company	
			2016	2015	2016	2015
			%	%	$'000	$'000
	Held by the Company (cont'd)					
*	Heeton Venture (China) Pte. Ltd. (Singapore)	Investment holding	100	100	–@	–@
	Heeton Residence Pte. Ltd. (Singapore)	Disposed during the year	–	100	–	1,000
*	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	–	–
	Heeton Realty Pte. Ltd. (Singapore)	Disposed during the year	–	100	–	–
*	Prospere Development Pte. Ltd. (Singapore)	Investment holding	100	100	–	–
*	Prospere Holdings Pte. Ltd. (Singapore)	Investment holding	70	70	–	–
**	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	–	–

(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		Cost of investment by the Company	
			2016	2015	2016	2015
			%	%	$'000	$'000
	Held through subsidiaries (cont'd)					
**	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	–	–
**	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	–	–	–
**	Ensco 1154 Limited (England & Wales)	Hotel operation	55	–	–	–
**	Joy Light Ventures Limited (British Virgin Islands)	Investment holding	55	55	–	–
**	Bradford Prince Court Hotel Limited (England & Wales)	Property investment holding	55	55	–	–

(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		Cost of investment by the Company	
			2016	2015	2016	2015
			%	%	$'000	$'000
	Held through subsidiaries (cont'd)					
**	Ensco 1155 Limited (England & Wales)	Hotel operation	55	55	–	–
***	Heeton SG50 Limited (England & Wales)	Provision of administrative and management services	100	–	–	–
**	Luma Concept Hotel Limited (England & Wales)	Hotel operation	60	–	–	–
**	Hoxton One Limited (British Virgin Islands)	Property investment holding	100	–	–	–
**	Hoxton Five Limited (British Virgin Islands)	Property investment holding	100	–	–	–
**	Hoxton Eight Limited (British Virgin Islands)	Property investment holding	100	–	–	–
					26,417	27,417

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

(In Singapore dollars)

14. SUBSIDIARIES (CONT'D)

(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 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	–
31 December 2015:					
Chatteris Development Limited	British Virgin Islands	20%	(862)	(1,437)	–
Woodley Hotels (Kensington) Limited	England & Wales	20%	71	3,275	–

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.

(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	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000	$'000	$'000
Current						
Assets	1,589	3,684	7,945	9,317	1,147	867
Liabilities	(6,277)	(9,807)	(36,156)	(40,531)	(11,917)	(13,808)
Net current liabilities	(4,688)	(6,123)	(28,211)	(31,214)	(10,770)	(12,941)
Non-current						
Assets	49,594	54,170	25,368	25,368	24,797	30,526
Liabilities	(22,368)	(25,690)	–	–	(14,878)	(17,431)
Net non-current assets	27,226	28,480	25,368	25,368	9,919	13,095
Net assets/(liabilities)	22,538	22,357	(2,843)	(5,846)	(851)	154

Summarised statement of comprehensive income

	Woodley Hotels (Kensington) Limited		Chatteris Development Limited		Acework Limited	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	1,718	2,342	–	–	859	1,004
Profit/(loss) before income tax	543	233	(1,584)	(4,309)	(979)	(177)
Income tax expense	–	–	–	–	–	–
Profit/(loss) after tax	543	233	(1,584)	(4,309)	(979)	(177)
Other comprehensive income	3,042	–	–	–	–	–
Total comprehensive income/(expense)	3,585	233	(1,584)	(4,309)	(979)	(177)
Other summarised information						
Net cash flows (used in)/ generated from operations	(595)	2,102	2,552	4,244	277	(273)
Acquisition of significant fixed assets	(291)	–	–	–	–	(492)

(In Singapore dollars)

15. ASSOCIATED COMPANIES

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

	Group 2016 $'000	Group 2015 $'000
Econolodge Co., Ltd	14,272	14,176
Unique Development Pte. Ltd.	4,814	8,475
Unique Realty Pte. Ltd.	7,226	7,742
Oxley Viva Pte. Ltd.	16,900	12,985
Oxley Sanctuary Pte. Ltd	21,762	10,791
Unique Resi Estate Pte. Ltd.	–	185
Other associated companies	8,266	10,335
	73,240	64,689

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 $6,633,000 (2015: $6,555,000), of which $78,000 (2015: $1,928,000) 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	Equity interest held by the Group 2016 %	Equity interest held by the Group 2015 %	Cost of investment by the Group 2016 $'000	Cost of investment by the Group 2015 $'000
	Held through subsidiaries					
**	Dalvey Estate Co., Ltd (Thailand)	Property development	38.98	38.98	65	65
**	Dalvey Residence Co., Ltd (Thailand)	Property development and investment holding	38.98	38.98	65	65
**	Dalvey Holdings Co., Ltd (Thailand)	Investment holding	49.00	49.00	47	47
***	Residenza Pte. Ltd. (Singapore)	Property development	36.00	36.00	360	360
***	Unique Realty Pte. Ltd. (Singapore)	Property development	40.00	40.00	400	400
***	Unique Consortium Pte. Ltd. (Singapore)	Investment holding	35.00	35.00	350	350
***	Unique Capital Pte. Ltd. (Singapore)	Investment holding	40.00	40.00	400	400
***	Unique Development Pte. Ltd. (Singapore)	Property development	45.00	45.00	450	450
***	Unique Rezi Pte. Ltd. (Singapore)	Investment holding	42.00	42.00	420	420
##	Jiujiang Heeton Enterprise Ltd (China)	Dormant	30.00	30.00	4,101	4,101

(In Singapore dollars)

15. ASSOCIATED COMPANIES (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 Group	
			2016	2015	2016	2015
			%	%	$'000	$'000
	Held through subsidiaries (cont'd)					
***	Unique Resi Estate Pte. Ltd. (Singapore)	Property development	30.00	30.00	300	300
##	Unique Wellness Pte. Ltd. (Singapore)	Dormant	20.00	20.00	–@@	–@@
** @	Dalvey Hospitality Co., Ltd (Thailand)	Investment holding	73.99	73.99	21	21
* @	Econolodge Co., Ltd. (Thailand)	Hotel operation and property investment holding	86.74	86.74	12,824	12,824
###	KBD Westwood Pte. Ltd. (Singapore)	Property development	20.00	20.00	200	200
	Great Development Pte. Ltd. (Singapore)	Disposed during the year	–	25.00	–	–@@
##	186 Wickham Street (Residential) Pty Ltd (Australia)	Property development	33.00	33.00	3,834	3,834
####	Eden I Residences Pte. Ltd. (Singapore)	Investment holding	30.00	30.00	450	450
####	Habitat Investments Pte. Ltd. (Singapore)	Disposed during the year	–	20.00	–	–@@@
##	Prospere Hotels Pte. Ltd. (Singapore)	Investment holding	30.00	30.00	–@@@@	–@@@@
##	SH Sapporo Pte. Ltd. (Singapore)	Investment holding	20.00	20.00	–@@@@@	–@@@@@
	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	–	–

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(In Singapore dollars)

15. ASSOCIATED COMPANIES (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 Group	
			2016	2015	2016	2015
			%	%	$'000	$'000
	Held through associated companies (cont'd)					
**	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	–	–
#	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 (England and Wales)	Property investment holding	30.00	–	–	–
##	Ensco 1160 Limited (England and Wales)	Hotel operation	30.00	–	–	–
##	Ippan Shadan Hojin SH002 (Japan)	Investment holding	20.00	–	–	–
##	Godo Kaisha GK002 (Japan)	Property Investment Holding	20.00	–	–	–
					24,287	24,287

*	Audited by member firm of Ernst & Young Global in Thailand
**	Audited by Horwath (Thailand) Limited.
***	Audited by Ernst & Young LLP, Singapore.
#	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.
@	Classified as associated companies based on agreed terms in the shareholders agreement that the Group does not have control.
@@	$1 comprising one subscriber share.
@@@	$200 comprising 200 shares.
@@@@	$30 comprising 30 shares.
@@@@@	$20 comprising 20 shares.

(In Singapore dollars)

15. ASSOCIATED COMPANIES (CONT'D)

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

	Group	
	2016	**2015**
	$'000	$'000
(Loss)/profit after tax from continuing operations	(6,393)	772
Other comprehensive income	583	–
Total comprehensive (expense)/income	(5,810)	772

Associated company's acquisition of business

During the current financial year, the Group's 30% owned associated company, Manchester Property Holdings Ltd, acquired a hotel business for a consideration of £17.2 million (equivalent to approximately $33.7 million).

The Group has recorded this transaction based on the Purchase Price Allocation ("PPA"), whereby the Group allocated the purchase price into various assets acquired and liabilities assumed from the new business.

The Group engaged an independent valuation specialist to assist them with the PPA, 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 this acquisition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(In Singapore dollars)

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.		Oxley Viva Pte. Ltd.		Oxley Sanctuary Pte. Ltd.		Unique Resi Estate Pte. Ltd.	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current assets	1,378	2,019	12,203	33,657	27,757	56,756	168,922	295,991	229,065	320,950	52,560	49,424
Non-current assets excluding goodwill	6,032	6,539	860	–	–	–	–	–	–	–	–	–
Total assets	7,410	8,558	13,063	33,657	27,757	56,756	168,922	295,991	229,065	320,950	52,560	49,424
Current liabilities	(1,648)	(1,088)	(2,366)	(9,915)	(9,624)	(33,628)	(30,959)	(122,567)	(56,348)	(218,655)	(31,303)	(28,021)
Non-current Liabilities	–	(1,904)	–	(4,908)	(68)	(3,774)	–	(67,428)	–	(16,653)	(26,161)	(20,785)
Total liabilities	(1,648)	(2,992)	(2,366)	(14,823)	(9,692)	(37,402)	(30,959)	(189,995)	(56,348)	(235,308)	(57,464)	(48,806)
Net assets	5,762	5,566	10,697	18,834	18,065	19,354	137,963	105,996	172,717	85,642	(4,904)	618
Net assets excluding goodwill	5,762	5,566	10,697	18,834	18,065	19,354	137,963	105,996	172,717	85,642	(4,904)	618
Proportion of the Group's ownership	86.74%	86.74%	45%	45%	40%	40%	12.25%	12.25%	12.60%	12.60%	30%	30%
Group's share of net assets/(liabilities)	4,998	4,828	4,814	8,475	7,226	7,742	16,900	12,985	21,762	10,791	(1,471)	185
Negative goodwill on acquisition	(564)	(564)	–	–	–	–	–	–	–	–	–	–
Other adjustments	9,838[1]	9,912[1]	–	–	–	–	–	–	–	–	1,471[2]	–
Carrying amount of the investment	14,272	14,176	4,814	8,475	7,226	7,742	16,900	12,985	21,762	10,791	-	185

(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).

(In Singapore dollars)

15. ASSOCIATED COMPANIES (CONT'D)

Summarised statement of comprehensive income

	Econolodge Co., Ltd		Unique Development Pte. Ltd.		Unique Realty Pte. Ltd.		Oxley Viva Pte. Ltd.		Oxley Sanctuary Pte. Ltd.		Unique Resi Estate Pte. Ltd.	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	4,274	4,174	6,488	–	–	102,611	106,323	295,059	298,237	187,376	–	–
Profit or loss from continuing operations	201	229	(3,848)	(1,738)	(1,289)	13,012	31,967	75,598	87,075	53,971	(5,522)	(165)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income/(expense)	201	229	(3,848)	(1,738)	(1,289)	13,012	31,967	75,598	87,075	53,971	(5,522)	(165)

(In Singapore dollars)

16. JOINT VENTURE COMPANIES

The Company's investment in joint venture companies comprises:

	Company	
	2016	2015
	$'000	$'000
Unquoted equity shares, at cost	5,000	5,000

Details of the joint venture companies are as follows:

	Name of company (Country of incorporation and place of business)	Principal activities	Equity interest held by the Group		Cost of investment by the Company	
			2016	2015	2016	2015
			%	%	$'000	$'000
*	Canberra Development Pte. Ltd. (Singapore)	Property investment holding	50	50	5,000	5,000
	Held through subsidiaries					
*	Buildhome Pte. Ltd. (Singapore)	Property development	50	50	–	–
*	Phileap Pte. Ltd. (Singapore)	Property development	25	25	–	–
*	Unique Residence Pte. Ltd. (Singapore)	Investment holding	50	50	–	–
	Held through joint venture company					
*	Fernvale Development Pte. Ltd. (Singapore)	Property development	20	20	–	–
					5,000	5,000

* Audited by Ernst & Young LLP, Singapore.

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

	Group	
	2016	2015
	$'000	$'000
Canberra Development Pte. Ltd.	77,181	62,128
Buildhome Pte. Ltd.	–	1,963
Fernvale Development Pte. Ltd.	5,394	–
Other joint venture companies	(435)	–
	82,140	64,091

(In Singapore dollars)

16. JOINT VENTURE COMPANIES (CONT'D)

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.		Buildhome Pte. Ltd.		Fernvale Development Pte. Ltd.	
	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	6,159	655	926	1,789	92,532	72,262
Other current assets	31,088	31,026	127,102	127,689	372,391	380,175
Trade receivables	1,118	1,462	62	92	–	–
Current assets	38,365	33,143	128,090	129,570	464,923	452,437
Non-current assets	345,046	322,031	–	–	–	2,940
Total assets	383,411	355,174	128,090	129,570	464,923	455,377
Current liabilities	(9,049)	(9,624)	(139,916)	(24,980)	(27,257)	(10,185)
Non-current liabilities (excluding trade, other payables and provision)	(217,000)	(217,000)	–	(100,663)	(410,697)	(458,559)
Other non-current liabilities	(3,000)	(4,294)	–	–	–	–
Total non-current liabilities	(220,000)	(221,294)	–	(100,663)	(410,697)	(458,559)
Total liabilities	(229,049)	(230,918)	(139,916)	(125,643)	(437,954)	(468,744)
Net assets	**154,362**	**124,256**	**(11,826)**	**3,927**	**26,969**	**(13,367)**
Net assets excluding goodwill	**154,362**	**124,256**	**(11,826)**	**3,927**	**26,969**	**(13,367)**
Proportion of the Group's ownership	50%	50%	50%	50%	20%	20%
Group's share of net assets	77,181	62,128	(5,913)	1,963	5,394	(2,674)
Other adjustments	–	–	–	–	–	2,674
Carrying amount of the investment	77,181	62,128	–	1,963	5,394	–

(In Singapore dollars)

16. JOINT VENTURE COMPANIES (CONT'D)

Summarised statement of comprehensive income

	Canberra Development Pte. Ltd.		Buildhome Pte. Ltd.		Fernvale Development Pte. Ltd.	
	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	24,621	17,991	–	1,677	290,976	32,543
Operating income/(expenses), net	12,738	27,420	(12,023)	(11,855)	(243,020)	(49,878)
Interest income	–	–	–	–	602	35
Interest expense	(5,709)	(4,258)	(3,730)	(2,982)	–	–
Profit/(loss) before tax	31,650	41,153	(15,753)	(13,160)	48,558	(17,300)
Income tax (expense)/credit	(1,544)	(24)	–	–	(8,222)	2,940
Profit/(loss) after tax, representing total comprehensive income/(expense)	30,106	41,129	(15,753)	(13,160)	40,336	(14,360)

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

	Group	
	2016	2015
	$'000	$'000
Loss after tax from continuing operations	5,228	1,810
Other comprehensive expense	–	–
Total comprehensive expense	5,228	1,810

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

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Amounts due from associated companies	66,469	76,928	–	–
Amounts due from joint venture companies	47,082	62,818	–	–
Amounts due from investee companies	12,021	9,330	–	–
	125,572	149,076	–	–
Amounts due to associated companies	28,152	22,765	–	–
Amounts due to joint venture company	15,508	15,508	15,508	15,508
	43,660	38,273	15,508	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 2018 to 2020.

(In Singapore dollars)

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

Amounts due to associated companies amounting to $28,152,000 (2015: $22,765,000) are denominated in Singapore Dollars, non-trade related and bear interest at rates ranging from 5.0% to 5.35% (2015: 5.0% to 5.35%) per annum.

Amounts due from associated companies amounting to $18,917,000 (2015: $23,375,000) bear interest at 4.5% per annum (2015: interest at 4.5% per annum) and are denominated in Thai Baht. Amounts due from associated companies amounting to $47,552,000 (2015: $53,553,000) are denominated in Singapore Dollars, and bear interest at rates ranging from 1.0% to 5.35% (2015: 1% to 5.35%) per annum.

Amounts due from joint venture companies of $44,777,000 (2015: $61,087,000) bear interest at rates ranging from 2.3% to 5.35% (2015: 2.3% to 5.35%) per annum. Amounts due from joint venture companies of $2,305,000 (2015: $1,731,000) are non-interest bearing. Amounts due to joint venture company of $15,508,000 (2015: $15,508,000) bear interest at 2.5% (2015: nil%) per annum.

Amounts due from investee companies of $3,566,000 (2015: $3,058,000) bear interest at 0.25% (2015: 0.25%) above the local banks' prime rate per annum. Amounts due from investee companies of $8,455,000 (2015: $6,272,000) are interest free.

18. OTHER INVESTMENTS

	Group	
	2016	**2015**
	$'000	$'000
Equity instruments (unquoted), at cost	218	218

19. INTANGIBLE ASSETS

	Goodwill
	$'000
Group	
Cost:	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	175
Accumulated impairment:	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	(66)
Net carrying amount:	
At 31 December 2015 and 31 December 2016	109

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").

(In Singapore dollars)

19. INTANGIBLE ASSETS (CONT'D)

Allocated goodwill based on the CGU is as follows:

	Carrying amount as at		Basis on which recoverable amount is determined	Pre-tax discount rate
	2016	2015		
	$'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	109
At 31 December 2015	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 2016 and 2015 as the amount of discounted net cash inflows attributable to the CGU was in excess of the carrying amount of the goodwill.

20. DEVELOPMENT PROPERTIES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Land cost	89,435	186,313	76,085	76,085
Interest capitalised	5,481	19,484	4,993	3,429
Development and related costs	34,196	57,981	32,151	11,528
	129,112	263,778	113,229	91,042
Attributable profit recognised	15,406	7,711	15,406	4,931
	144,518	271,489	128,635	95,973
Progress billings	(37,728)	(38,644)	(37,728)	(20,278)
	106,790	232,845	90,907	75,695
Provision for foreseeable losses	–	(34,080)	–	–
	106,790	198,765	90,907	75,695
Interest capitalised during the year	1,826	1,771	1,564	1,517

(In Singapore dollars)

20. DEVELOPMENT PROPERTIES (CONT'D)

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Comprise of:				
Completed development properties	–	107,393	–	–
Development properties under construction	106,790	91,372	90,907	75,695
	106,790	198,765	90,907	75,695

Movements in provision for foreseeable losses during the year are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Balance at beginning of year	34,080	5,000	–	–
Provision during the year	–	29,080	–	–
Disposal of subsidiary during the year	(34,080)	–	–	–
At end of year	–	34,080	–	–

(i) As at the end of financial year, borrowing costs of $5,481,000 (2015: $19,484,000), 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 2.20% to 3.61% (2015: 2.41% to 3.47%) per annum.

(ii) Development properties amounting to $90,907,000 (2015: $197,893,000) under development have been pledged as security for bank loans (Note 31).

(iii) As at 31 December 2016, the aggregate amount of costs incurred and recognised profits (less recognised losses) relating to agreements for which the Group recognises revenue using the percentage of completion method amounted to $113,229,000 (2015: $197,562,000) and $15,406,000 (2015: $4,931,000) respectively.

(iv) As at 31 December 2016, the aggregate amount of costs incurred and recognised profits relating to agreements for which the Company recognises revenue using the percentage of completion method amounted to $113,229,000 (2015: $91,042,000) and $15,406,000 (2015: $4,931,000) respectively.

(v) As at 31 December 2015, one of the development properties was carried at fair value less costs to sell which amounted to $106,520,000. The Group has disposed the development property during the year. There were no development properties carried at fair value less costs to sell as at 31 December 2016. The provision for foreseeable losses is estimated taking into account estimated selling prices based on comparable projects and the prevailing market conditions and estimated costs to sell are based on historical trends.

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(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 2016 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 182 rooms hotel and residential units[1]	9,144	84,568	0% (FY2019)

[1] The Group has classified the entire property as development properties as the proportion of the land to be used for the hotel development is yet to be determined. When the plans are finalised and the land title is obtained, the proportionate cost of the land to be used for the hotel operation will be transferred to fixed assets (freehold land).

(In Singapore dollars)

21. TRADE RECEIVABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Trade receivables	815	559	–	120
Less: Allowance for impairment	(21)	(21)	–	–
	794	538	–	120

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

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
At beginning of year	21	18	–	–
Charge for the year	–	3	–	–
At 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 $794,000 (2015: $538,000) and $nil (2015: $120,000) respectively that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Trade receivables past due but not impaired:				
Lesser than 30 days	685	445	–	120
30 to 60 days	65	63	–	–
61 to 90 days	10	3	–	–
91 to 120 days	3	27	–	–
More than 120 days	31	–	–	–
	794	538	–	120

(In Singapore dollars)

21. TRADE RECEIVABLES (CONT'D)

Receivables that are impaired

	Group Individually impaired	
	2016	2015
	$'000	$'000
Trade receivables – nominal amounts	21	21
Less: Allowance for impairment	(21)	(21)
	–	–

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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Non-current portion:				
Other receivables	4,000	–	4,000	–
Current portion:				
Deposits	3,384	3,823	5	4
Advances to non-controlling interests	–	1,205	–	–
Promissory notes receivables	13,297	–	13,297	–
Other receivables	4,118	2,247	1,553	4
	20,799	7,275	14,855	8

Non-current other receivables are unsecured, bear interest at 5% (2015: nil) per annum and are repayable in 2018.

Advances to non-controlling interests in 2015 were unsecured and non-interest bearing and repaid in 2016.

The promissory notes receivables were entered into during the current 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.

Current other receivables are unsecured, non-interest bearing and repayable within the next 12 months.

(In Singapore dollars)

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 $136,544,000 (2015: $173,296,000) and amounts due to subsidiaries of $59,603,000 (2015: $34,945,000) which bear interest at 4.50% (2015: 4.50%) per annum. These amounts are to be settled in cash.

	Company	
	2016	2015
	$'000	$'000
Amounts due from subsidiaries	183,496	223,298
Less: Allowance for impairment	(4,924)	(5,263)
	178,572	218,035

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

At beginning of year	(5,263)	(5,164)
Charge for the year	–	(339)
Write-back during the year	339	240
At end of year	(4,924)	(5,263)

Receivables that are impaired

At the end of the reporting period, the Company has provided an allowance for impairment of $4,924,000 (2015: $5,263,000) of receivables from subsidiaries with a nominal amount of $8,862,000 (2015: $15,204,000). These subsidiaries have been suffering financial losses for the current and past financial years.

24. FIXED DEPOSITS

The fixed deposits of the Group and the Company have an average maturity of 50 days (2015: 62 days) and 5 days (2015: 55 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 2016 for the Group and the Company were 0.09% (2015: 0.88%) and nil% (2015: 0.90%) respectively.

The Group's and Company's fixed deposits include $nil (2015: $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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash at bank	27,114	16,227	13,436	4,155

The Group's and Company's cash at bank includes $3,076,000 (2015: $388,000) held under the Housing Developers' (Project Account) Rules 1985, withdrawals from which are specific to payments for expenditure incurred on specified projects.

(In Singapore dollars)

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	
	Note	2016	2015	2016	2015
		$'000	$'000	$'000	$'000
Current portion:					
Financial liabilities					
Accrued operating expenses		4,225	3,357	1,652	1,431
Rental deposits received		937	680	–	–
Other deposits received		123	100	9	3
Other payables		81	444	2	10
Provision for interest support	7	1,374	–	1,374	–
		6,740	4,581	3,037	1,444
Non-financial liabilities					
Advance rental received		54	35	–	–
Deferred lease income		102	217	–	–
		6,896	4,833	3,037	1,444
Non-current portion:					
Financial liabilities					
Rental deposits received		1,043	1,150	–	–

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

28. DERIVATIVES

	Group			
	2016		2015	
	Outstanding notional amounts	Liabilities	Outstanding notional amounts	Liabilities
	$'000	$'000	$'000	$'000
Current:				
Interest rate swaps	15,000	149	10,000	23

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% (2015: 1.85% 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 the 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.

(In Singapore dollars)

29. BONDS

Bonds with a face value of $60,000,000 were issued in 2014, are unsecured and are repayable in June 2017. The bonds bear interest at a fixed rate of 5.9% (2015: 5.9%) per annum during the year. In 2016, the Company has redeemed $1,250,000 (2015: $nil) of the bonds.

30. SHORT-TERM BANK LOANS

The Group's and Company's short-term loans are unsecured and bear interest at rates ranging from 2.85% to 3.60% (2015: 2.7% to 3.05%) per annum during the year.

31. BANK TERM LOANS

Details of bank term loans are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Secured	224,559	306,082	58,745	58,745
Repayable:				
- not later than 1 year	120,713	163,885	58,745	58,745
- 1 year through 5 years	103,846	142,197	–	–
	224,559	306,082	58,745	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 amounting to $27,157,000 (2015: $8,231,000) bear interest at fixed rates ranging from 2.6% to 4.0% (2015: 2.6% to 3.1%) per annum and the remaining bank term loans bear interest at floating rates ranging from 1.5% to 3.0% (2015: 1.5% to 3.0%) above swap cost, bank's board rate or bank's cost of fund per annum during the year. The Company's bank term loans bear interest at 2.0% (2015: 2.0%) above bank's swap rate per annum during the year.

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

Amounts due to non-controlling interest amounting to $22,289,000 (2015: $25,230,000) are denominated in Pound Sterling. Amounts due to non-controlling interests of $19,277,000 (2015: $16,924,000) bear interest at 5% (2015: 5%) per annum. Amounts due to non-controlling interests of $7,879,000 (2015: $8,306,000) are non-interest bearing. These amounts are unsecured, have no fixed terms of repayment and are to be settled in cash.

(In Singapore dollars)

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	
	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities						
Provisions	2,332	499	1,765	340	2,309	545
Revaluation of land and buildings	793	–	–	–	–	–
	3,125	499			2,309	545
Deferred tax expense			1,765	340		

As at 31 December 2016, the Group had unutilised tax losses of approximately $1,420,000 (2015: $38,188,000) available for offset against future taxable income, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The reduction in the unutilised tax losses during the year arose from the Group's disposal of subsidiaries during the year. 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 (2015: 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 (2015: 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 $20,000 (2015: $34,000).

34. SHARE CAPITAL

	Group and Company			
	2016		2015	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
At beginning of year	325,156	86,624	268,615	58,803
Issuance of shares on rights issue	–	–	56,541	27,875
Share issuance expense	–	–	–	(54)
At end of year	325,156	86,624	325,156	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.

On 23 October 2015, the Company allotted and issued 56,541,298 new ordinary shares pursuant to the rights issuance exercise.

(In Singapore dollars)

35. FOREIGN CURRENCY TRANSLATION RESERVE

	Group	
	2016	**2015**
	$'000	$'000
Balance at beginning of year	(215)	(1,040)
Foreign currency translation	(9,129)	825
Balance at end of year	(9,344)	(215)

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.

37. COMMITMENTS

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

As at 31 December 2016, the Group has operating lease commitments in respect of the rental of office premises. These leases have an average tenure of three years with no renewal option or contingent rent provision included in the contracts. 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 $167,000 (2015: $124,000).

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

	Group	
	2016	**2015**
	$'000	$'000
Future minimum payments		
- not later than 1 year	129	124
- 1 year through 5 years	211	100
	340	224

(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.

(In Singapore dollars)

37. COMMITMENTS (CONT'D)

(b) ***Operating lease commitments – as lessor (cont'd)***

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

	Group	
	2016	**2015**
	$'000	$'000
Lease payments receivables		
- not later than 1 year	9,479	9,222
- 1 year through 5 years	7,949	8,358
- after 5 years	174	348
	17,602	17,928

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

	Total minimum lease payments	**Present value of payments**	**Total minimum lease payments**	**Present value of payments**
	2016	**2016**	**2015**	**2015**
	$'000	$'000	$'000	$'000
Group				
Within one year	82	76	–	–
After one year but not more than five years	302	264	–	–
Total minimum lease payments	384	340	–	–
Less: Amounts representing finance charges	(44)	–	–	–
Present value of minimum lease payments	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% (2015: 3.72% to 4.33%) per annum.

	Total minimum lease payments	**Present value of payments**	**Total minimum lease payments**	**Present value of payments**
	2016	**2016**	**2015**	**2015**
	$'000	$'000	$'000	$'000
Company				
Within one year	56	50	–	–
After one year but not more than five years	216	192	–	–
Total minimum lease payments	272	242	–	–
Less: Amounts representing finance charges	(30)	–	–	–
Present value of minimum lease payments	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% (2015: Nil) per annum.

(In Singapore dollars)

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 $13,000 (2015: $1,223,000).

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Income				
Interest income				
- subsidiaries	–	–	9,511	10,797
- associated companies	1,514	4,510	–	–
- joint venture companies	2,121	788	–	36
- investee companies	167	492	–	–
Management fee income				
- joint venture companies	2,478	3,654	2,000	2,000
- subsidiaries	–	–	838	854
- associated companies	733	492	104	–
- related party	45	45	–	–
Expenses				
Management fee paid to a subsidiary	–	–	648	576
Interest expenses				
- subsidiaries	–	–	4,893	4,073
- joint venture companies	–	244	–	–
- associated companies	763	1,055	–	–
Rental paid to related party	115	115	–	–

(b) *Compensation of key management personnel*

	Group	
	2016	**2015**
	$'000	$'000
Short-term employee benefits	2,421	2,066
Central Provident Fund contributions	106	82
Other short-term benefits	197	139
	2,724	2,287
Comprise amounts paid to:		
- Directors of the Company	1,360	1,164
- Other key management personnel	1,364	1,123
	2,724	2,287

39 CONTINGENCIES

The Company has provided corporate guarantees to banks and financial institutions of $564,032,000 (2015: $706,595,000) for credit facilities (Note 31) taken by its subsidiaries, joint venture companies, associated companies and investee companies.

(In Singapore dollars)

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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Loans and receivables				
Amounts due from associated companies, joint venture companies and investee companies	125,572	149,076	–	–
Trade receivables	794	538	–	120
Other receivables	24,799	7,275	18,855	8
Amounts due from subsidiaries (non-trade)	–	–	178,572	218,035
Amounts due from related parties (trade)	14	12	–	–
Amounts due from joint venture company (non-trade)	333	606	33	536
Amount due from joint venture company (trade)	339	341	–	–
Fixed deposits	654	6,099	505	5,934
Cash and bank balances	27,114	16,227	13,436	4,155
	179,619	180,174	211,401	228,788
Available-for-sale financial assets				
Other investments	218	218	–	–
Financial liabilities measured at amortised cost				
Trade and other payables (current)				
Trade payables	6,769	8,046	4,615	2,112
Other payables and accruals	6,740	4,581	3,037	1,444
Amounts due to subsidiaries	–	–	634	1,036
	13,509	12,627	8,286	4,592
Other payables (non-current)				
Other payables and accruals	1,043	1,150	–	–
Total trade and other payables	14,552	13,777	8,286	4,592
Loans and borrowings (current)				
Amounts due to subsidiaries	–	–	59,603	34,945
Finance lease obligations	76	–	50	–
Bonds	58,750	–	58,750	–
Short-term bank loans	14,000	4,000	14,000	4,000
Bank term loans	120,713	163,885	58,745	58,745
	193,539	167,885	191,148	97,690
Loans and borrowings (non-current)				
Amounts due to associated companies and joint venture companies (non-trade)	43,660	38,273	15,508	15,508
Amounts due to non-controlling interests (non-trade)	27,156	25,230	–	–
Finance lease obligations	264	–	192	–
Bonds	–	60,000	–	60,000
Bank term loans	103,846	142,197	–	–
Total loans and borrowings	368,465	433,585	206,848	173,198
Total finance liabilities measured at amortised cost	383,017	447,362	215,134	177,790
Financial liabilities at fair value through profit or loss				
Derivatives	149	23	–	–

(In Singapore dollars)

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.

(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 expected to be repaid from 2017 to 2019. 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.

(In Singapore dollars)

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***

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:

	2016 $'000		2015 $'000	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair Value**
Group				
Financial assets:				
Equity instruments (unquoted), at cost	218	*	218	*
Financial liabilities:				
Finance lease obligations	340	384	–	–
Company				
Financial liabilities:				
Finance lease obligations	242	272	–	–

* Investment in equity instrument 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.

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.

(In Singapore dollars)

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*

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

Description	Fair Value at 31 December 2016 $'000	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements				
Investment properties:				
Retail and commercial	34,850	Market comparable approach	Yield adjustments based on management's assumptions *	10% to 20%
	135,200	Income approach	Capitalisation rate	5.8%
			Vacancy rate	5% to 8%
Fixed Assets:				
Freehold and leasehold land and buildings	116,743	Market comparable approach	Yield adjustments based on management's assumptions *	10% to 20%

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

For retail and commercial investment properties and freehold and leasehold land and buildings, a significant increase (decrease) in vacancy rate or yield adjustments based on management's assumptions would result in a significantly higher (lower) fair value measurement.

(In Singapore dollars)

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 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
31 December 2015			
Recurring fair value measurements			
Investment properties:			
- Retail and commercial	173,980	5,219	–
Fixed assets:			
- Freehold and leasehold land and buildings	103,877	–	2,493

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 and freehold and leasehold land and buildings, the Group adjusted the vacancy rate or yield adjustments based on management's assumptions by 3% depending on nature, location or condition of the specific property.

(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 $542,000 (2015: $600,000) (Note 13) and gains from fair value adjustments of freehold and leasehold land and buildings which amounted to $4,166,000 (2015: $nil) (Note 12). The disclosure of the movement in the investment properties balance 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.

(In Singapore dollars)

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

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

(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 independent 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 Gro up 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.

(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.

(In Singapore dollars)

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

(a) ***Credit risk (cont'd)***

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 $564,032,000 (2015: $706,595,000) relating to corporate guarantees provided by the Company to banks/ financial institutions on subsidiaries'/joint ventures'/associated companies'/investee 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, 23% (2015: 55%) 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.

(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 53% (2015: 39%) 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.

(In Singapore dollars)

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

(b) *Liquidity risk (cont'd)*

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			
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	6,740	1,043	7,783
Derivatives	149	–	149
Loans and borrowings	201,896	181,543	383,439
Total undiscounted financial liabilities	215,554	182,586	398,140
Total net undiscounted financial liabilities	(165,507)	(52,464)	(217,971)

(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
Group			
2015			
Financial assets:			
Amounts due from associated companies, joint venture companies and investee companies	–	149,076	149,076
Trade receivables	538	–	538
Other receivables	7,275	–	7,275
Amounts due from related parties (trade)	12	–	12
Amounts due from joint venture company	947	–	947
Fixed deposits	6,148	–	6,148
Cash and bank balances	16,227	–	16,227
Total undiscounted financial assets	31,147	149,076	180,223
Financial liabilities:			
Trade payables	8,046	–	8,046
Other payables and accruals	4,581	1,150	5,731
Derivatives	23	–	23
Loans and borrowings	177,628	279,728	457,356
Total undiscounted financial liabilities	190,278	280,878	471,156
Total net undiscounted financial liabilities	(159,131)	(131,802)	(290,933)

	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	210,659
Total undiscounted financial liabilities	201,073	16,498	217,571
Total net undiscounted financial assets/(liabilities)	6,328	(11,948)	(5,620)

(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			
2015			
Financial assets:			
Trade receivables	120	–	120
Other receivables	8	–	8
Amounts due from subsidiaries (non-trade)	225,758	–	225,758
Amounts due from joint venture company (non-trade)	536	–	536
Fixed deposits	5,983	–	5,983
Cash and bank balances	4,155	–	4,155
Total undiscounted financial assets	236,560	–	236,560
Financial liabilities:			
Trade payables	2,112	–	2,112
Other payables and accruals	1,444	–	1,444
Amounts due to subsidiaries	1,036	–	1,036
Loans and borrowings	103,930	77,277	181,207
Total undiscounted financial liabilities	108,522	77,277	185,799
Total net undiscounted financial assets/(liabilities)	128,038	(77,277)	50,761

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 are allocated to the earliest period in which the guarantee could be called.

	Group and Company	
	1 year or less	
	2016	2015
	$'000	$'000
Financial guarantees	564,032	706,595

(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 (2015: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $1,031,000 (2015: $1,282,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

(In Singapore dollars)

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

(c) *Interest rate risk (cont'd)*

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				
2016				
Floating rate				
Short-term bank loans	30	14,000	–	14,000
Bank term loans	31	116,720	80,682	197,402
2015				
Floating rate				
Short-term bank loans	30	4,000	–	4,000
Bank term loans	31	163,885	133,966	297,851
Company				
2016				
Floating rate				
Short-term bank loans	30	14,000	–	14,000
Bank term loans	31	58,745	–	58,745
2015				
Floating rate				
Short-term bank loans	30	4,000	–	4,000
Bank term loans	31	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.

(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.

(In Singapore dollars)

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

(d) *Foreign currency risk (cont'd)*

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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Pound Sterling ("GBP")	12,942	9,428	1,429	2,775
Australian dollar ("AUD")	643	119	2	2
United States dollar ("USD")	9	4	9	4

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the THB, AUD and GBP exchange rates (against SGD), with all other variables held constant, of the Group's profit net of tax and equity.

		2016		2015	
		Profit net of tax	Equity	Profit net of tax	Equity
		$'000	$'000	$'000	$'000
THB	- strengthened 3% (2015: 3%)	490	148	645	–
	- weakened 3% (2015: 3%)	(490)	(148)	(645)	–
AUD	- strengthened 3% (2015: 3%)	6	226	2	218
	- weakened 3% (2015: 3%)	(6)	(226)	(2)	(218)
GBP	- strengthened 3% (2015: 3%)	1,486	584	1,045	685
	- weakened 3% (2015: 3%)	(1,486)	(584)	(1,045)	(685)

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 2016 and 31 December 2015.

(In Singapore dollars)

43. CAPITAL MANAGEMENT (CONT'D)

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.

	Note	Group 2016 $'000	Group 2015 $'000
Trade and other payables	40	14,552	13,777
Loans and borrowings	40	368,465	433,585
Less:			
Cash and bank balances and fixed deposits		(27,768)	(22,326)
Net debt		355,249	425,036
Equity attributable to owners of the Company		343,813	339,645
Capital and net debt		699,062	764,681
Gearing ratio		51%	56%

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.

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 2016, 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.

(In Singapore dollars)

44. SEGMENT INFORMATION (CONT'D)

Geographical information (cont'd)

As at 31 December 2016, revenue and non-current assets information based on geographical location of customers and assets respectively are as follows.

	Revenue	**Non-current assets**
	$'000	$'000
Singapore	53,774	370,108
United Kingdom	13,595	148,213
Thailand	–	33,189
Australia	–	10,983
Others	–	13,174
	67,369	575,667

	Property investment	**Property development**	**Corporate**	**Hospitality**	**Elimination**	**Note**	**Consolidated**
	$'000	$'000	$'000	$'000	$'000		$'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

(In Singapore dollars)

44. SEGMENT INFORMATION (CONT'D)

	Property investment $'000	Property development $'000	Corporate $'000	Hospitality $'000	Elimination $'000	Note	Consolidated $'000
Assets:							
Investment in associated companies/joint venture companies	80,625	59,889	–	14,866	–		155,380
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.

	Property investment $'000	Property development $'000	Corporate $'000	Hospitality $'000	Elimination $'000	Note	Consolidated $'000
31 December 2015							
Revenue:							
Sales to external customers	13,463	13,417	1,588	5,826	–		34,294
Inter-segment revenue	3,345	–	3,326	–	(6,671)	A	–
	16,808	13,417	4,914	5,826	(6,671)		34,294
Results:							
Interest income	–	–	33,179	–	(27,298)	A	5,881
Interest expense	(2,902)	(5,646)	(33,140)	(928)	26,330	A	(16,286)
Gains from fair value adjustments of investment properties	600	–	–	–	–		600
Depreciation of fixed assets	(116)	(55)	(51)	(284)	–		(506)
Share of results of associated companies/joint venture companies	20,399	14,098	5	113	–		34,615
Provision for foreseeable losses on development property	–	(29,080)	–	–	–		(29,080)
Segment profit/(loss) before tax	30,864	(19,875)	(2,444)	(2,089)	(1,803)	B	4,653
Assets:							
Investment in associated companies/joint venture companies	65,751	48,856	–	14,173	–		128,780
Additions to non-current assets [1]	654	–	262	37,482	–		38,398
Segment assets	268,368	381,872	564,248	148,249	(572,849)	C	789,888
Segment liabilities	119,413	129,682	680,862	48,857	(529,743)	D	449,071

[1] Additions to non-current assets consist of additions to fixed assets and investment properties.

(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:

	2016 $'000	2015 $'000
Profit from inter-segment sales	(1,479)	(835)
Finance expenses	21,065	26,330
Finance income	(22,227)	(27,298)
	(2,641)	(1,803)

C The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated balance sheet.

	2016 $'000	2015 $'000
Investment in subsidiaries	(50,220)	(51,510)
Intangible assets	109	109
Fixed assets	(2,238)	(1,065)
Development properties	(1,735)	(1,090)
Intra-group loans	(429,889)	(519,293)
	(483,973)	(572,849)

D The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2016 $'000	2015 $'000
Intra-group loans	(506,157)	(529,743)

(In Singapore dollars)

45. DIVIDEND

	Group and Company	
	2016	2015
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2015: 0.60 cents (2014: 0.60 cents) per share	1,952	1,612
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 2016: 0.60 cents (2015: 0.60 cents) per share	1,952	1,952

46 PRIOR YEAR COMPARATIVES

As disclosed in Note 12, the provisional PPA of the 2015 acquisition was finalised in 2016. As a result, the following reclassifications to cost or valuation of fixed assets at 31 December 2015 and 1 January 2016 have been made.

	Group At 31 December 2015 and 1 January 2016	
	$'000 (as previously stated)	$'000 (as restated)
At valuation:		
Freehold and leasehold land	–	56,007
Freehold and leasehold building	–	47,870
Freehold properties	104,779	–
At cost:		
Equipment and fixtures	203	610
Furniture and fittings	394	889

47. EVENTS OCCURRING AFTER THE REPORTING PERIOD

In March 2017, the Group entered into a conditional sale and purchase agreement to dispose its 50% interest in a joint venture, Buildhome Pte. Ltd.. The conditions of completion include the Group obtaining regulatory approvals, as such, management is unable to estimate the financial effects of this transaction.

48. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 5 April 2017.

综合全面收益表

截至2016年12月31日之财政年度

(以新元表示)

	注释	2016 $'000	2015 $'000
营业额	4	67,369	34,294
出售房地产成本		(31,989)	(10,001)
其他营业收入	5	4,088	3,008
人员费用	6	(7,754)	(6,087)
固定资产折旧及摊销		(1,370)	(506)
其他营业费用		(15,145)	(11,785)
出售子公司亏损	7	(10,356)	–
经营业务利润	8	4,843	8,923
财务费用	9(a)	(11,829)	(16,286)
财务收入	9(b)	3,833	5,881
应占联营公司和合资企业收益		19,676	34,615
投资产业公允价值收益	13	542	600
可预见性发展物业亏损	20	–	(29,080)
税前利润		17,065	4,653
税项	10	(4,835)	(43)
本年税后利润		12,230	4,610
其他综合收入:			
随后可能重新分类至损益之项目			
外币折算		(9,013)	626
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	–
应占联营公司物业重估收益		175	–
		3,508	–
其他综合(费用)收入,税后		(5,505)	626
年度综合收入总额		6,725	5,236
年度利润			
归属于:			
公司权益持有人		12,481	5,651
非控制性权益		(251)	(1,041)
		12,230	4,610

综合全面收益表

截至2016年12月31日之财政年度

(以新元表示)

	注释	2016 $'000	2015 $'000
年度综合收入总额			
归属于:			
公司权益持有人		6,120	6,476
非控制性权益		605	(1,240)
		6,725	5,236
持续经营业务每股收益 (分)			
归属于公司权益持有人			
基本	11	3.84	1.96
摊薄	11	3.84	1.96

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2016年12月31日之财政年度

(以新元表示)

	注释	本集团 2016 $'000	本集团 2015 $'000	本公司 2016 $'000	本公司 2015 $'000
非流动资产					
固定资产	12	120,338	105,242	577	95
投资产业	13	170,050	173,980	–	–
子公司	14	–	–	24,583	25,583
联营公司	15	73,240	64,689	–	–
合营公司	16	82,140	64,091	5,000	5,000
应收联营公司, 合营公司和其他投资账款	17	125,572	149,076	–	–
其他投资	18	218	218	–	–
无形资产	19	109	109	–	–
其他应收账款	22	4,000	–	4,000	–
		575,667	557,405	34,160	30,678
流动资产					
发展产业	20	106,790	198,765	90,907	75,695
应收账款	21	794	538	–	120
其他应收账款	22	20,799	7,275	14,855	8
预付款项		1,488	2,620	248	26
应收子公司账款(非贸易)	23	–	–	178,572	218,035
应收关联方账款(贸易)	23	14	12	–	–
应收合营公司账款(非贸易)	23	333	606	33	536
应收合营公司账款(贸易)	23	339	341	–	–
定期存款	24	654	6,099	505	5,934
现金及银行结存	25	27,114	16,227	13,436	4,155
		158,325	232,483	298,556	304,509
流动负债					
应付账款	26	6,769	8,046	4,615	2,112
其他应付款项及应计项目	27	6,896	4,833	3,037	1,444
衍生金融工具	28	149	23	–	–
应付子公司款项(非贸易)	23	–	–	60,237	35,981
债券	29	58,750	–	58,750	–
短期银行贷款	30	14,000	4,000	14,000	4,000
定期银行贷款	31	120,713	163,885	58,745	58,745
融资租赁负债	37	76	–	50	–
应交税费		1,955	935	278	728
		209,308	181,722	199,712	103,010
净流动(负债)资产		(50,983)	50,761	98,844	201,499

资产负债表
截至2016年12月31日之财政年度

	注释	本集团 31.12.2016 $'000	本集团 31.12.2015 $'000	本公司 31.12.2016 $'000	本公司 31.12.2015 $'000
非流动负债					
其他应付款项及应计项目	27	1,043	1,150	–	–
融资租赁负债	37	264	–	192	–
应付联营及合营公司款项	17	43,660	38,273	15,508	15,508
应付非控制性权益款项	32	27,156	25,230	–	–
债券	29	–	60,000	–	60,000
定期银行贷款	31	103,846	142,197	–	–
递延税项负债	33	3,125	499	2,309	545
		(179,094)	(267,349)	(18,009)	(76,053)
净资产		345,590	340,817	114,995	156,124
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	(9,344)	(215)	–	–
资产重估储备	36	2,768	–	–	–
累计利润		263,765	253,236	28,371	69,500
		343,813	339,645	114,995	156,124
非控制性权益	14	1,777	1,172	–	–
总权益		345,590	340,817	114,995	156,124

本年报的资产负债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 2017, approximately 24.97% 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 2017

(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)]	38,741,249	11.91	89,854,559	27.64
5. Toh Gap Seng[(4)]	17,768,370	5.46	890,000	0.27
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 890,000 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 2017

Range of Shareholdings	Number of Shareholders	Percentage	No of Shares	Percentage
1 - 99	8	1.06	58	0.00
100 - 1,000	16	2.11	9,012	0.00
1,001 - 10,000	210	27.74	1,110,994	0.34
10,001 - 1,000,000	502	66.32	33,069,966	10.17
1,000,001 and above	21	2.77	290,966,462	89.49
TOTAL	757	100.00	325,156,492	100.00

MAJOR SHAREHOLDERS AS AT 15 MARCH 2017

No	Name of Shareholder	Number of Shares Held	Percentage
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	38,741,249	11.92
4	Sing Investment & Finance Nominees Pte Ltd	25,000,000	7.69
5	Raffles Nominees (Pte) Ltd	22,854,900	7.03
6	Toh Khai Cheng	22,084,392	6.79
7	Toh Gap Seng	17,768,370	5.47
8	CIMB Securities (Singapore) Pte Ltd	12,257,281	3.77
9	Maybank Kim Eng Securities Pte Ltd	7,556,579	2.32
10	OCBC Securities Private Limited	3,553,233	1.09
11	Pang Heng Kwee	3,460,000	1.06
12	Tan Su Lan @ Tan Soo Lung	3,037,200	0.93
13	DBS Nominees Pte Ltd	2,978,209	0.92
14	UOB Kay Hian Pte Ltd	2,348,500	0.72
15	Ang Kong Meng	2,107,300	0.65
16	Ng Wee Chu	1,918,810	0.59
17	Phillip Securities Pte Ltd	1,303,300	0.40
18	Tan Swee Lang	1,253,790	0.39
19	Morph Investments Ltd	1,150,000	0.35
20	Tan Hee Nam	1,042,800	0.32
		289,926,872	89.17

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 Wednesday, 26 April 2017 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 2016 and the Directors' Statement and the Independent Auditors' Report thereon. **Resolution 1**

2. To declare a 1-tier tax exempt final dividend of 0.60 cents per share out of the retained earnings of the Company as at 31 December 2016. **Resolution 2**

3. To approve Directors' fees of S$221,000 for the financial year ended 31 December 2016. (2015: S$221,000) **Resolution 3**

4. To re-elect the following Directors retiring by rotation pursuant to Article 95(2) of the Company's Constitution:-

   (i) Chew Chin Hua *(See Explanatory Note)* **Resolution 4**

   (ii) Toh Khai Cheng *(See Explanatory Note)* **Resolution 5**

   (iii) Toh Gap Seng **Resolution 6**

5. To re-appoint Messrs Ernst & Young LLP as Auditor and to authorise the Directors to fix their remuneration. **Resolution 7**

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolution:-

6. 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: **Resolution 8**

   (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,

PROVIDED THAT

(1) save as may otherwise be permitted by the SGX-ST, 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, (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, (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, 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 Constitution 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)*

7. To transact any other business.

BY ORDER OF THE BOARD

LEE HO WAH / CHEW BEE LENG
Company Secretaries

Singapore
11 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

Resolution 4

Mr Chew Chin Hua, Chairman of the Audit Committee and a member of the 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 5

Mr Toh Khai Cheng, Chairman of the Board of Directors and a member of the Audit Committee and Remuneration Committee, will continue to serve in these capacities if re-elected as a Director of the Company.

Resolution 8

The Ordinary Resolution no. 8, if passed, save as may otherwise be permitted by the SGX-ST, 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 (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 (if any)) shall be based on the total number of issued shares (excluding treasury shares (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 Wednesday, 26 April 2017 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 2016 and the Directors' Statement and the Auditors' Report thereon.		
2.	To declare a 1-tier tax exempt final dividend of 0.60 cents per share out of the retained earnings of the Company as at 31 December 2016.		
3.	To approve Directors' fees of S$221,000 for the financial year ended 31 December 2016. (2015: S$221,000)		
4.	To re-elect Mr Chew Chin Hua retiring by rotation pursuant to Article 95(2) of the Company's Constitution.		
5.	To re-elect Mr Toh Khai Cheng retiring by rotation pursuant to Article 95(2) of the Company's Constitution.		
6.	To re-elect Mr Toh Gap Seng retiring by rotation pursuant to Article 95(2) of the Company's Constitution.		
7.	To re-appoint Messrs Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration.		
8.	To authorise the Directors to allot and issue new shares.		

Total number of Shares

Dated this ____________ day of______________ 2017

____
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.

9. 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.

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HEETON

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