STANDING STRONG

HONG FOK CORPORATION LIMITED

ANNUAL REPORT 2018

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VISION & MISSION STATEMENT

To Build and Maintain a Long-term Sustainable Real-estate Related Business

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of **HONG FOK CORPORATION LIMITED** (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2018 ("FY 2018").

REVIEW OF FY2018

In 2018, Singapore's tourism sector continued to remain strong and the contributions from the first full year of operations of the Group's hotel investment property, YOTEL Singapore Orchard Road, has been positive.

In July 2018, the Singapore government introduced further cooling measures such as an increase in the additional buyer's stamp duty rate and tightening the loan to value limits on the purchase of residential property. Despite this challenging operating environment, the Group sold 21 units of Concourse Skyline in FY2018 as compared to only 4 units in FY2017.

For FY2018, the Group achieved a profit after tax of approximately $269 million (as compared to a profit after tax of about $223 million in FY2017, which represents an increase of over 20%), of which approximately $189 million was attributable to Owners of the Company.

The Group was also supported by a strong balance sheet as at 31 December 2018, with net current assets of approximately $89 million, of which cash and cash equivalents was approximately $50 million.

The Group maintained a sound financial position in FY2018 with its net interest bearing debt to equity ratio at only 0.29.

PROSPECTS FOR FY2019

On the hospitality front, statistics from the Singapore Tourism Board ("STB") showed that Singapore hit a record high in tourist arrivals and spending, having received 18.5 million visitors in FY2018. Similarly, tourism receipts rose 1% to $27.1 billion for FY2018.

For 2019, the STB remains cautiously optimistic, and anticipates strong tourism growth notwithstanding stiffer regional competition and volatility in the global political and economic environment. STB forecasts visitor arrivals to grow between 1% to 3% in 2019, to be in the range of $18.7 million to $19.2 million, while tourism receipts are expected to grow between 1% and 3%.

Against this backdrop, the Group expects a stable contribution from YOTEL Singapore Orchard Road in 2019.

The existing series of cooling measures on the property market will nevertheless continue to have an impact on the pace of sales of our property units. However, the Group will continue to actively market the sales and leases of its properties.

At the same time, the Group plans to explore other possible investment or business opportunities in the real estate market in the course of 2019.

APPRECIATION

The Board would like to express their heartfelt appreciation to our tenants, customers, bankers, business associates and shareholders for their continued support for the Group. The Board would also like to thank its management team and staff for their hard work and contributions during the year.

Personally, I would like to express my appreciation to my fellow Directors for appointing me as Chairman of the Board in March 2019. I look forward to working closely with my fellow Board members and our management team to endeavour to deliver good returns to all stakeholders in 2019.

CHAN PENGEE, ADRIAN
Non-Executive Independent Chairman

BOARD OF DIRECTORS

CHAN PENGEE, ADRIAN

Mr Chan is the Non-Executive Independent Chairman, Chairman of the Nominating Committee and a member of the Audit and Risk Management Committee and the Remuneration Committee. He is the Head of Corporate and a Senior Partner at Lee & Lee. He is the Vice-Chairman of the Singapore Institute of Directors and sits on the board of the Accounting and Corporate Regulatory Authority of Singapore. He serves on the Executive Council of the Association of Small and Medium Enterprises as its Honorary Secretary and the Council of the Law Society of Singapore. He is a member of the Legal Service Commission, the Pro-Enterprise Panel and Singapore Management University's Enterprise Board. He is the lead independent director of Yoma Strategic Holdings Ltd, Global Investments Limited and AEM Holdings Ltd and is an independent director of Best World International Limited, Ascendas Funds Management (S) Limited, the manager of Ascendas REIT and Bowsprit Capital Corporation Limited, the manager of First REIT. He also serves on the Catalist Advisory Panel of the SGX. He is the Chairman of the Panel of the Institute of Corporate Law and chairs the Corporate Practice Committee of the Law Society of Singapore.

Mr Chan holds a Bachelor of Laws degree from the National University of Singapore and is a member of the Singapore Academy of Law. He has more than 29 years of experience in the law profession and has been a director of various SGX-listed companies since 2002.

CHEONG PIN CHUAN

Mr Cheong is an Executive Director and Joint Chief Executive Officer and is principally involved in the Group's overall operations and management with greater emphasis in Hong Kong. He is a graduate of the Footscray Institute of Technology in Australia and is a member of the Australian Society of Certified Practising Accountants and the Hong Kong Institute of Certified Public Accountants. He has over 47 years of experience in property development at both management and board levels in Singapore and Hong Kong.

CHEONG SIM ENG

Mr Cheong is an Executive Director and Joint Chief Executive Officer and is principally involved in the Group's overall operations and management with greater emphasis in Singapore. He is a graduate of the Chaminade University of Honolulu with a Bachelor of Arts degree. He has over 34 years of experience in the property development business.

CHEONG HOOI KHENG

Ms Cheong is an Executive Director and Chief Operating Officer and is principally involved in the Group's development of properties. She also oversees the project management in relation to the development and construction of properties, the leasing and marketing of the Group's real estate properties and major financial affairs of the Group in Singapore. She holds a Bachelor of Science degree in Business Administration from the California State University, Hayward and a Master of Business Administration degree from the Chaminade University of Honolulu. She has over 39 years of experience in the property development and construction business.

CHOW YEW HON

Mr Chow is a Non-Executive Independent Director, Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee and the Nominating Committee. He is also the Lead Independent Director. He graduated with a Bachelor of Business Administration (Honours) degree from the University of Singapore and has also completed the Pacific Rim Bankers' Programme at the University of Washington, Seattle, United States of America. He was a former certified Private Wealth Professional in Hong Kong. He has held various senior positions with major international banks in Singapore, Hong Kong, London and Los Angeles and has more than 38 years of financial and banking experience covering international, corporate & commercial banking and wealth management.

LIM JUN XIONG STEVEN

Mr Lim is a Non-Executive Independent Director, Chairman of the Audit and Risk Management Committee and a member of the Nominating Committee and the Remuneration Committee.

Mr Lim started his career at PricewaterhouseCoopers before transitioning to the finance industry by joining HSBC Private Bank (Suisse) SA, the Global Wealth Solutions arm of the HSBC Group, in 1985. He took charge of operations, corporate secretarial and systems control in the Trust Division before assuming the position of Managing Director in 1990. He left to become the chief executive officer of SG Trust (Asia) Ltd, a subsidiary of Societe Generale Private Banking, in 2010, a position he held until 2014. He currently provides consultancy advice in the field of global wealth solutions. He is the lead independent director of Bund Center Investment Ltd and Keong Hong Holdings Limited and an independent director of Mirach Energy Limited and Emerging Towns & Cities Singapore Ltd.

Mr Lim holds a Bachelor of Commerce degree majoring in Accounting and Finance from the University of Newcastle, Australia. He is a fellow member of CPA Australia and the Institute of Singapore Chartered Accountants in addition to being a member of the Society of Trust and Estate Practitioners. He has more than 35 years of experience in the financial, trust and wealth management industry.

KEY EXECUTIVE OFFICERS

CHEONG PUAY KHENG
Vice President (Administration and Personnel)
Ms Cheong's job responsibilities essentially cover the planning, organisation and control of office administration and personnel management of the Group. She graduated from the Armstrong College of Berkeley in the United States of America with a Bachelor of Science degree. She has 40 years of experience at management level.

Ms Cheong is also the Senior Manager of Hong Fok Land International Limited.

JIMMY YEO
Vice President (Marketing)
Mr Yeo is responsible for the marketing and leasing of the Group's real estate properties in Singapore. He holds a Master of Business Administration degree from the University of Hull in the United Kingdom and a Diploma in Marketing from the Chartered Institute of Marketing in the United Kingdom. He is a Fellow of the Marketing Institute of Singapore. He has 38 years of real estate marketing experience at management level.

LOK NAM MOON
Vice President (Projects)
Mr Lok is responsible for all projects developments undertaken by the Group in Singapore. He holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering both from the University of Strathclyde in the United Kingdom. He is a Professional Engineer, a Chartered Engineer and a Chartered Professional Engineer registered with the Singapore Professional Engineers Board, Engineering Council in the United Kingdom and the Institute of Engineers (Australia) respectively. He is also a senior member of the Institution of Engineers in Singapore, a member of the Institute of Engineers in Australia and an Associate of the Institution of Structural Engineers in the United Kingdom. He has 38 years of experience in project management in Singapore.

KOH CHAY TIANG
Vice President (Accounts and Finance)/Company Secretary
Ms Koh is responsible for the accounts and finance functions of the Group in Singapore. She holds a Bachelor of Accountancy degree from the University of Singapore and is a Chartered Accountant of Singapore. She has 36 years of experience at management level in Singapore.

NG SAI KIAN
Vice President (Property Management)
Mr Ng is responsible for property management and maintenance for all properties under the Group in Singapore as well as properties of Warranty Management Pte Ltd's clients. He holds an Honours degree in Bachelor of Science from the University of Bradford in the United Kingdom. He has over 5 years of experience in project management in China, 2 years of experience in consultancy service in Singapore as well as more than 24 years of experience in property management in Singapore.

CHEONG TZE HONG, MARC
Director – Finance Division
of Hong Fok Land International Limited
Mr Cheong oversees all financial aspects of the business in Hong Kong. He holds a Bachelor of Science degree in Accounting from the University of Southern California in the United States of America and a Master of Business Administration degree from the University of Chicago Graduate School of Business. He has over 3 years of experience in the merchant banking field and 18 years of experience in business development in Hong Kong.

CHEONG TZE HIAN, HOWARD
Director – Project Development
of Hong Fok Land International Limited
Mr Cheong oversees all aspects of project development for the properties in Hong Kong. He holds a Bachelor of Science degree in Accounting from the University of Southern California in the United States of America. He has over 3 years of experience in the private equity field and 14 years of experience in project management in Hong Kong.

TSUI YEUNG KUN
Director – Business Development
of Hong Fok Land International Limited
Mr Tsui's job responsibilities cover the identification and development of new business opportunities in Hong Kong, and project management in relation to the development and construction of properties in Hong Kong. He graduated from the Christian Brothers College in the United States of America with a Bachelor of Science degree in Accounting and Economics. He has over 6 years of experience in the management of investment funds and 11 years of experience in equity research and stock broking activities in Hong Kong.

CORPORATE INFORMATION

HONG FOK CORPORATION LIMITED is a public company listed on the Singapore Exchange Securities Trading Limited. The principal activity of the Company is that of investment holding whose subsidiaries are primarily engaged in property investment, property development and construction, property management, investment trading and investment holding and management.

BOARD OF DIRECTORS

Executive Directors

Mr Cheong Pin Chuan
Joint Chief Executive Officer

Mr Cheong Sim Eng
Joint Chief Executive Officer

Ms Cheong Hooi Kheng
Chief Operating Officer

Non-Executive Independent Directors

Mr Chan Pengee, Adrian
Chairman

Mr Chow Yew Hon
Lead Independent Director

Mr Lim Jun Xiong Steven

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr Lim Jun Xiong Steven
Chairman

Mr Chow Yew Hon

Mr Chan Pengee, Adrian

NOMINATING COMMITTEE

Mr Chan Pengee, Adrian
Chairman

Mr Chow Yew Hon

Mr Lim Jun Xiong Steven

REMUNERATION COMMITTEE

Mr Chow Yew Hon
Chairman

Mr Lim Jun Xiong Steven

Mr Chan Pengee, Adrian

SECRETARIES

Ms Lo Swee Oi

Ms Koh Chay Tiang

AUDITORS

KPMG LLP
Public Accountants and Chartered Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Tel : 6213 3388
Fax : 6225 0984

Mr Yap Wee Kee
Partner-in-charge
Year of Appointment : 2017

REGISTRARS

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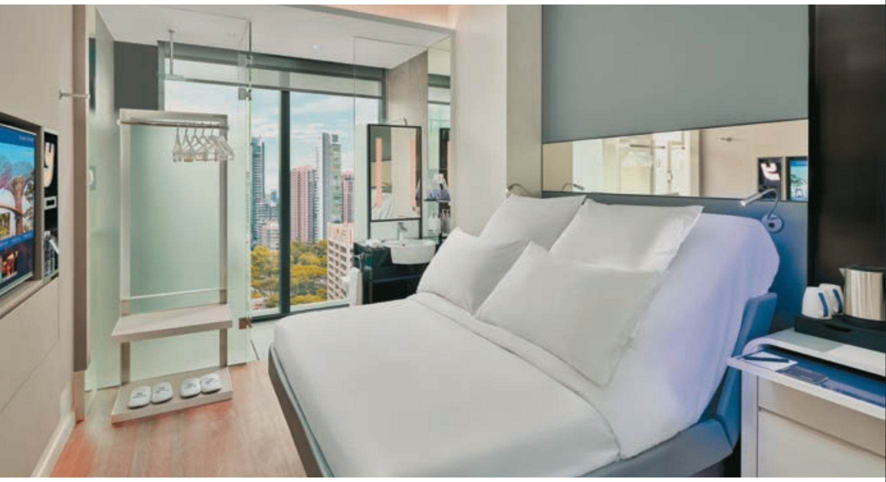
Singapore 048544
Tel : 6593 4848
Fax : 6593 4847

REGISTERED OFFICE

300 Beach Road #41-00
The Concourse
Singapore 199555
Tel : 6292 8181
Fax : 6293 8689
Website : www.hongfok.com.sg

YOTEL Singapore Orchard Road



Cocre8 Pte. Ltd., our subsidiary:
Co-working serviced office
at International Building

PROPERTY SUMMARY

Property	Description	Lot Nos.	Stage of Completion/ Expected Date of Completion	Existing Use	Approximate Site Area (m²)	Approximate Gross Floor Area (m²)	Percentage Owned (%)	Tenure of Land
INVESTMENT PROPERTIES								
International Building at Orchard Road, Singapore	A 12-storey commercial building	956X of Town Subdivision 25	Completed	Offices/ Shops/ Restaurants	2,066	15,011(1)	100	Freehold
YOTEL Singapore Orchard Road at Orchard Road, Singapore	A 30-storey 610-room hotel	956X of Town Subdivision 25	Completed	Hotel	2,158	15,745	100	Freehold
362 and 364 Orchard Road at Orchard Road, Singapore	A single storey commercial block	1719L of Town Subdivision 25	Completed	Commercial	832	278	100	Freehold
The Concourse at Beach Road, Singapore	A 41-storey commercial/ office tower block	43 strata units of Parent Lot No. 1110V of Town Subdivision 13	Completed	Offices/ Retail	11,715	60,164(2)	100	99 years lease from 13/3/2008
Concourse Skyline at Beach Road, Singapore	Retail units at 1st storey	9 strata units of Parent Lot No. 1110V of Town Subdivision 13	Completed	Retail	115	608(2)	100	99 years lease from 13/3/2008
Concourse Skyline at Beach Road, Singapore	A part 4/part 7-storey podium car park/ apartment block, 2 part 20/part 28-storey and part 34/part 40-storey residential blocks with communal facilities	8 strata units of Parent Lot No. 1110V of Town Subdivision 13	Completed	Residential	8,662	710(2)	42	99 years lease from 13/3/2008
International Plaza at Anson Road, Singapore	A 50-storey commercial-cum-residential development	2 strata units, U199K and U914L of Town Subdivision 3	Completed	Residential	–	298(2)	42	99 years lease from 2/6/1970
Magazine Gap Towers at 15 Magazine Gap Road, Hong Kong	A 14-storey (including a basement) private residential building	Inland Lot No. 2570 and The Extension thereto	Completed	Residential	1,765	5,128	42	75 years lease from 4/6/1925 and renewed for a further term of 75 years
Magazine Heights at 17 Magazine Gap Road, Hong Kong	A 14-storey (including a lower ground floor) private residential building	Inland Lot No. 8021 and The Extension thereto	Completed	Residential	2,139	5,574	42	75 years lease from 28/8/1920 and renewed for a further term of 75 years
Upper Roof and Parking Spaces of THE ICON at 38 Conduit Road, Hong Kong	Upper roof and parking spaces of a 23-storey residential building	Inland Lot No. 1253	Completed	Vacant(3)	–	47(3)	42	999 years lease from 25/6/1861
DEVELOPMENT PROPERTIES								
Concourse Skyline at Beach Road, Singapore	A part 4/part 7-storey podium car park/ apartment block, 2 part 20/part 28-storey and part 34/part 40-storey residential blocks with communal facilities	93 strata units of Parent Lot No. 1110V of Town Subdivision 13	Completed	Residential	8,662	15,681(2)	100	99 years lease from 13/3/2008
Jewel of Balmoral at Balmoral Park, Singapore	A 10-storey residential development	1 strata unit, U2179A of Town Subdivision 26	Completed	Residential	1,651	76(2)	100	Freehold

NOTES:
(1) Excludes 162m² of floor space which are held by third parties on 999 years lease.
(2) This relates to the strata area for the said units.
(3) This relates to the upper roof of THE ICON.

SUMMARY OF THE GROUP

SUMMARY OF THE RESULTS OF THE GROUP

For the last 5 financial years are as follows:

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Revenue	**131,127**	69,975	58,436	60,500	97,191
Profit before share of results of associate and joint venture	**273,606**	227,767	83,280	200,570	70,027
Share of results of associate and joint venture	**–**	–	–	(1)	#
Profit before tax	**273,606**	227,767	83,280	200,569	70,027
Tax expense	**(4,651)**	(4,449)	(1,330)	(1,330)	(5,951)
Profit for the year	**268,955**	223,318	81,950	199,239	64,076
Profit attributable to:					
Owners of the Company	**188,921**	178,070	72,986	167,003	48,090
Non-controlling interests	**80,034**	45,248	8,964	32,236	15,986
Profit for the year	**268,955**	223,318	81,950	199,239	64,076
Dividend	**6,930**	6,930	6,930	12,601	9,450

SUMMARY OF THE ASSETS AND LIABILITIES OF THE GROUP

For the last 5 financial years are as follows:

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Property, plant and equipment	**2,879**	2,188	2,102	2,424	2,131
Associate and joint venture	**#**	#	#	#	#
Investment properties	**3,091,745**	2,823,134	2,562,574	2,390,839	2,193,456
Other non-current assets	**11,299**	8,370	6,925	4,381	5,677
Current assets	**274,023**	298,252	327,724	414,997	420,542
Total Assets	**3,379,946**	3,131,944	2,899,325	2,812,641	2,621,806
Share capital	**186,688**	186,688	186,688	186,688	186,688
Treasury shares	**(101,050)**	(101,050)	(101,050)	(101,050)	(101,050)
Reserves	**1,810,076**	1,624,755	1,468,056	1,398,069	1,235,928
	1,895,714	1,710,393	1,553,694	1,483,707	1,321,566
Non-controlling interests	**632,751**	539,373	518,676	500,987	476,260
Total Equity	**2,528,465**	2,249,766	2,072,370	1,984,694	1,797,826
Non-current liabilities	**666,154**	632,660	743,772	752,088	667,214
Current liabilities	**185,327**	249,518	83,183	75,859	156,766
Total Liabilities	**851,481**	882,178	826,955	827,947	823,980
Total Equity and Liabilities	**3,379,946**	3,131,944	2,899,325	2,812,641	2,621,806

Amount less than $1,000

FINANCIAL REPORT

CORPORATE GOVERNANCE STATEMENT

YEAR ENDED 31 DECEMBER 2018

The board of directors of the Company (the "Board" or "Directors") is committed to raising the standard of corporate governance within the Group in order to enhance transparency in the disclosure of material information. The Company confirms that it has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the "2012 Code") and if there is any deviation from the 2012 Code, appropriate explanations are provided in this Statement on each area of non-compliance.

In addition, the Monetary Authority of Singapore has issued the revised Code of Corporate Governance on 6 August 2018 (the "2018 Code") which applies to annual reports covering financial years commencing from 1 January 2019. The Company has also endeavoured to describe its corporate governance practices with reference to certain key Principles and Provisions of the 2018 Code, notwithstanding that the 2018 Code is not applicable to the year ended 31 December 2018 ("FY2018").

BOARD MATTERS

The Board's Conduct of Affairs (Principle 1 of the 2012 Code)

The Company is headed by an effective Board. 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's role is to:

(a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

(b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;

(c) review management performance;

(d) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

(e) set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and

(f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

All Directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

In accordance with the 2012 Code, the Board has, without abdicating its responsibility, delegated the authority to make decisions to the Audit and Risk Management Committee, the Nominating Committee and the Remuneration Committee (collectively referred to as the "Board Committees"). Each Board Committee has its own written terms of references to address their respective duties and responsibilities.

The Board held meetings on a regular basis during FY2018 to review, *inter alia*, the Company's and the Group's operations and financial results. Details of attendance of Directors at the Board meetings, Audit and Risk Management Committee meetings, Nominating Committee meetings, and Remuneration Committee meetings are set out on page 26. The Company's Constitution permits Directors to attend meetings through the use of audio-visual communication equipment.

CORPORATE GOVERNANCE STATEMENT

YEAR ENDED 31 DECEMBER 2018

Written guidelines are established to specify which material transactions require the Board's approval. These transactions include, *inter alia*, material acquisitions and disposal of assets amounting to 5% or more of the relative figures set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") for transactions that are not in the ordinary course of business, share issuances (including stock options or other equity awards), dividends and returns of capital to shareholders.

Newly appointed Directors will receive appropriate training and orientation programmes to familiarise themselves with the operations of the Group and its major business processes.

On the appointment of a new Director, the Company will provide a formal letter to the Director, setting out the Director's duties and obligations.

The Company also funds and arranges for the Directors to receive regular training. In this connection, the Company's external auditors, KPMG LLP, conducted a briefing session for the Board during FY2018 on the latest changes to the financial reporting standards. In addition, briefing sessions were conducted for the Board on the changes to the Listing Manual of the SGX-ST and on the 2018 Code. Various Directors attended seminars and courses organised by the Singapore Institute of Directors ("SID") and other professional organisations, including a seminar on "Remuneration Committee Chairmen's Conversation" organised by SID in conjunction with Willis Towers Watson. Updates on relevant legal, accounting and regulatory developments were provided to Directors in written hand-outs, or by way of briefings and presentations. The Company Secretary also circulates articles, reports and press releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority which are relevant to the Directors.

The Board has no dissenting views on the Chairman's Statement for the year in review.

Board Composition and Guidance (Principle 2 of the 2012 Code)
During FY2018, out of the six Directors, three were non-executive and independent. This is in compliance with the 2012 Code which recommends that independent Directors make up at least half of the Board where the Chairman and the Chief Executive Officer ("CEO") (or equivalent, in our case, the Managing Director) is the same person.

With effect from 1 March 2019, Mr Chan Pengee, Adrian, who is a non-executive independent Director, was appointed as the Chairman of the Board. Also, with effect from 1 March 2019, Mr Cheong Pin Chuan and Mr Cheong Sim Eng, who were the Joint Chairmen of the Board and the Joint Managing Directors of the Company, relinquished their roles as Joint Chairmen of the Board. Mr Cheong Pin Chuan and Mr Cheong Sim Eng are currently the Joint CEOs of the Company.

The independence of each independent Director is reviewed annually by the Nominating Committee based on the provisions relating to independence as set out in the 2012 Code and the Listing Manual of the SGX-ST. The Nominating Committee requires each independent Director to complete and execute a form declaring and affirming his independence and confirming that there exist no conditions that would impair his independence. This declaration of independence is tabled before the Nominating Committee and, if accepted, the Director's independence is then recommended by the Nominating Committee to the Board.

Taking into account the views of the Nominating Committee, the Board is satisfied that Mr Chow Yew Hon, Mr Lim Jun Xiong Steven and Mr Chan Pengee, Adrian are independent in light of the provisions of the 2012 Code and Rule 210(5)(d) of the Listing Manual of the SGX-ST.

In addition, under the 2018 Code, there have been revisions to the description of an "independent" director. In light of this revised description under the 2018 Code, during FY2018, the independent Directors would also be considered independent.

The 2012 Code further requires the independence of any Director who has served on the Board beyond nine years to be rigorously reviewed. None of the current independent Directors has served on the Board for more than nine years since the date of their appointment.

CORPORATE GOVERNANCE STATEMENT

YEAR ENDED 31 DECEMBER 2018

The Board is of the view that the size of the Board and the Board Committees is appropriate for the needs and demands of the Company's and the Group's operations. The Board comprises business leaders and professionals from different industries and financial backgrounds. The current Board comprises Directors who have diverse qualifications and backgrounds in areas such as law, banking, trusts, finance and business, and includes Directors who are resident in Singapore and Hong Kong. The independent Directors have exposure to the business industry in which the Group operates. The Board's composition enables the management to benefit from a diverse and objective external perspective on issues raised before the Board.

The Company has a Board Diversity Policy to set out its approach to achieve diversity on the Board. In terms of the Board's composition, the Company seeks to have a Board that comprises directors who as a group provide an appropriate balance and have diversity from a number of aspects, including gender, age, professional experience, skills and knowledge. Further details of the Board Diversity Policy are available on the Company's website.

In terms of gender diversity, the Company has one female Director on the Board. The female gender therefore represents approximately 17% of the total Board membership. In terms of Board independence, there are three non-executive independent Directors out of a total of six Directors, hence the independent Directors represent 50% of the total Board membership. In terms of age diversity, two Directors are between the ages of 50 to 59, representing approximately 33% of the total Board membership, and four Directors are between the ages of 60 to 69, representing approximately 67% of the total Board membership.

During FY2018, the non-executive independent Directors constructively challenged and helped the management develop proposals on business strategies for the Company and the Group. The non-executive independent Directors also review the performance of the management in achieving agreed goals and objectives for the Company and the Group, and monitor the reporting of performance.

During FY2018, the non-executive independent Directors met without the presence of the management.

Chairman and Chief Executive Officer (Principle 3 of the 2012 Code)
During FY2018, Mr Cheong Pin Chuan and Mr Cheong Sim Eng were the Joint Chairmen of the Board and Joint Managing Directors of the Company, and they are siblings.

Principle 3 of the 2012 Code provides that there should be a 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. Guideline 3.1 of the 2012 Code recommends that the Chairman and the CEO should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and the CEO should be clearly established, set out in writing and agreed by the Board. In addition, the Board should disclose the relationship between the Chairman and the CEO if they are immediate family members. Guideline 3.3 of the 2012 Code recommends that where, *inter alia*, the Chairman and the CEO is the same person, or where the Chairman and the CEO are immediate family members, the company should appoint an independent director to be the lead independent director. Guideline 2.2 of the 2012 Code recommends that where, *inter alia*, the Chairman and the CEO is the same person, the independent directors should make up at least half of the Board.

Having Mr Cheong Pin Chuan and Mr Cheong Sim Eng as the Joint Chairmen of the Board and Joint Managing Directors of the Company was a variation from Guideline 3.1 of the 2012 Code. Notwithstanding this, the Company was of the view that the intent of Principle 3 of the 2012 Code was met and there was still a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business, and no one individual represented a considerable concentration of power. Alongside the Joint Chairmen of the Board and Joint Managing Directors of the Company, there was a lead independent Director on the Board, and the Company had several senior key executive officers, some of whom have more than 30 years of experience at management level.

CORPORATE GOVERNANCE STATEMENT

YEAR ENDED 31 DECEMBER 2018

As the leadership of the Board, the Joint Chairmen brought with them a wealth of experience and led the Board to ensure its effectiveness on all aspects of its role. Prior to each Board meeting, the Joint Chairmen determined the agenda for the meeting and instructed the Company Secretary to disseminate it to all Directors. They led the meeting and ensured full discussion of each agenda item, as appropriate. The Joint Chairmen ensured that Board members engaged the management in constructive debate on various matters including strategic issues. They also oversaw the quality and timeliness of information flow between the management and the Board.

With effect from 1 March 2019, Mr Chan Pengee, Adrian, who is a non-executive independent Director, was appointed as the Chairman of the Board. Also, with effect from 1 March 2019, Mr Cheong Pin Chuan and Mr Cheong Sim Eng, who were the Joint Chairmen of the Board and the Joint Managing Directors of the Company, relinquished their roles as Joint Chairmen of the Board. Mr Cheong Pin Chuan and Mr Cheong Sim Eng are currently the Joint CEOs of the Company.

The 2012 Code recommends that a lead independent director be appointed where the Chairman and the CEO is the same person, or where the Chairman and the CEO are immediate family members. In accordance with this recommendation, Mr Chow Yew Hon had been appointed as the lead independent Director since 1 September 2014. Mr Chow Yew Hon, as the lead independent Director, is available to shareholders where they have concerns and for which contact through the normal channels of the Joint Chairmen, the Joint Managing Directors or the chief financial officer (or equivalent) has failed to resolve or is inappropriate.

During FY2018, led by the lead independent Director, the independent Directors met, without the presence of the other Directors, and the lead independent Director provided feedback to the Joint Chairmen after such meetings.

Board Membership (Principle 4 of the 2012 Code)
Key information on the Directors, such as whether they are executive, non-executive, or considered by the Nominating Committee to be independent, as well as details of their academic and professional qualifications and other particulars are set out on pages 3 and 27.

The members of the nominating committee of the Company (the "Nominating Committee") were Mr Chan Pengee, Adrian (Chairman of the Nominating Committee), Mr Lim Jun Xiong Steven and Mr Chow Yew Hon.

According to the Nominating Committee's written terms of reference, the Nominating Committee's duties and responsibilities are as follows:

(a) determining annually, and as and when circumstances require, whether a Director is independent, and providing its views to the Board in relation thereto for the Board's consideration;

(b) reviewing the independence of any Director who has served on the Board for more than nine (9) years from the date of his first appointment and the reasons for considering him as independent;

(c) where a Director or proposed Director has multiple board representations, deciding whether the Director is able to and has been adequately carrying out his duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments[1];

(d) where the appointment of an alternate Director to a Director is proposed, determining whether the alternate Director is familiar with the Company's affairs, appropriately qualified and (in the case of an alternate Director to an independent Director) whether the alternate Director would similarly qualify as an independent Director, and providing its views to the Board in relation thereto for the Board's consideration;

1 The term "*principal commitments*" shall include all commitments which involve significant time commitment such as full time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a Director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

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(e) making recommendations to the Board on relevant matters relating to:

 (i) the review of board succession plans for Directors, in particular, the Chairman and for the CEO;

 (ii) the development of a process for evaluation of the performance of the Board, its Board Committees and Directors;

 (iii) the review of training and professional development programs for the Board; and

 (iv) the appointment and re-appointment of Directors (including alternate Directors, if applicable);

(f) proposing objective performance criteria for evaluation of the Board's performance as a whole which allows for comparison with industry peers and address how the Board has enhanced long-term shareholder value;

(g) carrying out, at least annually, a formal assessment of the performance and effectiveness of the Board as a whole and its Board Committees and (if applicable) the contributions of individual Directors to the effectiveness of the Board, based on the process implemented by the Board; and

(h) based on the results of the performance evaluation, providing its views and recommendations to the Board, including any appointment of new members.

The Nominating Committee has recommended and the Board has adopted a policy that a Director should not have in aggregate more than six listed company Board representations so as to be able to devote sufficient time and attention to the affairs of the Company. Mr Chan Pengee, Adrian has informed the Nominating Committee and the Board that for one of the listed company Board representations that he has held, on Global Investments Limited, he will not be seeking re-election at the forthcoming annual general meeting of Global Investments Limited in April 2019. Following from the retirement as director of Global Investments Limited by Mr Chan Pengee, Adrian, none of the Directors will exceed the limit on listed company Board representations.

In the view of the Nominating Committee, the Directors have demonstrated their commitment and effectiveness in discharging their duties and responsibilities and avoiding actual or potential conflicts of interest. The Nominating Committee, in assessing the performance of each individual Director, considers whether sufficient time and attention has been given by the Director to the affairs of the Company. It also has regard to the Director's other Board memberships and commitments. The Nominating Committee is satisfied that all Directors have discharged their duties adequately for FY2018.

As at 31 December 2018, there is no alternate director on the Board.

All new appointments and selection of Directors are reviewed and proposed by the Nominating Committee. The Nominating Committee will first identify the knowledge, skills, experience and background of the candidate being considered for appointment to the Board. Suitable candidates for Board membership are then identified through, *inter alia*, recommendations from current Board members, searches conducted by external search consultants or the SID and other referrals. The Nominating Committee and the Board will interview short-listed candidates before discussing and approving the final appointment. For existing Directors who retire and stand for re-election, based on the evaluation of these Directors, the Nominating Committee will make recommendations for the re-nomination of such Directors.

All Directors (including Managing Directors and executive Directors) are subject to retirement in accordance with the provisions of the Company's Constitution whereby one-third of the Directors (or if their number is not three or a multiple of three, the number nearest to but not less than one-third) are required to retire from office by rotation and subject themselves to re-election by shareholders at every annual general meeting of the Company.

After assessing the contribution and performance of the retiring Directors, the Nominating Committee has recommended the re-election of Mr Cheong Pin Chuan and Mr Chow Yew Hon, who will be retiring by rotation at the forthcoming annual general meeting under Regulation 104 of the Company's Constitution. Mr Cheong Pin Chuan and Mr Chow Yew Hon have offered themselves for re-election and the Board has accepted the recommendations of the Nominating Committee. Information relating to these Directors is set out on pages 3, 27 and 28 of the Annual Report, in accordance with Rule 720(6) of the Listing Manual of the SGX-ST.

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In addition, Provision 1.4 of the 2018 Code recommends, *inter alia*, that a summary of the Nominating Committee's activities be disclosed in the annual report. During FY2018, the Nominating Committee reviewed and recommended the re-nomination of Directors who were due for re-election by rotation under the Company's Constitution at the forthcoming annual general meeting, reviewed and determined the independence of the independent Directors, reviewed each individual Directors' board representations and their attendance at meetings, and evaluated the performance and contribution of the Board, Board Committees and individual Directors.

Board Performance (Principle 5 of the 2012 Code)
The Board supervises the management of the business and affairs of the Company and the Group. Apart from its statutory duties, the Board reviews and approves the Company's and the Group's strategic plans, key operational initiatives, major investments and funding decisions, annual business plans, and reviews the financial performance of the Company and the Group and those subsidiary companies or subsidiary corporations whose financial statements are consolidated with the Company's financial statements. The Board also evaluated the performance and compensation of key management personnel.

The Nominating Committee has implemented a process which requires each Director to submit an assessment of the Board and the Board Committees, and a peer assessment of each of the other Directors on the Board to assess the Director's contributions to the effectiveness of the Board. These detailed forms assess Directors in various different areas and competencies, including their attendance and contributions at meetings, preparedness for meetings and their interactive and interpersonal skills. The responses are collated by the external Company Secretary and a consolidated report is submitted to the Nominating Committee. The responses are then discussed by the Nominating Committee for the recommendations to be made to the Board.

As described below, the Remuneration Committee, in consultation with Korn Ferry Hay Group Pte Ltd ("Korn Ferry"), recommended to the Board specific remuneration packages appropriate for each executive Director and the Directors' fees payable to the non-executive independent Directors. During this process, Korn Ferry and the Remuneration Committee assessed the contributions and performance of each Director in addition to considering other relevant factors.

Access to Information (Principle 6 of the 2012 Code)
The Board has separate and independent access to management and the Company Secretary, and is free to request for additional information as needed to make informed decisions. Management provides the Board with complete, adequate and timely information prior to meetings and on an on-going basis, including reports of the performance, financial position and prospects of the Group and those subsidiary companies or subsidiary corporations whose financial statements are consolidated with the Company's financial statements, and these are reviewed by the Board at each Board meeting. Monthly management accounts of the Company and its key subsidiaries are also provided to the Directors. Directors may obtain independent professional advice in furtherance of their duties, at the Company's and the Group's expense.

The role of the Company Secretary is clearly defined which includes, *inter alia*, ensuring that board procedures are followed and that applicable rules and regulations are complied with.

Under the direction of the Joint Chairmen, the Company Secretary ensured good information flows within the Board and its Board Committees and between management and non-executive independent Directors.

During FY2018, the Company Secretary attended all meetings of the Board.

The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

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REMUNERATION MATTERS (Principles 7, 8 and 9 of the 2012 Code)

The members of the remuneration committee (the "Remuneration Committee") were Mr Chow Yew Hon (Chairman of the Remuneration Committee), Mr Lim Jun Xiong Steven and Mr Chan Pengee, Adrian.

According to the Remuneration Committee's written terms of reference, the Remuneration Committee's principal functions are as follows:

(a) reviewing and recommending to the Board, a general framework of remuneration for the Directors and key management personnel[2];

(b) reviewing and recommending annually to the Board, the specific remuneration packages for each Director as well as for the key management personnel, and in its review, to cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind;

(c) reviewing annually the remuneration of employees who are immediate family members[3] of a Director or CEO whose remuneration exceeds $50,000 during the year;

(d) reviewing the Company's obligations arising in the event of termination of the executive Directors and key management personnel's contracts of service;

(e) ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants; and

(f) reviewing whether executive Directors, non-executive and independent Directors and key management personnel should be eligible for options, share incentives, awards and other benefits under any one or more employee share option scheme, share-incentive or award scheme from time to time established or implemented by the Company.

In addition, Provision 1.4 of the 2018 Code recommends, *inter alia*, that a summary of the Remuneration Committee's activities be disclosed in the annual report. During FY2018, the Remuneration Committee reviewed and recommended the remuneration of the executive Directors and key management personnel, recommended the non-executive independent Directors' fees for FY2018 and recommended the re-appointment of Korn Ferry as the Company's remuneration consultant.

The Group's remuneration policy is to provide remuneration packages which will reward, retain and motivate its executives and Directors. During FY2018, Korn Ferry was the remuneration consultant of the Company. The Company does not have any relationship with Korn Ferry that could affect Korn Ferry's independence and objectivity.

The Remuneration Committee, with the advice of Korn Ferry, recommends to the Board specific remuneration packages appropriate for each executive Director and the Directors' fees payable to the non-executive independent Directors, as well as the specific remuneration packages for the key management personnel. The Board will then review and, if it deems fit, approve these accordingly.

2 "*Key management personnel*" shall mean the CEO and any other persons having authority and responsibility for planning, directing and controlling the activities of the Company.

3 An "*immediate family member*" refers to spouse, child, adopted child, step-child, brother, sister and parent.

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The Company adopts a remuneration policy for executive Directors and key management personnel comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Group and each individual's performance which is assessed based on the respective key performance indicators allocated to him. The key performance indicators include the Company's profitability and other financial and operational indicators as determined by the Board. Staff appraisals are conducted once a year. The executive Directors do not receive Directors' fees. The corporate and individual performance-related elements of remuneration are designed to align the interests of executive Directors with those of shareholders in order to promote the long term success of the Company. The executive Directors and key management personnel had met their respective key performance indicators in respect of FY2018. No Director or member of the Remuneration Committee is involved in deciding his or her own remuneration.

In reviewing the remuneration of non-executive independent Directors, the Remuneration Committee and Korn Ferry have taken into consideration the knowledge and expertise of each individual non-executive independent Director, the responsibilities vested upon them and the time commitment required from the non-executive independent Directors given the complexities of the business and the business structure.

The Company currently does not have contractual provisions to allow the Company to reclaim incentive components of remuneration from executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company shall consider the said contractual provisions to be included in future renewals of service contracts as recommended by the 2012 Code. Save as aforesaid, the Company reserves the rights to employ legal recourse should any Director and/or key management personnel wilfully and negligently engage in any misconduct.

Principle 9 of the 2012 Code states that the company's annual report should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration. The company's annual report 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. Guideline 9.2 of the 2012 Code recommends, *inter alia*, that the company fully disclose the remuneration of each individual Director and the CEO on a named basis. For FY2018, the Company wishes to disclose the fees payable to each of the non-executive independent Directors on a named basis, and the remuneration of the executive Directors in bands of $250,000. In relation to the executive Directors, this is a variation from Guideline 9.2 of the 2012 Code. Notwithstanding this, the Company is of the view that the intent of Principle 9 is met as the remuneration policies and the procedure for setting remuneration applicable to the executive Directors are described above, and the level and mix of remuneration is disclosed in the table below.

As the Remuneration Committee and the Board are of the opinion that the remuneration packages of the executive Directors are of a confidential and sensitive nature, the disclosure of which would place the Group in a competitively disadvantageous position, they have chosen to make disclosures in relation thereto in bands of $250,000.

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The level and mix of the executive Directors' remuneration in bands of $250,000 for FY2018 and the total fees payable to the non-executive independent Directors are set out below:

Remuneration Band Name of Executive Director	Salary %	Fees %	Bonus %	Other Benefits[4] %	Total %
$3,500,000 to $3,749,999					
Ms Cheong Hooi Kheng[(1)]	37	–	60	3	100
$3,750,000 to $4,749,999					
–					
$4,750,000 to $4,999,999					
Mr Cheong Pin Chuan[(1)]	29	–	59	12	100
$5,000,000 to $5,249,999					
Mr Cheong Sim Eng[(1)]	40	–	54	6	100

Name of Non-executive Independent Director	Salary $	Fees $	Bonus $	Other Benefits[4] $
Mr Chow Yew Hon	–	95,000	–	–
Mr Lim Jun Xiong Steven	–	87,500	–	–
Mr Chan Pengee, Adrian	–	85,000	–	–

(1) The remuneration reflected in this table includes the remuneration given by those subsidiary companies or subsidiary corporations whose financial statements are consolidated with the Company's financial statements, aggregated together with the remuneration given by the Company.

The structure of the fees paid or payable to non-executive independent Directors of the Company for FY2018 is as follows:

Type of Appointment	Fee Per Annum ($)
Board of Directors	
Basic retainer	40,000
Lead Independent Director	10,000
Audit and Risk Management Committee	
Chairman	26,500
Member	13,000
Nominating Committee	
Chairman	21,500
Member	10,500
Remuneration Committee	
Chairman	21,500
Member	10,500

4 There are no termination, retirement and post-employment benefits granted to Directors or the CEO.

The level and mix of the remuneration of the key management personnel who are not Directors or the CEO (or equivalent) for FY2018 are set out in bands of $250,000 below:

Remuneration Band Designation of Executive	Salary %	Fees %	Bonus %	Other Benefits[5] %	Total %
Below $250,000					
Vice President (Property Management)	75	–	21	4	100
$250,000 to $499,999					
Director – Business Development of Hong Fok Land International Limited ("HFLIL")[6]	65	–	7	28	100
Vice President (Projects)	74	–	20	6	100
Vice President (Accounts and Finance)/ Company Secretary	73	–	26	1	100
Vice President (Marketing)	68	–	24	8	100
$500,000 to $749,999					
Director – Project Development of HFLIL[6]	41	–	3	56	100
Director – Finance Division of HFLIL[6]	48	–	4	48	100
$750,000 to $999,999					
–	–	–	–	–	–
$1,000,000 to $1,249,999					
Vice President (Administration and Personnel) and Senior Manager of HFLIL[6]	82	–	15	3	100

The aggregate amount of the total remuneration paid to the above eight key management personnel was approximately $4,013,000.

Remuneration Packages of Employees who are Immediate Family Members of the Directors, or CEO of the Company

Certain employees, namely, (a) Ms Cheong Puay Kheng, the Vice President (Administration and Personnel), the Senior Manager of HFLIL, (b) Mr Cheong Tze Hong, Marc, the Director – Finance Division of HFLIL, and (c) Mr Cheong Tze Hian, Howard, the Director – Project Development of HFLIL, were employees of the Group whose remuneration exceeded $50,000 each during the financial year who are immediate family members of Mr Cheong Pin Chuan, Ms Cheong Hooi Kheng and Mr Cheong Sim Eng, who were Directors of the Company for FY2018. Ms Cheong Puay Kheng is a sibling of Mr Cheong Pin Chuan, Ms Cheong Hooi Kheng and Mr Cheong Sim Eng. Mr Cheong Tze Hong, Marc and Mr Cheong Tze Hian, Howard, are the sons of Mr Cheong Pin Chuan and the nephews of Ms Cheong Hooi Kheng and Mr Cheong Sim Eng. In addition, for FY2018, Mr Cheong Pin Chuan, Ms Cheong Hooi Kheng and Mr Cheong Sim Eng, who are siblings, were employees of the Group.

Guideline 9.4 of the 2012 Code recommends, *inter alia*, that the annual remuneration report should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds $50,000 during the year. The disclosure should be in incremental bands of $50,000. In relation to the employees who are immediate family members of the Directors or CEO of the Company, the disclosure of the remuneration packages of these employees described above in bands of $250,000, as opposed to bands of $50,000, is a variation from Guideline 9.4 of the 2012 Code. Notwithstanding this, the Company is of the view that the intent of Principle 9 of the 2012 Code is met as the employees are in senior positions and considered as key management personnel, hence the disclosure made in bands of $250,000 would be meaningful to investors as to the level of remuneration paid to these employees.

5 There are no termination, retirement and post-employment benefits granted to the key management personnel.
6 The accounts of the HFLIL Group have been consolidated into the accounts of the Group for FY2018 for accounting purposes.

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The Company believes that the disclosure of the detailed remuneration packages of employees, including those who are immediate family members of the Directors or the CEO (or equivalent) of the Company would be prejudicial to the Company's interests and hamper its ability to retain and nurture the Group's talent pool and hence have chosen to make disclosures in relation thereto in bands of $250,000 (instead of in incremental bands of $50,000).

Information of the key executive officers is set out on page 4.

The Company does not have any employee share option scheme.

ACCOUNTABILITY AND AUDIT (Principles 10, 11, 12 and 13 of the 2012 Code)

Accountability for Accurate Information

The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).

Compliance with Legislative and Regulatory Requirements

The Board takes adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate. Briefing sessions were conducted for the Board on the changes to the Listing Manual of the SGX-ST and on the 2018 Code.

Audit and Risk Management Committee

The members of the audit and risk management committee (the "Audit and Risk Management Committee") were Mr Lim Jun Xiong Steven (Chairman of the Audit and Risk Management Committee), Mr Chow Yew Hon and Mr Chan Pengee, Adrian. The members of the Audit and Risk Management Committee (including the Chairman) possess recent and relevant accounting or related financial management expertise or experience.

The Audit and Risk Management Committee had full access to and co-operation of the management. The Audit and Risk Management Committee also had discretion to invite any Director or executive officer to attend its meetings and was assured of adequate resources to enable it to discharge its functions properly. KPMG LLP (an accounting firm registered with the Accounting and Corporate Regulatory Authority of Singapore), the Company's external auditors had unrestricted access to the Audit and Risk Management Committee.

The Audit and Risk Management Committee was satisfied that the Company's external auditors and the audit engagement partner assigned to the audit had adequate resources and experience to meet its audit obligations. In this connection, the Company has complied with Rule 712 of the Listing Manual of the SGX-ST.

According to the Audit and Risk Management Committee's written terms of reference, the Audit and Risk Management Committee's duties and responsibilities include:

(a) reviewing the audit plan, scope and results of the external audit and its cost effectiveness;

(b) reviewing the independence and objectivity of the external auditors annually. Where the auditors also supply a substantial volume of non-audit services to the Company, the Committee shall keep under review the nature and extent of such services, seeking to maintain objectivity;

(c) reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(d) reviewing the quarterly and annual financial statements and financial announcements;

(e) reviewing and reporting to the Board, at least annually, the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);

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(f) reviewing the results of the internal auditors' examination of the Group's system of internal controls;

(g) monitoring the establishment, appointments, staffing, qualifications and experience of the Company's internal audit function, including approval of the appointment and compensation terms of the head of the internal audit function, review of whether the internal audit function is adequately resourced, is independent of the activities it audits, and has appropriate standing within the Company. The internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm, or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff;

(h) reviewing, at least annually, the adequacy and effectiveness of the Company's internal audit function;

(i) meeting with the external auditors, and with the internal auditors, in each case without the presence of the Company's management, at least annually;

(j) making recommendations to the Board on proposal to shareholders on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;

(k) reviewing policies and arrangements by which staff of the Company may, in confidence, raise concerns about any possible improprieties in matters of financial reporting or other matters and ensuring that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow up action to be taken;

(l) reviewing any matters relating to suspected fraud or irregularity, or suspected infringement of any Singapore laws, or regulations or rules of the SGX-ST or any regulatory authority in Singapore, of which the Committee is aware, which has or is likely to have a material impact on the Company's or Group's operating results and/or financial position, and the findings of any internal investigations, and management's response thereto;

(m) in addition to any requirements under the Listing Manual of the SGX-ST, reviewing, at least annually, any interested person transactions[7];

(n) determining and recommending to the Board for its approval, the nature and extent of significant risks in achieving the Board's strategic objectives;

(o) determining the Company's level of risk tolerance and risk policies, and overseeing management in the design, implementation and monitoring of the Company's risk management and internal control systems;

(p) advising the Board on the Company's overall risk appetite, tolerance and strategy;

(q) overseeing and advising the Board on the current risk exposures and future risk strategy of the Company;

(r) in relation to risk assessment:

    (i) keeping under review the Company's overall risk assessment processes that inform the Board's decision making;

    (ii) reviewing regularly and approving the parameters used in these measures and the methodology adopted; and

    (iii) setting a process for the accurate and timely monitoring of large exposures and certain risk types of critical importance;

[7] An "*interested person*" means: (i) a director, chief executive officer, or controlling shareholder of the Company; or (ii) an associate of any such director, chief executive officer, or controlling shareholder. An "*interested person transaction*" means a transaction between the Company, any of its subsidiaries, or associated companies provided the Company or the Company and its interested person(s) have control over the associate company, and an interested person.

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(s) reviewing the Company's capability to identify and manage new risk types;

(t) before a decision to proceed is taken by the Board, advising the Board on proposed strategic transactions, focusing in particular on risk aspects and implications for the risk tolerance of the Company, and taking independent external advice where appropriate and available;

(u) reviewing reports on any material breaches of risk limits and the adequacy of proposed action;

(v) reviewing the effectiveness of the Company's internal controls and risk management systems, and reviewing and approving the statements to be included in the annual report concerning the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls, and risk management systems;

(w) providing advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in executive remuneration;

(x) monitoring the independence of risk management functions throughout the organisation;

(y) reviewing promptly all relevant risk reports on the Company; and

(z) reviewing and monitoring management's responsiveness to the findings.

To enable the Audit and Risk Management Committee to discharge its functions more effectively, the Company outsourced its internal audit function to Deloitte & Touche Enterprise Risk Services Pte Ltd, a reputable international accounting firm which is not the external auditors. The internal audit was carried out in accordance with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors, which is a standard set by nationally or internationally recognised professional bodies.

The internal audit process includes, *inter alia*, the identification of key risk areas and a consideration of the controls managing such risks.

The internal audit function reports directly to the Audit and Risk Management Committee, which decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit and Risk Management Committee. The internal audit function has appropriate standing within the Company. The Audit and Risk Management Committee reviewed and approved the internal audit plan for execution. During FY2018, the Audit and Risk Management Committee met with the internal auditors and external auditors, in each case without the presence of management. The Audit and Risk Management Committee was satisfied that the internal audit function was independent, effective and adequately resourced.

The Board acknowledges that it oversees management in the design, implementation and monitoring of the risk management and internal controls systems and is responsible for the overall internal controls and risk management framework, but recognises that no cost effective internal controls and risk management systems will preclude all errors and irregularities, as the systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Directors regularly review the effectiveness and adequacy of all internal controls, including financial, operational, compliance and information technology controls, and risk management systems.

The Board recognises the importance of maintaining a sound system of internal controls (including financial, operational, compliance and information technology controls) and risk management systems to safeguard the shareholders' investments and assets of the Company and the Group. The Audit and Risk Management Committee has been assigned to oversee and review the effectiveness and adequacy of these controls and risk management systems at least annually.

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In FY2018, the Group with the assistance of its internal auditors carried out an exercise to review the Group's risk register which identified the key risks facing the Group and the internal controls and risk management systems in place to manage or mitigate those risks. Internal and external auditors conducted audits that involve testing the effectiveness of the material internal controls systems in the Group. Any material non-compliance or lapses in internal controls together with corrective measures recommended by internal and external auditors were reported to the Audit and Risk Management Committee. The Audit and Risk Management Committee also reviewed the effectiveness of the measures taken by management in response to the recommendations made by the internal and external auditors. The systems of internal controls and risk management are continually being refined by management, the Audit and Risk Management Committee and the Board.

In FY2018, the Group established an Enterprise Risk Management ("ERM") framework to enable the Group to apply a systematic approach to effectively identify, assess, manage, monitor and review the Group's risks, including financial, operational, compliance and information technology controls. To promote risk awareness among employees at all levels, the Group has put in place an ERM policy that elaborates on the ERM framework, process and governance. The Board considers the risk appetite of the Group in the context of its primary operating sectors, the regulatory environment, its risk culture and its key strategic objectives. The Audit and Risk Management Committee determines and advises the Board on the nature and extent of significant risks in achieving the Board's strategic objectives, and determines and recommends the Group's risk appetite and strategy.

The Audit and Risk Management Committee reviewed the volume of non-audit services to the Company and the Group by the Company's external auditors and was satisfied that the nature and extent of such services would not prejudice the independence and objectivity of the external auditors. Hence, the Audit and Risk Management Committee has recommended to the Board that the auditors, KPMG LLP, be nominated for re-appointment as the Company's external auditors at the forthcoming annual general meeting of the Company.

The Board and the Audit and Risk Management Committee reviewed the appointment of different auditors for its subsidiaries and significant associates and were satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group. Accordingly, the Company has complied with Rule 716 of the Listing Manual of the SGX-ST.

The audit and non-audit fees paid/payable to auditors are stated in Note 25 (Profit/(Loss) Before Tax) to the Financial Statements.

Based on the work carried out by the internal auditors, the external auditors and the existing management controls in place, the Board was satisfied that there were adequate and effective internal controls (including financial, operational, compliance and information technology controls) and risk management systems. The Audit and Risk Management Committee concurs with the Board's comment. The Board, together with the Audit and Risk Management Committee and management, will continue to enhance and improve the existing internal controls framework to identify and mitigate these risks.

The Board has also received assurance from the Joint Managing Directors and the Vice President (Accounts and Finance) that the financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Group and those subsidiary companies or subsidiary corporations whose financial statements are consolidated with the Company's financial statements, and regarding the effectiveness of the Group's risk management and internal controls systems.

The Company has a Whistle-Blowing Policy which provides a mechanism for staff of the Group in Singapore to in confidence, raise concerns about fraud and other possible improprieties in matters of financial reporting or other matters. The Whistle-Blowing Policy has a well-defined process which begins with a complaint being submitted via email to the Chairman of the Audit and Risk Management Committee, who will then perform a preliminary review of the complaint received. If he determines that the complaint is valid and within the scope of the Whistle-Blowing Policy, he will report it to the Audit and Risk Management Committee accordingly, which will review the facts of the complaint and follow-up with the appropriate course of action. The Company's Whistle-Blowing Policy provides assurance that employees will be protected from reprisals for whistle blowing in good faith. Anonymous complaints are not disregarded and will also be investigated. No whistle blowing report was received in FY2018. The details of the Whistle-Blowing Policy are available on the Company's website.

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The Company has an Anti-corruption and Anti-money Laundering Policy to demonstrate its commitment to conducting its business with integrity, and in compliance with all applicable laws and regulations relating to the prevention of corruption, bribery, money laundering and terrorism financing. The details of the Anti-corruption and Anti-money Laundering Policy are available on the Company's website.

The Audit and Risk Management Committee performs the functions specified in Section 201B of the Companies Act, Chapter 50 (the "Act"), the Listing Manual of the SGX-ST and the 2012 Code. The Audit and Risk Management Committee met eight times during FY2018. The Audit and Risk Management Committee also meets with the management, the Vice President (Accounts and Finance) and external auditors to discuss and keep abreast of any changes to the accounting standards and issues which could have a direct impact on the Company's or the Group's financial statements.

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the Audit and Risk Management Committee.

COMMUNICATION WITH SHAREHOLDERS (Principles 14, 15 and 16 of the 2012 Code)

The Company is committed to treating all shareholders fairly and equitably, and would recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements. The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company and the Group are made to the shareholders. Any such information, should they arise, are communicated to the shareholders through the Company's annual reports and announcements to the SGX-ST. Where there is inadvertent disclosure made to a select group, the Company will make the same disclosure publicly to all others as promptly as possible.

Shareholders are encouraged to attend the annual general meetings and extraordinary general meetings of the Company to ensure a high level of accountability and to stay appraised of the Group's strategy and goals. At the annual general meeting, the shareholders are given an opportunity to air their views and ask questions regarding the Company and the Group. The Board and management are present at the annual general meetings to address any questions that the shareholders may have. The external auditors of the Company are also present to assist the Board in addressing relevant queries by the shareholders.

Shareholders have the opportunity to vote in person or by proxy, and would also be informed of the rules, including voting procedures that govern general meetings of shareholders. Guideline 16.1 of the 2012 Code recommends that the company make the appropriate provisions in its constitution to allow for absentia voting at general meetings of shareholders. Voting in absentia by mail, facsimile or email, is currently not permitted by the Company's Constitution. This is a variation from Guideline 16.1 of the 2012 Code. Notwithstanding this, the Company is of the view that the intent of Principle 16 is still met as the existing arrangement whereby shareholders have the opportunity to vote by proxy is adequately effective in enabling shareholders to exercise their rights and have the opportunity to vote. Also, to allow voting in absentia by mail, facsimile or email would require careful consideration of various factors, including the integrity of information and authentication of the identity of shareholders.

All resolutions at the annual general meeting are put to the vote by way of poll and the detailed results of the voting for each of the resolutions are announced on the SGX-ST. The Board ensures that separate resolutions are proposed for approval on each distinct issue at general meetings. The Company Secretary prepares minutes of general meetings that includes a summary of comments or queries made by shareholders during that meeting, and responses from the Board. Generally, during general meetings, shareholders are invited to raise questions, and this would be recorded in the minutes, which would be provided to shareholders upon their request made in accordance with the Act.

The Company believes in regular, effective and fair communication with the shareholders. The Company's website is at www.hongfok.com.sg. The Company's latest annual reports, financial results, corporate announcements and share trading information are available on the Company's website. The Company also provides an email alert service so that shareholders and investors may be automatically alerted by email once the Company releases any announcements or filings on the SGX-ST.

The Company has an Investor Relations Policy to demonstrate its commitment to promoting regular, effective and fair communication with its shareholders to disclose material or pertinent information in a timely, transparent and accurate manner. The details of the Investor Relations Policy are available on the Company's website.

CORPORATE GOVERNANCE STATEMENT

The Company's dividend policy is to distribute dividends based on the Company's performance, taking into consideration the resources needed for the Company's continuing operations and possible future plans. The declaration and payment of any dividends will be recommended by the Directors and the final dividend (if any) will be subject to the approval of the shareholders.

ENGAGEMENT WITH STAKEHOLDERS

Principle 13 of the 2018 Code requires the Board to adopt an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

In this connection, the Company has considered and sought to balance the needs and interests of material stakeholders. Details of the Company's engagement with stakeholders are set out on page 34, in the Company's Sustainability Report.

INTERESTED PERSON TRANSACTIONS

During FY2018, there were no interested person transactions (excluding transactions less than $100,000) entered into by the Group. The Company does not have a shareholders' mandate for interested person transactions ("IPTs") pursuant to Rule 920 of the Listing Manual of the SGX-ST.

The Company has a Conflict of Interests and Interested Person Transaction Policy which aims to provide guidance to Directors to help them recognise and deal with conflict of interests and to set out the Company's internal procedures and guidelines to identify, report and where necessary, seek appropriate approval of IPTs in order to comply with the Listing Manual of the SGX-ST. Under this policy, Directors should recuse themselves and refrain from participating in discussions regarding a transaction or proposed transaction in which the Director has an interest or is conflicted. This policy also requires the personnel involved in the proposed IPTs to endeavour to ensure that the IPTs are conducted fairly, on an arm's length basis, on normal commercial terms, and are not prejudicial to the interests of the Company and its minority shareholders.

The details of the Conflict of Interests and Interested Person Transaction Policy are available on the Company's website.

MATERIAL CONTRACTS

Save for the IPTs disclosed in Note 32 (Related Parties) to the Financial Statements, there were no other material contracts of the Company or its subsidiaries involving the interests of the chief executive officer, each Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

SECURITIES TRANSACTIONS

The Company has adopted the Hong Fok Corporation Limited Best Practices Guide (Dealings in Company's Securities) (the "Guide"). The Guide sets out, *inter alia*, the restrictions on insider trading under the Securities and Futures Act, Chapter 289, the implications of insider trading as well as guidelines on dealings in securities. In addition, the Guide further elaborates that an officer of the Company should not deal in the securities of the Company on short-term considerations and the Company and its officers should not deal in the securities of the Company 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 (if required to announce quarterly financial statements). The Guide also provides as a policy that non-executive independent Directors should not sell securities (including stock) of the Company prior to leaving the Company if they hold any such securities (including stock) of the Company. The details of the Guide are available on the Company's website.

CORPORATE SOCIAL RESPONSIBILITY

The Group is aware of the effects of its operations and the role it plays in preserving the environment. The Group strives to encourage a more environmentally responsible culture, and has adopted various measures. During FY2018, the measures that were already in place included the use of LED lights for the roof terrace and office lobby, and the use of paint materials that are environmentally preferred as opposed to those that are not. The central air conditioning system in International Building was replaced with environmentally friendly ones that consume less energy. The Group also issues circulars to encourage the tenants of The Concourse and International Building to be environmentally friendly, including engaging in paper recycling and reducing the unnecessary use of paper.

CORPORATE GOVERNANCE STATEMENT

YEAR ENDED 31 DECEMBER 2018

The Concourse was admitted into the Skyrise Greenery Incentive Scheme introduced by the National Parks Board.

The Building and Construction Authority has awarded the BCA Green Mark Platinum award for The Concourse, the BCA Green Mark Gold Plus award for International Building and the BCA Green Mark Gold award for YOTEL Singapore Orchard Road.

The Group is committed to continue identifying opportunities to contribute to environmental sustainability.

In addition, Provision 1.1 of the 2018 Code recommends that the Board put in place a code of conduct and ethics. The Company has a Code of Conduct to set out the general principles and standards of behaviour that the Company expects from its employees in their dealings with fellow employees, customers, suppliers and business partners. The details of the Code of Conduct are available on the Company's website.

DIRECTORS' ATTENDANCE AT BOARD, AUDIT AND RISK MANAGEMENT COMMITTEE, NOMINATING COMMITTEE AND REMUNERATION COMMITTEE MEETINGS FOR FY2018

	Board		Audit and Risk Management Committee	
	No. of Meetings[1]	Attendance	No. of Meetings[1]	Attendance
Executive Directors				
Mr Cheong Pin Chuan[2]	4	4	N.A.	N.A.
Mr Cheong Sim Eng	4	4	N.A.	N.A.
Ms Cheong Hooi Kheng	4	4	N.A.	N.A.
Non-Executive Independent Directors				
Mr Chan Pengee, Adrian	4	4	8	8
Mr Chow Yew Hon	4	4	8	8
Mr Lim Jun Xiong Steven	4	4	8	8
	Nominating Committee		**Remuneration Committee**	
	No. of Meetings[1]	**Attendance**	**No. of Meetings[1]**	**Attendance**
Non-Executive Independent Directors				
Mr Chan Pengee, Adrian	2	2	2	2
Mr Chow Yew Hon	2	2	2	2
Mr Lim Jun Xiong Steven	2	2	2	2

(1) This refers to the number of meetings held during FY2018. In addition to these meetings, operational matters that require the Board or Audit and Risk Management Committee, Nominating Committee or Remuneration Committee's attention are also dealt with via circular resolutions.
(2) Mr Cheong Pin Chuan, who is working in Hong Kong, generally participates in meetings via teleconference.
N.A.: Not applicable

CORPORATE GOVERNANCE STATEMENT

YEAR ENDED 31 DECEMBER 2018

INFORMATION OF THE DIRECTORS

Name of Director	Age	Academic and Professional Qualifications	Board Committees Served on as Chairman or Member	Directorship: Date First Appointed	Directorship: Date Last Re-elected
Mr Cheong Pin Chuan	69	Graduate of the Footscray Institute of Technology in Australia Member of the Australian Society of Certified Practising Accountants and the Hong Kong Institute of Certified Public Accountants	–	26 July 1971	29 April 2016
Mr Cheong Sim Eng	58	Bachelor of Arts	–	14 May 1990	28 April 2017
Ms Cheong Hooi Kheng	66	Bachelor of Science Master of Business Administration	–	1 March 1989	28 April 2017
Mr Chow Yew Hon	68	Bachelor of Business Administration (Honours) Completed the Pacific Rim Bankers' Programme in the United States of America	Chairman of Remuneration Committee, and member of Audit and Risk Management Committee and Nominating Committee	1 April 2013	29 April 2016
Mr Lim Jun Xiong Steven	63	Bachelor of Commerce Fellow member of the CPA Australia and the Institute of Singapore Chartered Accountants Member of the Society of Trust and Estate Practitioners	Chairman of Audit and Risk Management Committee, and member of Nominating Committee and Remuneration Committee	25 July 2014	30 April 2018
Mr Chan Pengee, Adrian	54	Bachelor of Laws Member of the Singapore Academy of Law	Chairman of Nominating Committee, and member of Audit and Risk Management Committee and Remuneration Committee	1 January 2015	30 April 2018

CORPORATE GOVERNANCE STATEMENT

YEAR ENDED 31 DECEMBER 2018

ADDITIONAL INFORMATION RELATING TO DIRECTORS WHO ARE PROPOSED TO BE RE-ELECTED TO THE BOARD

Name of Director	Country of Principal Residence	Any Relationship (including Immediate Family Relationships) with any Existing Director, Existing Executive Officer, the Issuer and/or Substantial Shareholder of the Listed Issuer or of any of its Principal Subsidiaries	Conflict of Interest (including any Competing Business)	Undertaking (in the Format set out in Appendix 7.7) under Rule 720(1)
Mr Cheong Pin Chuan	Hong Kong Special Administrative Region	Brother of Mr Cheong Sim Eng, who is a Director and Substantial Shareholder of the Company. Brother of Mr Cheong Kim Pong, who is a Substantial Shareholder of the Company. Brother of Ms Cheong Hooi Kheng, who is a Director of the Company. Brother of Ms Cheong Puay Kheng, who is a key executive officer of the Company and HFLIL, which is also a Substantial Shareholder of the Company. Father of Mr Cheong Tze Hong, Marc, and Mr Cheong Tze Hian, Howard, who are key executive officers of HFLIL, which is also a Substantial Shareholder of the Company. Director of HFLIL, which is also a Substantial Shareholder of the Company, and immediate family member of shareholders of HFLIL holding less than 1% of the shares in HFLIL.	No	Submitted to the Company
Mr Chow Yew Hon	Hong Kong Special Administrative Region	No	No	Submitted to the Company

Information relating to the Directors who are proposed to be re-elected to the Board is also set out on pages 3 and 27 of the Annual Report.

The Board's comments on the re-appointment of Mr Cheong Pin Chuan and Mr Chow Yew Hon (including rationale, selection criteria, and the search and nomination process, as applicable) are set out on page 14 of the Annual Report. The shareholding interest of Mr Cheong Pin Chuan and Mr Chow Yew Hon in the Company and its subsidiaries is set out on pages 45 and 46 of the Annual Report.

Mr Cheong Pin Chuan and Mr Chow Yew Hon have individually confirmed that on each of the questions as set out in paragraphs (a) to (k) of Appendix 7.4.1 of the Listing Manual of the SGX-ST, the answer is "no".

RISK MANAGEMENT AND RISK APPETITE STATEMENT

YEAR ENDED 31 DECEMBER 2018

RISK MANAGEMENT

Hong Fok Corporation Limited (the "Company") and its subsidiaries (the "Group") are committed to raising the standard of corporate governance. While achieving the Group's strategic goals and maximising stakeholders' values, the Group ensures that risks are reasonably mitigated and adverse impact to the Group is limited.

The risk management framework is established in accordance with established risk management guidelines and frameworks, and approved by the Audit and Risk Management Committee ("ARMC"). The framework involves a continuous cycle of designing, implementing, managing, monitoring, reviewing and improving of the framework.

ENTERPRISE RISK MANAGEMENT ("ERM") FRAMEWORK AND PROCESS

The Group has established an ERM framework to enable the Group to apply a systematic approach to effectively identify, assess, manage, monitor and review the Group's risks, including financial, operational, compliance and information technology controls.

The ERM framework helps to institutionalise a standard and consistent approach to risk management in the culture and strategic planning processes, which supports the Group in setting of priorities and making of decisions. In addition, it ensures that information about risk derived from the risk management process is adequately reported and used as a basis for decision making and accountability at all relevant organisational levels.

To promote risk awareness among employees at all levels, the Group has put in place an ERM policy that elaborates on the ERM framework, process and governance. In addition, the management monitors the risks regularly using a Control Self-Assessment ("CSA"), where individual risk owners are required to assess the effectiveness of the risk management and internal controls that have been put in place.

ERM GOVERNANCE STRUCTURE

Roles	Designation	Responsibilities
Overall Responsibility – Guidance	Board of Directors (the "Board") and ARMC	**Board and ARMC** – Oversee management in the design, implementation and monitoring of the risk management and internal controls system and is responsible for the overall internal control framework – Oversee strategic decision making process on a Group level – Approve ERM Policy, CSA and Risk Appetite – Review and monitor management's performance **ARMC Only** – Determining and advising the Board on the nature and extent of significant risks in achieving the Board's strategic objectives – Determining and recommending the Group's risk appetite and strategy
Direct and Manage	Management Team	– Implements risk management and internal control systems across all processes and activities

RISK MANAGEMENT AND RISK APPETITE STATEMENT

YEAR ENDED 31 DECEMBER 2018

RISK APPETITE STATEMENT

The Board considers the risk appetite of the Group in the context of its primary operating sectors, the regulatory environment within Singapore and Hong Kong, its risk culture and its key strategic objectives.

The Group's primary operating sectors within the residential, commercial and hospitality property market include:

- Property investment
- Property development and construction
- Property management

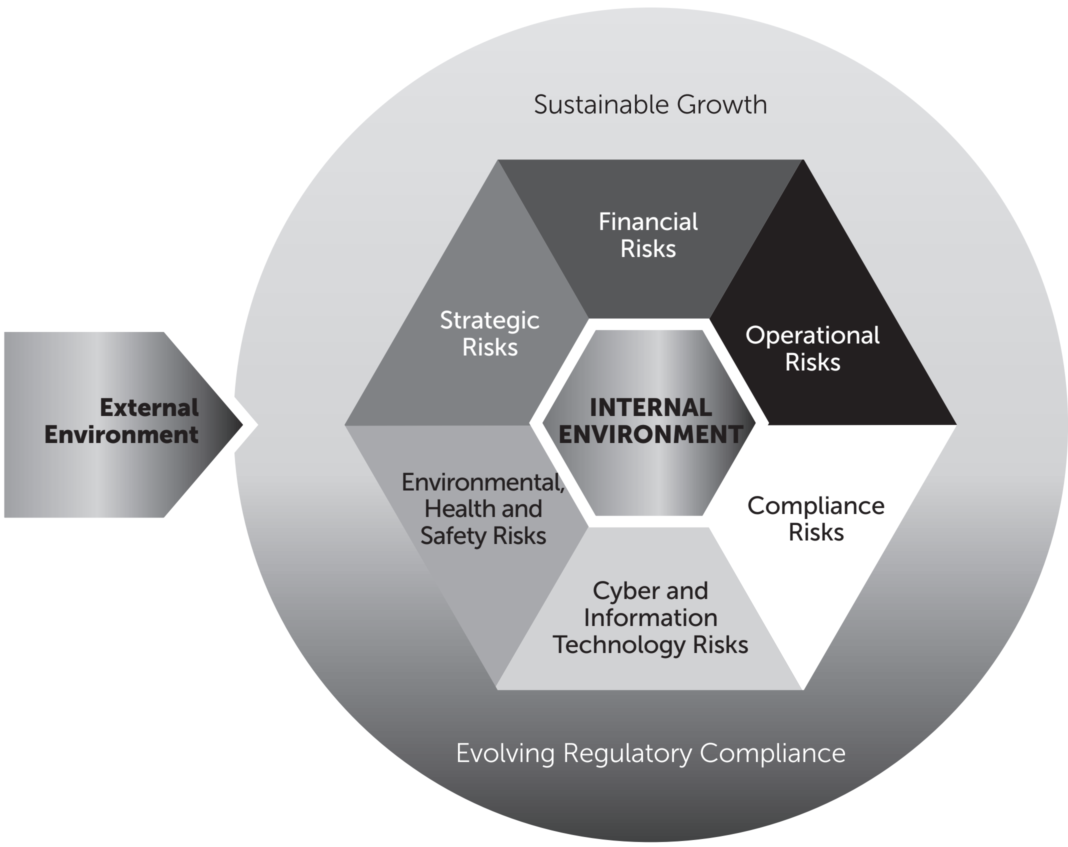
The strategic objectives include:

- Deliver stable earnings growth
- Maintain stakeholder confidence
- Maintain capital adequacy
- Maximising group synergies
- Strengthening sustainable practices

The Group's risk appetite is the level of risk it is willing to take in pursuit of its strategic objectives. The Board has recognised the nature and extent of the risks within its risk appetite, which is set to assess and balance opportunities for business development within areas of potentially higher risk, whilst being committed to delivering value to its stakeholders.

RISK TYPES

The Group has identified the following key risk indicators to monitor its main risks from each of the six risk types illustrated below; these are reviewed quarterly by the ARMC, to ensure that business activities remain within its risk appetite.



Risk Types of the Group

RISK MANAGEMENT AND RISK APPETITE STATEMENT

YEAR ENDED 31 DECEMBER 2018

Strategic Risks

In the course of the Group's operations in both Singapore and Hong Kong, it has identified strategic risks related to business factors inclusive of geopolitical and macroeconomics conditions, competition, evolving global trends and the evolving regulatory environment. It is within the Group's primary interest to perform risk evaluation and continuous monitoring on such risks as it forms an essential consideration in its overall investment strategy, business portfolio and corporate growth.

The Group evaluates each investment proposal in congruence to its corporate strategies and investment objectives which involves a rigorous due diligence and feasibility evaluation. The Board reviews and approves all major investments proposals, and monitors new and existing investments on an ongoing basis.

The Group places great emphasis on risk sensing within the business landscape to drive sustainable economic viability. As such, the risk management process has been embedded into the Group's operational policies through its business continuity plan where it closely monitors changes and trends in the geopolitical, macroeconomic, competitive and regulatory landscape to manage operational resilience and implement strategic decisions.

Financial Risks

Given the nature of the business in which it operates in, the Group is exposed to credit risk, liquidity risk and market risk – interest rate risk and foreign currency risk. The ARMC advises on financial risks and the appropriate financial risk management governance framework which ensures adherence of financial risks to the Group's policies and risk appetite.

The Group's financial risk management is discussed in detail within Note 29 to the Financial Statements on pages 99 to 105.

Operational Risks

The overarching risk management process and system of internal controls that have been embedded into the Group's primary operations consists of operating, reporting and monitoring processes and procedures. Across all functionalities, operational risks are identified, assessed, managed and subsequently reported to management. The functionalities within operations include Facilities Management, Human Resources, Marketing, Procurement, Tenants Management, Investor Relations and Portfolio Management.

The Group places emphasis in driving stakeholder's confidence and delivering value to its customers and the close monitoring of feedback channels across business and geographical segments.

Project Management Risks
(Facilities Management, Procurement, Tenants Management and Portfolio Management)

To mitigate project management risks, the Group has developed a project management framework to scope, plan and deliver projects in alignment with project objectives on a timely basis. The Group has in place a policy that encompasses a strict set of procedures from pre-qualification of vendors for project assignment to subsequent monitoring of vendor relationships.

Human Capital Risks

A great emphasis has been placed on talent retention in the aspects of diversity and equal opportunity, training and education, and employee well-being. The Group has established training and development programmes, staff wellness activities, and competitive compensation and benefits packages in light of these concerns. Further information can be found in the Sustainability Report on pages 37 to 39.

RISK MANAGEMENT AND RISK APPETITE STATEMENT

YEAR ENDED 31 DECEMBER 2018

Compliance Risks

The Group's operations are subject to government regulations in both Singapore and Hong Kong, which may impact its resilience to respond to the changing market conditions, competitive landscape and technology disruptions. Non-compliance with the regulatory requirements may have a potential adverse reputational and financial impact on the Group. These compliance risks are addressed as part of the risk management framework whereby the Group monitors new developments within the regulatory environment of the industry.

The Group has adopted a 'zero tolerance' approach to any acts of fraud, corruption or bribery by employees in the course of its business activities and is committed to maintain the highest standards of integrity which are integral to its corporate identity and business. The Group also recognises the rights of individuals to protect their personal data.

The Group has in place a Whistle-Blowing Policy, Anti-corruption and Anti-money Laundering Policy and Conflict of Interests and Interested Person Transaction Policy. Further information can be found in the Corporate Governance Report and Sustainability Report on pages 23, 24 and 25, and 40 and 41 respectively.

Cyber and Information Technology Risks

The Group maintains a prudent approach towards information availability and accessibility, Information Technology ("IT") control and governance, and IT and cyber security. It is committed towards improving its technology platform and has enforced Group-wide IT policies and procedures to address evolving IT security threats and cyber security issues. The Group also seeks to ensure data privacy through protecting personal data of both its customers and staff.

The Group has developed a holistic and risk-based approach towards aspects of IT governance including user access management, database configuration, change management, disaster recovery and personal data protection. The Group has also engaged with external professional services to independently assess and strengthen its IT systems.

Environmental, Health and Safety Risks

The Group is committed towards sustainable or green buildings in efforts to ensure environmental sustainability and targets to achieve the BCA Green Mark Certification for all developments in Singapore.

Having recently set up a Steering Committee and Task Force for sustainability in health and safety, the Group holds an uncompromising stand with regard to health and safety risks and continues to build on and improve our safety performance. Further information can be found in the Sustainability Report on pages 39 to 40.

LOOKING FORWARD

The Group will continue to monitor and assess risk amidst the evolving geopolitical, macroeconomic, competitive and regulatory landscape. In striving towards sustainable economic viability, the Group will proactively refine and enhance its risk management framework, systems and processes.

SUSTAINABILITY REPORT

YEAR ENDED 31 DECEMBER 2018

ABOUT THIS REPORT

This is the second sustainability report for Hong Fok Corporation Limited (the "Company") and its subsidiaries (the "Group"). This report has been prepared in compliance with the requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Rules 711A and 711B and in accordance with the Global Reporting Initiative ("GRI") Standards – Core option.

As with our report last year, we have determined to focus on the sustainability performance for Singapore properties in which we have a 100% effective interest and operational control. Therefore, operational data included in this report refers to our retail and office assets, namely International Building, The Concourse and Concourse Skyline. Our human resources data includes employees in Singapore only. Although the scope of the report is comparable to our 2017 report, our activities are not comparable, as development work on the YOTEL Singapore Orchard Road development ended mid-2017. This has an impact on our energy and water consumption as well as our safety data. Performance data disclosed is for the period from 1 January 2018 to 31 December 2018.

We welcome all feedback to help us improve our sustainability practices. Please send your comments or feedback to fax no. 6293 8689.

SUSTAINABILITY AT THE GROUP

As expected, there have been advancements and developments in regards to sustainability in the real estate sector globally and locally over the last year. Sustainability remains in the national spotlight and continues to grow in profile. In parallel, the Group has continued on our sustainability journey over the last year, following our inaugural report in 2017, and we continue to support local, global and industry agendas.

We continue to focus on our key business ethics of delivering our services to the highest standards whilst strengthening our commitment to sustainability. We define sustainability in three different ways:

1 **Sustainable Buildings**
Our commitment is best demonstrated by the fact that our own office building continues to be certified by Singapore's Building and Construction Authority ("BCA") Green Mark Platinum, the highest certification possible, International Building retains BCA Green Mark Gold Plus and our most recent development, YOTEL Singapore Orchard Road, achieved BCA Green Mark Gold. Upgrading works on International Building throughout 2018 will help to elevate its environmental and safety performance. We also provide a Green Tenant Guide that helps our tenants to understand and contribute to the sustainability performance of our buildings.

2 **Safe Sites**
Our role as main contractors at our developments, means that we are responsible for safety on site, a responsibility we take very seriously. We are once again pleased to report that none of the Group's employees have been involved in safety incidents and any accidents on site concerning our sub-contractors have been dealt with efficiently and effectively. For parts of the activities on our sites, we task our sub-contractors and other business partners with control, however, as they are working on our behalf, we still work closely with them to make sure our high standards are upheld also by them.

3 **Investing In Talent**
Another area in which we focus our sustainability efforts is in our people. We continue to invest in our staff to allow us to hold onto the talent that we cultivate and we are pleased that our staff continue to receive the support they need to grow and develop in their roles.

SUSTAINABILITY REPORT

YEAR ENDED 31 DECEMBER 2018

BOARD STATEMENT

The Board of Directors presents the Group's second sustainability report covering our approach and performance in sustainability over the 2018 financial year.

This year, we have stepped up our report to disclose in accordance with the internationally recognised GRI Standards – Core option, please see our GRI Content Index on pages 42 to 44 to see how we have done so. We continue to adhere to the SGX-ST Listing Rules – Sustainability Reporting Guide.

Following our first, in depth, materiality assessment in 2017, the Sustainability Steering Committee and Sustainability Task Force reviewed the selected material Environmental, Social and Governance ("ESG") factors and determined that they continued to be relevant for the Group this year. This was determined in light of the fact that our business strategy and activities remain focused and unchanged as per last year. In addition, tracking of our performance over the year in these ESG areas continued with the Board overseeing and keeping up to date with the monitoring, management and reporting of each factor.

STAKEHOLDER ENGAGEMENT

How we conduct our business and where we focus our efforts is contingent on feedback from our stakeholders. In order for us to deliver our services to the highest standards, we must understand how our business affects, is affected by and is perceived by the different groups of people on whom our business depends. We interact with these diverse groups on a regular basis throughout our work, whether it be in our property management, project management, investor relations, leasing or sales activities and from these interactions, we are able to determine which sustainability issues stakeholders may be most concerned about. Our interactions are outlined below:

Key Stakeholders	Engagement Methods	Frequency	Issues of Concern
Investors	Timely updates of financial results and announcements, business developments, press releases, and other relevant disclosures via SGXNet and website	Throughout the year	• Business and financial performance • Compliance and anti-corruption
	Annual General Meeting	Annually	
Tenants	Conduct surveys to gather feedback on various issues	Once a year	• Quality of properties • Facilities available • Value for money • Health and safety aspects
	Established channels of communication for tenant and property-related issues	Throughout the year	
Employees	Training and development programmes	Throughout the year	• Work life balance • Competitive compensation • Occupational health and safety
	Career development performance appraisals	Annually	
Government and Regulators	Meetings and dialogue sessions	On an as-needed basis	• Compliance • Business ethics • Industry participation
	Membership in industry associations such as the Real Estate Developers' Association of Singapore and the Orchard Road Business Association	Throughout the year	
Sub-contractors and other service providers	Regular dialogue sessions with service providers, property managers and sub-contractors	Throughout the year	• Site health and safety • Competitive fees

SUSTAINABILITY REPORT

YEAR ENDED 31 DECEMBER 2018

MATERIALITY ASSESSMENT

In 2017, the Group carried out our first materiality assessment. Material ESG factors were chosen through a process that took reference from the GRI Standards Materiality Principle based on their importance to the business and concern to stakeholders. These material ESG factors formed the basis of our sustainability efforts and reporting.

At the beginning of 2018, the Group conducted a review over the ESG factors selected as material in 2017 to assess if the factors remained relevant to the Group. During this process, the Group considered any changes in business activities and the local and global sustainability landscape. As no major changes occurred, the Group determined that material ESG factors would remain the same going forward. The Board revalidated the selection of these factors, which are:

Sustainability Categories	Material Factors	Read more in our:
Environmental Responsibility	• Energy and Emissions • Water	• Sustainability Report, pages 35 to 37
Talent Retention	• Training and Education • Diversity and Equal Opportunity	• Sustainability Report, pages 37 to 39
Health and Safety	• Occupational Health and Safety • Customer Health and Safety	• Sustainability Report, pages 39 and 40
Regulatory Compliance	• Anti-corruption • Compliance with Laws and Regulations	• Sustainability Report, pages 40 and 41 • Corporate Governance Report, page 20

ENVIRONMENTAL RESPONSIBILITY

2018 Performance

Energy and emissions

- 12,522 MWh and 139 kWh of energy used per m^2 of Gross Floor Area in 2018
- 5,249,009 $kgCO_2e$ and 58 $kgCO_2e$ per m^2 of Gross Floor Area in 2018

Water

- Water intensity 1.35 m^3 of water used per m^2 of Gross Floor Area in 2018

2018 Performance against 2018 Targets

Energy and emissions	
• Maintain and achieve BCA Green Mark on all existing and new properties respectively	• Achieved
• Maintain energy and Green House Gas ("GHG") emissions intensity levels within a 5% range from the baseline of 2017 in the next year	• See commentary below
Water	
• Maintain water intensity levels within a 5% range from the baseline of 2017 in the next year	• Achieved

SUSTAINABILITY REPORT

YEAR ENDED 31 DECEMBER 2018

2019 Targets
Energy and emissions • Maintain and achieve BCA Green Mark on all existing and new properties respectively • Maintain energy and GHG emissions intensity levels within a 5% range from the baseline of 2017 in the next year **Water** • Maintain water intensity levels within a 5% range from the baseline of 2017 in the next year

Global warming and water scarcity are high on the sustainability agenda and as a real estate industry player, the Group may have impacts that contribute to these global concerns. Our commitment to sustainable buildings is evident in our attainment of BCA Green Mark for all our eligible assets and our endeavour to achieve the BCA Green Mark Certification for all new developments in Singapore. Our properties have been awarded the following green awards and recognition:

- BCA Green Mark Platinum (The Concourse)
- BCA Green Mark Gold Plus (International Building)
- National Parks Board's Skyrise Greenery Incentive Scheme (The Concourse)

In addition, the Group has put an Environmental Policy in place. We also maintain our Green Tenant Guide to encourage tenants to practice good environmental habits within our buildings. We track the energy and water consumption of our properties and report usage each quarter to BCA as part of the Building Energy Submission Scheme. We have adopted the Energy Efficiency Index ("EEI") to benchmark our energy use and we report water consumption to Public Utilities Board ("PUB") as part of the Water Efficiency Management Plan.

Our Property Management team is well versed in environmental management due to our BCA Green Mark compliance, and our Projects team is no different. They also strive to make decisions that best serve the environment on all their project work. International Building has been undergoing internal and external refurbishments throughout 2018 and these refurbishments will contribute to an improved environmental performance.

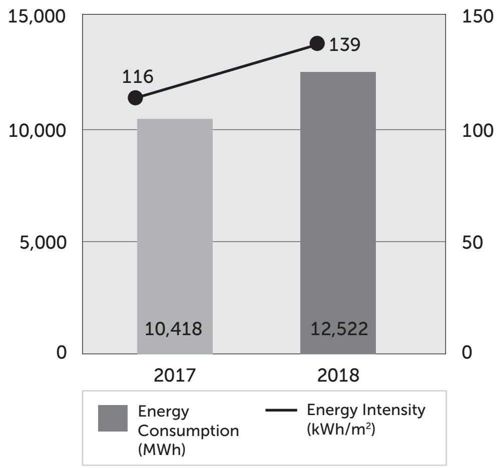
Our energy consumption and intensity have increased 20% from 10,418 MWh and 116 kWh/m^2 in 2017 respectively to 12,522 MWh and 139 kWh/m^2 in 2018. This is due to major renovation works at International Building throughout 2018. Likewise, GHG emissions and intensity have also increased from 4,417,169 kgCO_2e and 49 kgCO_2e/m^2 in 2017 respectively to 5,249,099 kgCO_2e and 58 kgCO_2e/m^2 in 2018. Water consumption has seen a decrease of 49% from 238,030m^3 in 2017 to 121,271 m^3 in 2018. Water intensity has dropped from 2.65 m^3/m^2 in 2017 to 1.35 m^3/m^2. This large drop was due to building façade cleaning work that was carried out in 2017, which was not repeated in 2018. We are happy to disclose that our recycling collection has increased by 61% from 2017 to 2018.

Environmental Responsibility in Our Projects
International Building is a freehold property on Orchard Road tenanted by offices, shops and restaurants. First constructed in 1966, International Building was awarded BCA Green Mark Gold Plus in 2015. This year, the building was due to undergo refurbishment work which was carried out by the Group. Internal refurbishment was carried out on levels 1 – 3 and external façade upgrading was carried out over the whole building. The upgrading works were completed in line with National Environment Agency ("NEA")/BCA regulations and the more modern touches will contribute to an improved environmental performance
Energy efficiency refurbishments in 2018
• Use of aluminium panels with insulated drywall for re-cladding of external façade. This re-cladding will improve the insulation of the building, preventing cool air loss and increasing the efficiency of air conditioners and chillers • Use of Double Glazed Unit glass. This glass provides shade inside buildings, reducing warming from direct sunlight and increasing the efficiency of air conditioners and chillers

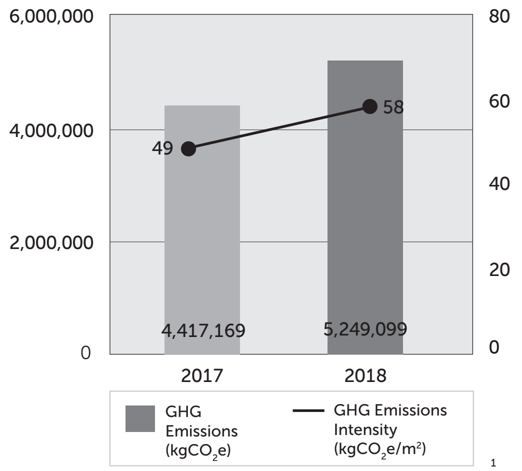
SUSTAINABILITY REPORT

YEAR ENDED 31 DECEMBER 2018

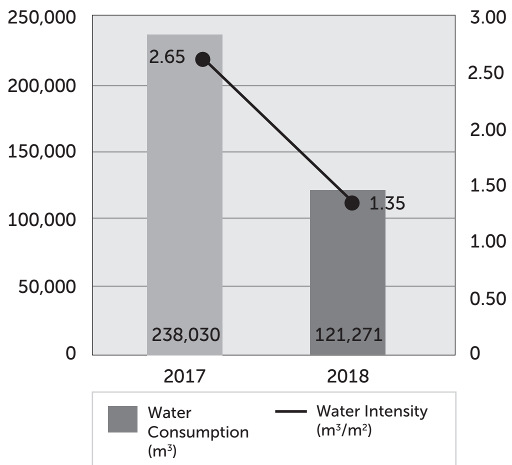
Energy Consumption and Intensity



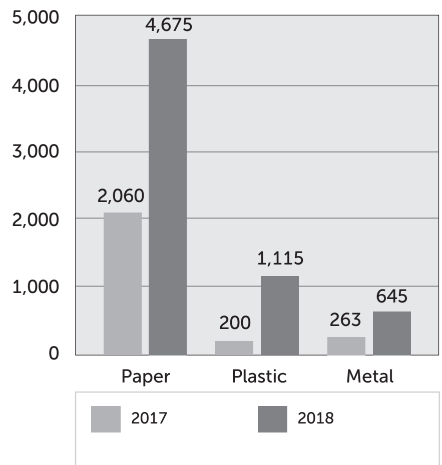
GHG Emissions and GHG Emissions Intensity



Water Consumption and Water Intensity



Recycling Collected (kg)



[1] A correction in units has been made since our 2017 report.

TALENT RETENTION

2018 Performance	
Training and Education • 98 staff in Singapore with an annual turnover rate of 13% in 2018 • Eligible employees exposed to a range of training programmes • 100% (of our employees) received an annual performance review **Diversity and Equal Opportunity** • 36% female staff base	
2018 Performance against 2018 Targets	
Training and Education • Conduct annual performance appraisals for all employees	• Achieved
Diversity and Equal Opportunity • Continue to provide fair and competitive remuneration based on merit	• Achieved

SUSTAINABILITY REPORT

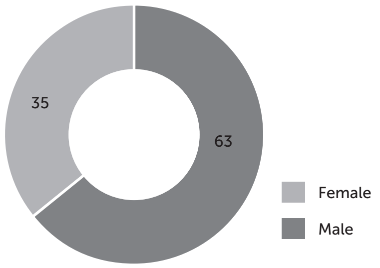
YEAR ENDED 31 DECEMBER 2018

2019 Targets
Training and Education • Conduct annual performance appraisals for all employees **Diversity and Equal Opportunity** • Continue to provide fair and competitive remuneration based on merit

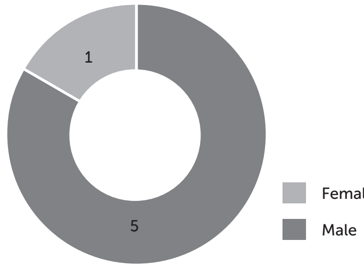
Note – Data is as of 31 December 2018 and includes permanent Singapore based staff from Yat Yuen Hong Company Limited, Maincon (Building) Pte. Ltd., Warranty Management Pte Ltd, Hong Fok Commercial Pte. Ltd., Hong Fok Land Ltd and Cocre8 Pte. Ltd. only. Short-term staff contracted for development projects are excluded to give a more meaningful turnover rate.

Investing in our staff inevitably reaps rewards for the Group. Attracting and keeping the right talent is a key driver for success and, therefore, we focus on finding the right people to help us to achieve our business ambitions. The skills and knowledge in our staff base range from strategic innovators to technical problem solvers. The majority of our staff are permanent with workers taken on for our projects on a contract basis. Data disclosed here includes our permanent employees in Singapore only.

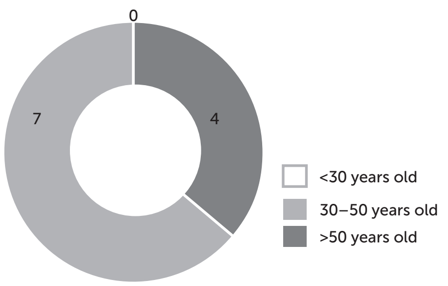
Employee Diversity – By Gender



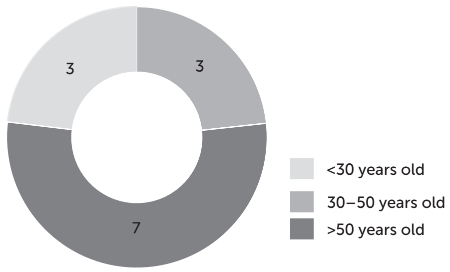
Board of Directors – By Gender



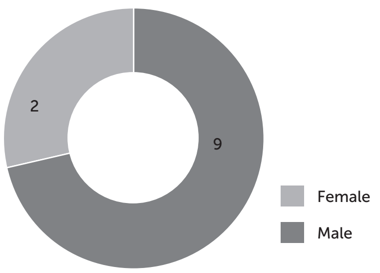
New Hires – By Age



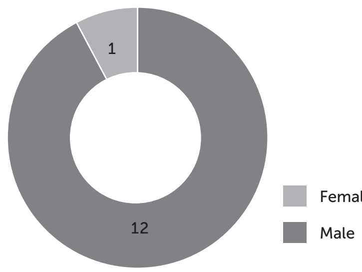
Turnover – By Age



New Hires – By Gender



Turnover – By Gender



Note – Data includes permanent Singapore based staff from Yat Yuen Hong Company Limited, Maincon (Building) Pte. Ltd., Warranty Management Pte Ltd, Hong Fok Commercial Pte. Ltd., Hong Fok Land Ltd and Cocre8 Pte. Ltd..

SUSTAINABILITY REPORT

YEAR ENDED 31 DECEMBER 2018

Developing Our Staff

Although the staff we take on are already in possession of a range of skills, we strive to develop their skills further wherever possible. The Group encourages employees to take control of their own learning and develop their technical, leadership and other experience through participation in internal and external trainings. As well as voluntary trainings that will help them to further their career, the Group supports employees with mandatory certifications and licenses to attend required re-certification courses. Heads of departments are charged with monitoring the training hours and are in-charge of the learning and development progress of employees under their care. They also conduct performance reviews for all staff each year to monitor their progress and reward their achievements. Employees with voluntary certifications are encouraged to monitor their own training and development requirements. Where re-certification is essential for qualifications, heads of departments will monitor compliance.

Employee Well-Being

We believe that an engaged, healthy and happy employee contributes to a progressive and productive work force.

Diversity And Equal Opportunity

We strive to nurture an environment where our employees feel valued and respected. At the Group, we employ human resource policies, which are grounded on equal opportunity and are geared towards creating a transparent, non-discriminatory and inclusive working environment that drives employee well-being and satisfaction. The Group's Handbook and Terms and Conditions of Employment are also a manifestation of the policies, and provide employees with general guidelines about our policies, procedures and practices, terms and conditions, as well as the competitive compensation and benefits package available to them. We base all employment decisions on merit and do not subscribe to a mandatory retirement policy, continuing to employ individuals over the national retirement age.

HEALTH AND SAFETY

2018 Performance	
Occupational Health and Safety	
• Accident frequency rate	0
• Accident severity rate	0
Customer Health and Safety	
• Incidents of non-compliance with health and safety regulation	0
2018 Perfromance against 2018 Targets	
Occupational Health and Safety	
• Zero workplace accidents resulting in a fatality or permanent injury	• Achieved
Customer Health and Safety	
• Zero incidents of non-compliance with health and safety regulations	• Achieved
2019 Targets	
Occupational Health and Safety	
• Zero workplace accidents resulting in a fatality or permanent injury	
Customer Health and Safety	
• Zero incidents of non-compliance with health and safety regulations	

Note – Data includes short-term contracted staff under Maincon (Building) Pte. Ltd. as we are responsible for their safety on site.

We take our responsibilities for the Health and Safety of our employees, contractors and visitors very seriously. Employees and contractors under our care include those on construction sites, in the offices and in the property management maintenance teams. Tenants and visitors that we look out for include all individuals occupying buildings managed by us, either as tenants or visitors to our tenants. Health and safety begins at the top and the Group sets the tone for a safety culture that extends through all teams and all activities. To us, a safety culture encompasses infrastructure, knowledge, reporting and rectification.

SUSTAINABILITY REPORT

Safety Culture	Employees and Contractors	Tenants and Visitors
Infrastructure	• We invest in equipment and machinery needed for our work with high safety standards and the appropriate certifications • Safety equipment such as personal protective equipment, harnesses and ladders is provided whenever needed	• We conduct lift and escalator maintenance regularly to avoid dangerous malfunctions • Signage of hazards is placed as and where risks are identified • We comply with all regulatory requirements with regards to staircases, doors, escape routes and other set out by the BCA and Fire Safety and Shelter Department • Provision of fire-fighting and spread prevention equipment as necessary • Installation of CCTV cameras and around-the-clock security team who conduct regular rounds and spot checks
Knowledge	• We provide health and safety training on our construction sites and within our Property Management maintenance teams to ensure workers know how to safely do their job • Training on how to respond in emergency situations is also provided to help employees safeguard each other's health	• Standard operating procedures, which are included in the tenant handbook, fire safety handbook and contracts with service providers, have been put in place to respond to emergencies • Bi-annual fire and safety drills occur to practice for emergencies
Reporting	• We have a Workplace Safety and Health Committee that meets regularly and includes representatives from contractors, to discuss polices, practices and performance on safety on project sites • Fortnightly site meetings are held with project consultants to discuss health and safety issues including environmental matters such as mosquito breeding and noise pollution	• Presence of a safety manager in all properties • Mandatory for all tenants to appoint a fire warden • An annual occupancy survey is distributed to tenants to assess our responsiveness to tenant issues, as well as frequency and quality of in-house maintenance team
Rectification	• A reporting protocol is in place for incidents reported by employees to allow for timely investigation and execution of preventative and corrective actions • We provide hospitalisation benefits to our employees who are involved in workplace accidents	• A reporting protocol in place for incidents reported by tenants or visitors to allow for timely investigation and execution of preventative and corrective actions

We are pleased to say there have been no fatalities or workplace accidents involving our employees in Singapore. We have had no incidents of non-compliance with health and safety law resulting in a fine or penalty.

REGULATORY COMPLIANCE

2018 Performance
Anti-corruption • Zero confirmed incidents of corruption **Compliance with Laws and Regulations** • Zero incidents of non-compliance with laws and regulations resulting in significant fines (above $10,000)

SUSTAINABILITY REPORT

YEAR ENDED 31 DECEMBER 2018

2018 Performance against 2018 Targets	
Anti-corruption	
• Achieve zero incidents of non-compliance with anti-corruption laws and regulations	• Achieved
Compliance with Laws and Regulations	
• Achieve zero incidents of non-compliance with all relevant laws and regulations	• Achieved
2019 Targets	
Anti-corruption	
• Achieve zero incidents of non-compliance with anti-corruption laws and regulations	
Compliance with Laws and Regulations	
• Achieve zero incidents of non-compliance with all relevant laws and regulations	

The Group continue to have a zero-tolerance approach towards corrupt business practices and regulatory non-compliance. Our compliance commitment extends to anti-corruption, fraud prevention and practices which safeguard the interests of our stakeholders.

Anti-corruption
Singapore is a well regulated environment, however, complacency can result in incidents and serious repercussions so the Group remains vigilant. We have a Code of Conduct that instructs employees in relation to issues such as conduct and discipline, outside employment, confidentiality and intellectual property, amongst others. Other corporate policies that guide our employees are:

- Anti-corruption and Anti-money Laundering
- Conflicts of Interests and Interested Person Transaction
- Whistle-Blowing Policy

Employees are equipped with the resources they need to keep themselves updated on changes in regulations and to help them to spot potential areas of concern. New hires will learn about the Code of Conduct policies and standard operating procedures during their induction programme and all employees are made aware of the grievance mechanisms made available to them, which include feedback channels, anonymous hotlines and whistle-blowing channels. These all provide a transparent channel for employees to report concerns about possible fraud, improprieties in financial reporting and other matters.

COMPLIANCE WITH LAWS AND REGULATIONS

Environmental Compliance
Our properties are subject to environmental laws and regulations, including the Building Control (Environmental Sustainability) Regulations, as well as the Energy Conservation Act and Environment Protection and Management Act governed by the NEA. Property managers conduct regular checks within the buildings and ensure compliance with reporting requirements pertaining to the submission of environmental data. Properties are also subject to periodic environmental audits by the local authorities.

Corporate Compliance
There are several laws and regulations by which we must abide. These include the Code of Corporate Governance 2012, listing rules and regulations set out by SGX-ST, the Securities and Futures Act, as well as all other applicable laws and regulations.

Regular reviews of new regulations and updates to existing ones are conducted by our employees, our secretarial firm, and our financial auditors. Updates are made to relevant staff and we monitor our activities and its associated performance on a regular basis.

Our management of this factors has enabled us to declare that no confirmed incidents of corruption or non-compliance with laws and regulations were reported in 2018.

GRI CONTENT INDEX

GRI Standards (2016)		Notes/Page Number(s)
General Disclosures		
Organisational Profile		
102-1	Name of the organisation	Hong Fok Corporation Limited (the "Company")
102-2	Activities, brands, products, and services	Corporate Information, page 5 Property Summary, page 7 Summary of the Group, page 8
102-3	Location of headquarter	Corporate Information, page 5 Note 1 to Financial Statements, page 59
102-4	Location of operations	Corporate Information, page 5 Note 1 to Financial Statements, page 59
102-5	Ownership and legal form	Corporate Information, page 5 Note 1 to Financial Statements, page 59
102-6	Markets served	Note 33 to Financial Statements, pages 110 to 113
102-7	Scale of the organisation	Talent Retention, pages 37 to 39
102-8	Information on employees and other workers	Talent Retention, pages 37 to 39
		The Group did not have any significant variation in employment numbers. Employee data disclosed is as at 31 December 2018
102-9	Supply chain	The Group's key suppliers are our contractors. The Group's most important interaction with these contractors is through health and safety on site. Health and Safety, pages 39 and 40
102-10	Significant changes to organisation and its supply chain	No significant changes during FY2018
102-11	Precautionary principle or approach	Hong Fok Corporation Limited does not specifically address the principles of the precautionary approach
102-12	External initiatives	BCA Green Mark Scheme
102-13	Membership of associations	Stakeholder Engagement, page 34
Strategy		
102-14	Statement from senior decision-maker	Board Statement, page 34
Ethics and Integrity		
102-16	Values, principles, standards and norms of behaviour	Board Statement, page 34 Corporate Governance Statement, pages 10 to 28
Governance		
102-18	Governance structure	Board Statement, page 34
Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder Engagement, page 34
102-41	Collective bargaining agreements	No collective bargaining agreements are in place.
102-42	Identifying and selecting stakeholders	Stakeholder Engagement, page 34
102-43	Approach to stakeholder engagement	Stakeholder Engagement, page 34
102-44	Key topics and concerns raised	Stakeholder Engagement, page 34

SUSTAINABILITY REPORT

YEAR ENDED 31 DECEMBER 2018

GRI Standards (2016)		Notes/Page Number(s)
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Note 5 to Financial Statements, pages 78 to 80
102-46	Defining report content and topic boundaries	About This Report, page 33 Materiality Assessment, page 35 Our material factors have impacts all along our value chain. We determine our reporting boundaries by where we feel we have active control over these impacts
102-47	List of material topics	Materiality Assessment, page 35
102-48	Restatements of information	Not applicable
102-49	Changes in reporting	Not applicable
102-50	Reporting period	1 January 2018 – 31 December 2018
102-51	Date of most recent report	1 January 2017 – 31 December 2017
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	About This Report, page 33
102-54	Claims of reporting in accordance with GRI Standards	About This Report, page 33
102-55	GRI content index	GRI Index, pages 42 to 44
102-56	External assurance	The Group has not sought external assurance for this reporting period and may consider it for future periods
Management Approach		
103-1	Explanation of the material topic and its boundary	Materiality Assessment, page 35 Environmental Responsibility, pages 35 to 37 Talent Retention, pages 37 to 39 Health and Safety, pages 39 and 40 Regulatory Compliance, pages 40 and 41
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
Material Topics		
Anti-corruption		
205-3	Confirmed incidents of corruption and actions taken	Regulatory Compliance, pages 40 and 41
Energy		
302-1	Energy consumption within the organisation	Environmental Responsibility, pages 35 to 37
302-3	Energy intensity	Environmental Responsibility, pages 35 to 37
Water		
303-1	Water withdrawal by source	Environmental Responsibility, pages 35 to 37
303-3	Water intensity	Environmental Responsibility, pages 35 to 37
Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Regulatory Compliance, pages 40 and 41
Employment		
401-1	New employee hires and employee turnover	Talent Retention, pages 37 to 39

GRI Standards (2016)		Notes/Page Number(s)
Occupational Health and Safety		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Health and Safety, pages 39 and 40
Training and Education		
404-1	Average hours of training per year per employee	Talent Retention, pages 37 to 39
404-2	Programs for upgrading employee skills and transition assistance programs	Talent Retention, pages 37 to 39
Diversity & Equal Opportunity		
405-1	Diversity of governance bodies and employees	Talent Retention, pages 37 to 39
Customer Health and Safety		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Health and Safety, pages 39 and 40
Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	Regulatory Compliance, pages 40 and 41

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2018

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

(a) the financial statements set out on pages 52 to 120 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 2018 and the financial performance, changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and

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

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

The Directors in office at the date of this statement are as follows:

Executive Directors
Mr Cheong Pin Chuan
Mr Cheong Sim Eng
Ms Cheong Hooi Kheng

Non-Executive Independent Directors
Mr Chan Pengee, Adrian
Mr Lim Jun Xiong Steven
Mr Chow Yew Hon

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Act, particulars of interests of Directors who held office at the end of the financial year (including those held by their spouses and children who are less than 18 years of age) in shares, debentures, warrants and share options in the Company and in its subsidiary corporations (other than wholly owned subsidiary corporations) are as follows:

Name of Director and Corporation in which Interests are Held	Holdings at Beginning of the Year	Holdings at End of the Year
Hong Fok Corporation Limited		
Ordinary shares		
Mr Cheong Pin Chuan		
– direct interest held	15,052,528	20,052,528
– deemed interests	147,653,053	149,823,053
Mr Cheong Sim Eng		
– direct interest held	107,745,456	112,745,456
– deemed interests	50,989,778	53,159,778
Ms Cheong Hooi Kheng		
– direct interest held	14,181,080	14,832,180

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2018

Name of Director and Corporation in which Interests are Held	Holdings at Beginning of the Year	Holdings at End of the Year
Hong Fok Land International Limited		
Ordinary shares		
Mr Cheong Pin Chuan		
– deemed interests	3,397,000	3,397,000
Ms Cheong Hooi Kheng		
– direct interest held	2,000,000	2,000,000

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and as at 21 January 2019.

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 to acquire benefits by means of the acquisition of shares, debentures, warrants or share options of the Company or any other body corporate.

SHARE OPTIONS

During the financial year, there were:

(a) no options granted by the Company or any of its subsidiary corporations to any person to take up unissued shares in the Company or its subsidiary corporations; and

(b) no shares issued by virtue of any exercise of options to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

AUDIT AND RISK MANAGEMENT COMMITTEE

The members of the Audit and Risk Management Committee during the year and at the date of this statement are:

Mr Lim Jun Xiong Steven (Chairman)
Mr Chow Yew Hon
Mr Chan Pengee, Adrian

The Audit and Risk Management Committee performs the functions specified in Section 201B of the Act, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance 2012.

The Audit and Risk Management Committee has held eight meetings since the last Directors' Statement. In performing its functions, the Audit and Risk Management Committee met with the Company's external and internal auditors to discuss the scope of their work (including the external auditors' audit plan), the results of their examination (including the external auditors' audit report) and evaluation of the Company's internal accounting control system.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2018

The Audit and Risk Management Committee also reviewed the following:

- assistance provided by the Group's officers and the Company's officers to the internal and external auditors;
- quarterly financial statements and annual financial statements of the Group and the Company prior to their submission to the Directors of the Company for adoption;
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST); and
- the scope and results of the Group's internal audit procedures.

The Audit and Risk Management Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or officer to attend its meetings. The Audit and Risk Management Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit and Risk Management Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiary corporations and significant associated companies, we have complied with Rules 712 and 715 of the Listing Manual of the SGX-ST.

AUDITORS

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

ON BEHALF OF THE BOARD OF DIRECTORS

CHEONG SIM ENG
Director

CHEONG HOOI KHENG
Director

29 March 2019

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
HONG FOK CORPORATION LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hong Fok Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and the statement of comprehensive income and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 120.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the financial performance and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Investment Properties ($3,091,745,000)
(Refer to Note 2.4, Note 3.5 and Note 8 to the Financial Statements)

Risk:

The Group has a portfolio of investment properties located in Singapore and Hong Kong. Investment properties represent the single largest category of assets on the statement of financial position at $3,091,745,000 as at 31 December 2018.

These investment properties are stated at fair value, determined based on independent external valuation. The audit of the valuation of investment properties is considered a key audit matter because it involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. Any changes in the assumptions will have an impact on the valuation.

Our response:

We evaluated the competence, capabilities and objectivity of the independent external valuers and held discussions with the valuers to understand their valuation methodologies and assumptions used.

We considered the valuation methodologies used against those applied by other valuers for similar property types. We challenged the key assumptions applied by comparing them against market comparable, historical data and available industry data, taking into consideration comparability and market factors.

INDEPENDENT AUDITORS' REPORT

YEAR ENDED 31 DECEMBER 2018

Our findings:
The valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out their work. The approach to the methodologies is consistent with market practices and the key assumptions in the valuation are supported by market data.

Valuation of Development Properties ($198,941,000)
(Refer to Note 2.4, Note 3.8 and Note 12 to the Financial Statements)

Risk:
As at 31 December 2018, the Group has development properties for sale which are located in Singapore. These properties are stated at the lower of cost and net realisable value ("NRV"). The determination of the estimated NRV of the development properties is critically dependent upon the Group's expectation of the future selling prices.

Our response:
Where an independent external valuer was engaged, our procedures included assessment of the competence, capabilities and objectivity of the independent external valuers. We considered the valuation methodology used against those applied by other valuers for similar property types. We compared the valuers' underlying assumptions on estimated selling prices to market comparables.

Where an independent external valuer was not engaged, we assessed the reasonableness of the Group's estimated selling prices by comparing them to the recent transacted prices for the relevant property or prices of comparable properties in the same vicinity.

Our findings:
The valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out their work. We found that the assumptions applied in the determination of NRV of the development properties to be within the range of available industry data.

Other Information
Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

YEAR ENDED 31 DECEMBER 2018

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Mr Yap Wee Kee.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
29 March 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000	Group 1 Jan 2017 $'000	Company 2018 $'000	Company 2017 $'000	Company 1 Jan 2017 $'000
Non-current Assets							
Property, plant and equipment	4	**2,879**	2,188	2,102	**–**	–	–
Subsidiaries	5	**–**	–	–	**855,260**	853,107	233,106
Associate and joint venture	7	**#**	#	#	**–**	–	–
Investment properties	8	**3,091,745**	2,823,134	2,562,574	**–**	–	–
Other assets	9	**217**	175	187	**–**	–	–
Other investments	10	**700**	–	–	**–**	–	–
Pledged bank deposits	15	**9,303**	7,550	6,499	**–**	–	–
Deferred tax assets	11	**1,079**	645	239	**–**	–	–
		3,105,923	2,833,692	2,571,601	**855,260**	853,107	233,106
Current Assets							
Other investments	10	**17,973**	1,781	354	**–**	–	–
Current tax assets		**215**	133	145	**–**	–	–
Development properties	12	**198,941**	236,482	245,179	**–**	–	–
Trade and other receivables	13	**4,945**	9,220	4,676	**29**	29	26
Amounts due from subsidiaries	14	**–**	–	–	**385,220**	491,605	269,713
Cash and cash equivalents	15	**50,229**	50,636	77,370	**888**	747	1,936
		272,303	298,252	327,724	**386,137**	492,381	271,675
Non-current asset held for sale	38	**1,720**	–	–	**–**	–	–
		274,023	298,252	327,724	**386,137**	492,381	271,675
Total Assets		**3,379,946**	3,131,944	2,899,325	**1,241,397**	1,345,488	504,781
Equity Attributable to Owners of the Company							
Share capital	16	**186,688**	186,688	186,688	**186,688**	186,688	186,688
Treasury shares	16	**(101,050)**	(101,050)	(101,050)	**–**	–	–
Reserves	17	**1,810,076**	1,624,755	1,468,056	**669,191**	678,654	72,182
		1,895,714	1,710,393	1,553,694	**855,879**	865,342	258,870
Non-controlling interests	6	**632,751**	539,373	518,676	**–**	–	–
Total Equity		**2,528,465**	2,249,766	2,072,370	**855,879**	865,342	258,870
Non-current Liabilities							
Loans and borrowings	18	**653,991**	620,586	729,478	**–**	119,805	219,276
Trade and other payables	19	**11,755**	11,685	13,821	**–**	–	–
Deferred tax liabilities	11	**408**	389	473	**–**	–	–
		666,154	632,660	743,772	**–**	119,805	219,276
Current Liabilities							
Loans and borrowings	18	**122,628**	178,177	5,230	**119,964**	99,979	–
Trade and other payables	19	**53,316**	65,199	74,468	**2,741**	4,747	4,638
Contract liabilities	21	**27**	194	46	**–**	–	–
Amounts due to subsidiaries	14	**–**	–	–	**262,813**	255,615	21,997
Current tax liabilities		**9,356**	5,948	3,439	**–**	–	–
		185,327	249,518	83,183	**385,518**	360,341	26,635
Total Liabilities		**851,481**	882,178	826,955	**385,518**	480,146	245,911
Total Equity and Liabilities		**3,379,946**	3,131,944	2,899,325	**1,241,397**	1,345,488	504,781

\# *Amount less than $1,000*

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

STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue	21	**131,127**	69,975	**–**	620,100
Other income	22	**287**	422	**–**	–
		131,414	70,397	**–**	620,100
Commitment fee on unutilised bank facilities		**(1,683)**	(1,646)	**–**	–
Cost of sales of development properties		**(33,535)**	(9,030)	**–**	–
Depreciation of property, plant and equipment	4	**(757)**	(516)	**–**	–
Employee benefit expenses	23	**(23,007)**	(22,567)	**–**	–
Gain on disposal of subsidiaries	36	**–**	8,982	**–**	–
Gain on revaluation of investment properties	8	**253,120**	233,509	**–**	–
(Impairment loss)/Impairment loss written back on trade receivables, net	25	**(214)**	32	**–**	–
Maintenance expenses		**(9,089)**	(8,552)	**–**	–
Operating lease expenses		**(1,209)**	(1,142)	**–**	–
Professional fees		**(2,710)**	(2,125)	**(397)**	(439)
Property tax		**(5,755)**	(6,002)	**–**	–
Rental commission		**(1,123)**	(2,015)	**–**	–
Other expenses		**(5,033)**	(7,373)	**(100)**	(2,864)
		300,419	251,952	**(497)**	616,797
Finance income	24	**1,508**	565	**1**	1
Finance expense	24	**(28,321)**	(24,750)	**(261)**	(1,620)
Net finance expense	24	**(26,813)**	(24,185)	**(260)**	(1,619)
Profit/(Loss) before tax	25	**273,606**	227,767	**(757)**	615,178
Tax expense	26	**(4,651)**	(4,449)	**–**	–
Profit/(Loss) for the year		**268,955**	223,318	**(757)**	615,178
Profit/(Loss) attributable to:					
Owners of the Company		**188,921**	178,070	**(757)**	615,178
Non-controlling interests	6	**80,034**	45,248	**–**	–
Profit/(Loss) for the year		**268,955**	223,318	**(757)**	615,178
Earnings per share (cents):					
Basic	28	**27.26**	25.69		
Diluted	28	**27.26**	25.69		

STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 $'000	2017 $'000	2018 $'000	2017 $'000
Profit/(Loss) for the year		**268,955**	223,318	**(757)**	615,178
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to Profit or Loss:					
Exchange differences on translation of financial statements of foreign subsidiaries		**8,719**	(36,547)	**–**	–
Exchange differences on monetary items forming part of net investments in foreign subsidiaries		**501**	(2,461)	**–**	–
Other comprehensive income for the year, net of tax *		**9,220**	(39,008)	**–**	–
Total comprehensive income for the year		**278,175**	184,310	**(757)**	615,178
Total comprehensive income attributable to:					
Owners of the Company		**192,439**	163,622	**(757)**	615,178
Non-controlling interests	6	**85,736**	20,688	**–**	–
Total comprehensive income for the year		**278,175**	184,310	**(757)**	615,178

* *There was no tax effect on the components included in other comprehensive income.*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

Group	Note	Share Capital $'000	Capital and Other Reserves $'000	Treasury Shares $'000	Translation Reserves $'000	Retained Profit $'000	Total $'000	Non-controlling Interests $'000	Total Equity $'000
		Attributable to Owners of the Company							
At 1 January 2017, as previously reported		186,688	2,472	(101,050)	(26,774)	1,492,358	1,553,694	518,676	2,072,370
Effect of adopting SFRS(I) 1		–	–	–	26,774	(26,774)	–	–	–
At 1 January 2017, as restated		186,688	2,472	(101,050)	–	1,465,584	1,553,694	518,676	2,072,370
Total comprehensive income for the year									
Profit for the year		–	–	–	–	178,070	178,070	45,248	223,318
Other comprehensive income									
Exchange differences on translation of financial statements of foreign subsidiaries		–	(9)	–	(11,978)	–	(11,987)	(24,560)	(36,547)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries		–	–	–	(2,461)	–	(2,461)	–	(2,461)
Total other comprehensive income, net of tax		–	(9)	–	(14,439)	–	(14,448)	(24,560)	(39,008)
Total comprehensive income for the year		–	(9)	–	(14,439)	178,070	163,622	20,688	184,310
Transactions with Owners, recorded directly in Equity									
Contributions by and Distributions to Owners									
Imputed interest on the bonds issued by a subsidiary		–	7	–	–	–	7	9	16
Dividend paid	27	–	–	–	–	(6,930)	(6,930)	–	(6,930)
Total Contributions by and Distributions to Owners		–	7	–	–	(6,930)	(6,923)	9	(6,914)
Total Transactions with Owners		–	7	–	–	(6,930)	(6,923)	9	(6,914)
At 31 December 2017		186,688	2,470	(101,050)	(14,439)	1,636,724	1,710,393	539,373	2,249,766

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

Group	Note	Attributable to Owners of the Company						Non-controlling Interests	Total Equity
		Share Capital	Capital and Other Reserves	Treasury Shares	Translation Reserves	Retained Profit	Total		
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2018		186,688	2,470	(101,050)	(14,439)	1,636,724	1,710,393	539,373	2,249,766
Total comprehensive income for the year									
Profit for the year		–	–	–	–	188,921	188,921	80,034	268,955
Other comprehensive income									
Exchange differences on translation of financial statements of foreign subsidiaries		–	2	–	3,015	–	3,017	5,702	8,719
Exchange differences on monetary items forming part of net investments in foreign subsidiaries		–	–	–	501	–	501	–	501
Total other comprehensive income, net of tax		–	2	–	3,516	–	3,518	5,702	9,220
Total comprehensive income for the year		–	2	–	3,516	188,921	192,439	85,736	278,175
Transactions with Owners, recorded directly in Equity									
Contributions by and Distributions to Owners									
Modification of bonds issued by a subsidiary		–	(188)	–	–	–	(188)	7,642	7,454
Dividend paid	27	–	–	–	–	(6,930)	(6,930)	–	(6,930)
Total Contributions by and Distributions to Owners		–	(188)	–	–	(6,930)	(7,118)	7,642	524
Total Transactions with Owners		–	(188)	–	–	(6,930)	(7,118)	7,642	524
At 31 December 2018		186,688	2,284	(101,050)	(10,923)	1,818,715	1,895,714	632,751	2,528,465

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

Company	Note	Share Capital $'000	Retained Profit $'000	Total $'000
At 1 January 2017		186,688	72,182	258,870
Profit and total comprehensive income for the year		–	615,178	615,178
Transactions with Owners, recorded directly in Equity				
Distributions to Owners				
Dividend paid	27	–	(8,706)	(8,706)
Total Transactions with Owners		–	(8,706)	(8,706)
At 31 December 2017		186,688	678,654	865,342
At 1 January 2018		**186,688**	**678,654**	**865,342**
Loss and total comprehensive income for the year		**–**	**(757)**	**(757)**
Transactions with Owners, recorded directly in Equity				
Distributions to Owners				
Dividend paid	27	**–**	**(8,706)**	**(8,706)**
Total Transactions with Owners		**–**	**(8,706)**	**(8,706)**
At 31 December 2018		**186,688**	**669,191**	**855,879**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

Group	Note	2018 $'000	2017 $'000
Cash Flows From Operating Activities			
Profit before tax		**273,606**	227,767
Adjustments for:			
Depreciation of property, plant and equipment	4	**757**	516
Gain on disposal of subsidiaries	36	**–**	(8,982)
Gain on disposal of investment properties	25	**(76)**	–
Gain on disposal of other investments	25	**(6)**	–
Gain on revaluation of investment properties	8	**(253,120)**	(233,509)
Loss/(Gain) on disposal of property, plant and equipment	25	**56**	(10)
Impairment loss/(Impairment loss written back) on trade receivables, net	25	**214**	(32)
(Impairment loss written back)/Impairment loss on other assets	25	**(40)**	25
Changes in fair value of other investments at fair value through profit or loss	25	**3,472**	(93)
Finance income	24	**(1,508)**	(565)
Finance expense	24	**28,321**	24,750
		51,676	9,867
Changes in working capital:			
Development properties		**37,541**	8,697
Trade and other receivables		**(962)**	91
Trade and other payables		**(4,869)**	(6,134)
Contract liabilities		**(167)**	148
Cash generated from operations		**83,219**	12,669
Tax paid		**(1,731)**	(2,758)
Tax refund		**–**	334
Net Cash From Operating Activities		**81,488**	10,245
Cash Flows From Investing Activities			
Capital expenditure on investment properties		**(14,212)**	(60,588)
Increase in restricted cash		**(160)**	(11)
Proceeds from disposal of investment properties		**1,626**	–
Proceeds from disposal of property, plant and equipment		**241**	47
Proceeds from disposal of other investments		**21,490**	–
Purchase of property, plant and equipment		**(1,739)**	(631)
Purchase of other assets		**–**	(20)
Purchase of other investments		**(41,337)**	(1,357)
Interest received		**1,530**	584
Disposal of subsidiaries, net of cash	36	**–**	(18)
Net Cash Used In Investing Activities		**(32,561)**	(61,994)
Cash Flows From Financing Activities			
Increase in pledged bank deposits		**(1,672)**	(1,338)
Interest paid		**(25,844)**	(22,098)
Dividend paid		**(6,930)**	(6,930)
Payment of finance lease liabilities		**(20)**	(17)
Payment of transaction costs on loans and borrowings		**(180)**	(11,595)
Repayments of loans and borrowings		**(203,906)**	(304,356)
Proceeds from loans and borrowings		**188,200**	377,482
Net Cash (Used In)/From Financing Activities		**(50,352)**	31,148
Net Decrease in Cash and Cash Equivalents		**(1,425)**	(20,601)
Cash and cash equivalents at beginning of the year		**50,625**	77,370
Effect of exchange rate fluctuations on cash held		**858**	(6,144)
Cash and Cash Equivalents at End of the Year	15	**50,058**	50,625

Significant Non-cash Transactions

In 2017, the Group purchased property, plant and equipment of approximately $671,000, of which $40,000 was acquired under finance lease arrangements.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 March 2019.

1 DOMICILE AND ACTIVITIES

Hong Fok Corporation Limited (the "Company") is incorporated in the Republic of Singapore. The Company's registered office is at 300 Beach Road #41-00, The Concourse, Singapore 199555.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries consist of property investment, property development and construction, property management, investment trading and investment holding and management.

The financial statements of the Group as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as the "Group entities") and the Group's interest in equity-accounted investees.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore ("FRS"). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in Note 40.

2.2 Basis of Measurement

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

2.3 Functional and Presentation Currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information is presented in Singapore dollars and has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of Estimates and Judgements

The preparation of the financial statements in conformity with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There is no critical judgement in applying accounting policies that have a significant effect on the amounts recognised in the financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 8 – valuation of investment properties
- Note 12 – valuation of development properties

NOTES TO THE FINANCIAL STATEMENTS

Measurement of Fair Values

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

The Group has an established control framework with respect to the measurement of fair values. This includes Management that reports directly to the Executive Directors who will then have the overall responsibility for all significant fair value measurements, including Level 3 fair values.

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

The results of the external valuations are reported to the Executive Directors.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 8 – investment properties
- Note 30 – fair value of assets and liabilities

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of Consolidation

(i) Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Acquisitions from 1 January 2017

For acquisitions from 1 January 2017, the Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests ("NCI") that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Acquisitions before 1 January 2017
As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Any goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

(ii) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Loss applicable to the NCI in a subsidiary is allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(iii) Acquisitions from Entities under Common Control
Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

(iv) Loss of Control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, any related NCI and the other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

NOTES TO THE FINANCIAL STATEMENTS

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(v) ***Investments in Associates and Joint Ventures (Equity-accounted Investees)***

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of loss exceeds its investment in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further loss is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(vi) ***Transactions Eliminated on Consolidation***

Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gain arising from transactions with equity-accounted investees is eliminated against the investment to the extent of the Group's interest in the investees. Unrealised loss is eliminated in the same way as unrealised gain, but only to the extent that there is no evidence of impairment.

(vii) ***Subsidiaries, Associates and Joint Ventures in the Separate Financial Statements***

Investments in subsidiaries, associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment loss.

3.2 Foreign Currency

(i) ***Foreign Currency Transactions***

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of an investment in equity securities designated as at fair value through other comprehensive income ("FVOCI") (2017: available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss)) are recognised in OCI.

(ii) ***Foreign Operations***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

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Foreign currency differences are recognised in OCI. Since 1 January 2017, the Group's date of transition to SFRS(I), such differences have been recognised in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gain and loss arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

3.3 Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment loss.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the assets to a working condition for their intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent Costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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The estimated useful lives for the current and comparative years are as follows:

Plant and equipment	–	3 to 5 years
Office equipment and furniture	–	1 to 5 years
Motor vehicles	–	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the statements of financial position.

3.5 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained profit.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Property that is being constructed for future use as investment property is accounted for at fair value.

3.6 Financial Instruments

(i) Recognition and Initial Measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and Subsequent Measurement

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

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investments at FVOCI
A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI
On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL
All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment – Policy applicable from 1 January 2018
The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:
- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gain and loss – Policy applicable from 1 January 2018

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gain and loss, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and loss and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gain and loss accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

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

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

The Group classifies non-derivative financial assets into the following categories: financial assets at FVTPL, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Non-derivative financial assets: Subsequent measurement and gain and loss – Policy applicable before 1 January 2018

Financial assets at FVTPL

A financial asset was classified at FVTPL if it was classified as held-for-trading or was designated as such upon initial recognition. Financial assets were designated at FVTPL if the Group managed such investments and made purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Directly attributable transaction costs were recognised in profit or loss as incurred. Financial assets at FVTPL were measured at fair value, and changes therein, which took into account any dividend income, were recognised in profit or loss.

Financial assets classified as held-for-trading comprised equity investments actively managed by the Group's treasury department to address short-term liquidity needs.

Financial assets designated at FVTPL comprised equity investments that otherwise would have been classified as available-for-sale.

Held-to-maturity financial assets

If the Group had the positive intent and ability to hold debt investments to maturity, then such financial assets were classified as held-to-maturity. Held-to-maturity financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets were measured at amortised cost using the effective interest method, less any impairment loss.

Held-to-maturity financial assets comprised debt investments.

Loans and receivables

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

Loans and receivables comprised cash and cash equivalents, trade and other receivables and amount due from subsidiaries.

Available-for-sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were designated as available-for-sale or were not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at fair value and changes therein, other than impairment loss, interest income and foreign currency differences on available-for-sale debt investments, were recognised in OCI and accumulated in the fair value reserve in equity. When these amounts were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Available-for-sale financial assets comprised equity investments.

Non-derivative financial liabilities: Classification, subsequent measurement and gain and loss

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gain and loss, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gain and loss are recognised in profit or loss. These financial liabilities comprised loans and borrowings, trade and other payables and amounts due to subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

(iii) ***Derecognition***

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) ***Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) ***Cash and Cash Equivalents***

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(vi) ***Share Capital***

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

Shares held by subsidiary (treasury shares)

A subsidiary's investment in the Company's shares is not treated as ordinary shares outstanding in the statement of financial position. On consolidation, the subsidiary's investment in the Company's share is reclassified as treasury shares and deducted from consolidated equity.

(vii) ***Intra-group Financial Guarantees in the Separate Financial Statements***

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of loss allowance.

Expected credit losses ("ECLs") are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as 'loans and borrowings'.

Intra-group financial guarantees in the separate financial statements – Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for subsequent measurement, the financial guarantees were measured at the higher of the amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

3.7 Club Memberships

Club memberships are stated at cost less accumulated impairment loss. Gain or loss on disposal of club membership is determined as the difference between the net disposal proceeds and the carrying amount of the club membership and is accounted for in profit or loss as they arise.

3.8 Development Properties

Development properties for sale are measured at the lower of cost and net realisable value. Cost includes acquisition costs, development expenditure, capitalised borrowing costs and other costs directly attributable to the development activities.

Borrowing costs that are directly attributable to the acquisition and development of the development properties are capitalised as part of development property during the period of development.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. The write-down to net realisable value is presented as allowance for foreseeable losses.

3.9 Contract Costs

Incremental costs of obtaining a contract for the sale of a development property are capitalised if these costs are recoverable. Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered. These costs are amortised consistently with the pattern of revenue for the related contract. Other costs are expensed as incurred.

3.10 Impairment

(i) Non-derivative Financial Assets and Contract Assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for ECLs on financial assets measured at amortised costs.

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

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

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Simplified approach
The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

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

The Group considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs
ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

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Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018
A financial asset not carried at FVTPL was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets (including equity investments) were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment.

Loans and receivables, contract assets and held-to-maturity investment securities
The Group considered evidence of impairment for loans and receivables and held-to-maturity investment securities at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual loss was likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Loss was recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

Available-for-sale financial assets
Impairment loss on available-for-sale financial assets was recognised by reclassifying the loss accumulated in the fair value reserve in equity to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss recognised previously in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment loss recognised in profit or loss for an investment in an equity instrument classified as available-for-sale was not reversed through profit or loss.

(ii) Associates and Joint Venture
An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

(iii) ***Non-financial Assets***

The carrying amounts of the Group's non-financial assets, other than investment properties, development properties, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment loss is recognised in profit or loss. Impairment loss recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment loss recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.11 Revenue Recognition

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised services. The individual standalone selling price of a good that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

(i) ***Sale of Completed Development Properties***

Revenue from sales of completed development properties is recognised when control over the property has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the residential project over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

The residential projects have no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the residential project. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

In respect of a development property where the Group has no enforceable right to payment until the property is delivered to the customer, revenue is recognised when the legal title is transferred to the customer or upon handover of units to the customers.

Under certain payment schemes, the time when payments are made by the buyer and the transfer of control of the property to the buyer do not coincide and where the difference between the timing of receipt of the payments and the satisfaction of a performance obligation is 12 months or more, the entity adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the entity uses a discount rate that would reflect that of a separate financing transaction between the entity and its customer at contract inception. A finance income or finance expense will be recognised depending on the arrangement. The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is 12 months or less.

Revenue is measured at the transaction price agreed under the contract. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(ii) ***Rental Income and Maintenance Fee***

Rental income (net of any incentives given to lessee) and maintenance fees are recognised as revenue on a straight-line basis over the term of the lease.

Contingent rents are recognised in profit or loss when they are earned.

NOTES TO THE FINANCIAL STATEMENTS

(iii) Property Management Income

Property management income is recognised in profit or loss upon rendering of the services (satisfied performance obligation).

(iv) Car Park Income

Car park income is recognised in profit or loss on an accrual basis.

(v) Dividend

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

3.12 Employee Benefits

(i) Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) Short-term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Other Long-term Employee Benefits

The Group's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield of Singapore Government Bond that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. Any gain or loss is recognised in profit or loss in the period in which they arise.

(iv) Termination Benefits

Termination benefits are recognised as an expense at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

3.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.14 Government Grants

An unconditional government grant related to investment properties is recognised as a deduction against the carrying amount of the investment property when the grant becomes receivable.

Any other unconditional government grant that compensates the Group for expenses already incurred is recognised in profit or loss of the period in which it becomes receivable.

3.15 Finance Income and Expense

The Group's finance income and costs include:
- interest income on late payments and certain cash and cash equivalents;
- interest expense on loans and borrowings;
- amortisation of transaction costs capitalised previously; and
- amortisation of imputed interest on the bonds issued.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.16 Operating Leases

Where the Group has the use of the assets under operating leases, payments made under these leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.17 Tax Expense

Tax expense comprises current tax and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment properties will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.18 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Company's Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.19 Earnings Per Share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.20 New Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 41.

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YEAR ENDED 31 DECEMBER 2018

4 PROPERTY, PLANT AND EQUIPMENT

Group	Plant and Equipment $'000	Office Equipment and Furniture $'000	Motor Vehicles $'000	Total $'000
Cost				
At 1 January 2017	1,275	4,565	2,248	8,088
Additions	6	184	481	671
Disposals	(32)	(62)	(240)	(334)
Translation differences	–	(142)	(57)	(199)
At 31 December 2017	1,249	4,545	2,432	8,226
At 1 January 2018	**1,249**	**4,545**	**2,432**	**8,226**
Additions	**3**	**1,187**	**549**	**1,739**
Disposals	**#**	**(149)**	**(465)**	**(614)**
Translation differences	**–**	**29**	**15**	**44**
At 31 December 2018	**1,252**	**5,612**	**2,531**	**9,395**
Accumulated Depreciation				
At 1 January 2017	1,237	3,786	963	5,986
Depreciation for the year	11	304	201	516
Disposals	(12)	(51)	(234)	(297)
Translation differences	–	(129)	(38)	(167)
At 31 December 2017	1,236	3,910	892	6,038
At 1 January 2018	**1,236**	**3,910**	**892**	**6,038**
Depreciation for the year	**5**	**536**	**216**	**757**
Disposals	**#**	**(115)**	**(202)**	**(317)**
Translation differences	**–**	**28**	**10**	**38**
At 31 December 2018	**1,241**	**4,359**	**916**	**6,516**
Carrying Amounts				
At 1 January 2017	38	779	1,285	2,102
At 31 December 2017	13	635	1,540	2,188
At 31 December 2018	**11**	**1,253**	**1,615**	**2,879**

Amount less than $1,000

Assets Held under Finance Lease

The carrying amount of property, plant and equipment under finance lease (see Note 18) is as follows:

Group	2018 $'000	2017 $'000	1 Jan 2017 $'000
Motor vehicle	**117**	131	–

The finance lease is secured by the motor vehicle.

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5 SUBSIDIARIES

Company	2018 $'000	2017 $'000	1 Jan 2017 $'000
Equity investment at cost	**203,431**	203,431	183,431
Impairment loss	**(115)**	(115)	(115)
	203,316	203,316	183,316
Financial guarantees	**25,439**	25,439	25,439
	228,755	228,755	208,755
Amounts due from subsidiaries	**634,824**	632,671	32,670
Impairment loss	**(8,319)**	(8,319)	(8,319)
	626,505	624,352	24,351
	855,260	853,107	233,106

Impairment Loss

The movements in impairment loss on investment in subsidiaries were as follows:

Company	2018 $'000	2017 $'000
At 1 January and 31 December	**(115)**	(115)

As at 31 December 2018, the recoverable amount of its investment in subsidiaries had been determined based on the fair value less costs to sell. Fair value is based on the net asset value of the subsidiaries at the reporting date as, in the opinion of the Directors of the Company, the net asset value of the equity investment reasonably approximates the fair value. No additional impairment loss were recognised in 2018 and 2017.

Amounts Due from Subsidiaries

The amounts due from subsidiaries of approximately $32,670,000 and $632,671,000 as at 1 January 2017 and 31 December 2017 respectively, are classified as loans and receivables. On adoption of SFRS(I) 9, the amounts due from subsidiaries are classified as financial assets at amortised cost. Allowance for impairment on these amounts on adoption of SFRS(I) 9 is insignificant.

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. The settlement of these amounts is neither planned nor likely to occur in the foreseeable future and hence are classified as non-current.

Details of the subsidiaries are as follows:

Name of Subsidiaries	Principal Place of Business/Country of Incorporation	Ownership Interest Held by the Group 2018 %	2017 %	1 Jan 2017 %
Yat Yuen Hong Holdings Pte. Ltd.	Singapore	**100.00**	100.00	100.00
Yat Yuen Hong Company Limited and its subsidiary:	Singapore	**100.00**	100.00	100.00
Super Homes Pte. Ltd.	Singapore	**100.00**	100.00	100.00
Hong Fok Homes Pte Ltd	Singapore	**100.00**	100.00	100.00
Cecil Land Development Pte. Ltd.	Singapore	**100.00**	100.00	100.00
Hong Fok Land Ltd and its subsidiary:	Singapore	**100.00**	100.00	100.00
Jemmax Investments Pte Ltd	Singapore	**100.00**	100.00	100.00
Hong Fok Commercial Pte. Ltd.	Singapore	**100.00**	100.00	100.00
Hong Fok Realty Pte. Ltd.	Singapore	**100.00**	100.00	100.00
Vista Parking Services Pte Ltd	Singapore	**100.00**	100.00	100.00
Hong Fok Nominees Pte. Ltd.	Singapore	**100.00**	100.00	100.00
Broadway Development Pte Ltd	Singapore	**100.00**	100.00	100.00

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	Name of Subsidiaries	Principal Place of Business/Country of Incorporation	Ownership Interest Held by the Group 2018 %	2017 %	1 Jan 2017 %
	Turie Pte Ltd	Singapore	**100.00**	100.00	100.00
	Defoe Pte Ltd and its subsidiary:	Singapore	**100.00**	100.00	100.00
	Brisco Pte Ltd	Singapore	**100.00**	100.00	100.00
	Rasco Pte Ltd	Singapore	**100.00**	100.00	100.00
	Biogem International Pte Ltd	Singapore	**100.00**	100.00	100.00
	HFC Ventures.com Co Pte Ltd	Singapore	**100.00**	100.00	100.00
	Cocre8 Pte. Ltd. (formerly known as Highfeature.com Co Pte Ltd)	Singapore	**100.00**	100.00	100.00
	Warranty Management Pte Ltd	Singapore	**100.00**	100.00	100.00
	Maincon (Building) Pte. Ltd. and its subsidiary:	Singapore	**100.00**	100.00	100.00
	Elegant Homes Pte. Ltd.	Singapore	**100.00**	100.00	100.00
	Goldease Investments Limited and its subsidiaries:	Singapore/British Virgin Islands	**100.00**	100.00	100.00
	Arundel Trading Pte Ltd	Singapore	**100.00**	100.00	100.00
	Firth Enterprises Pte Ltd	Singapore	**100.00**	100.00	100.00
	Hong Fok Development (Newton) Pte Ltd	Singapore	**100.00**	100.00	100.00
	Bishopgate Holdings Limited	Singapore/British Virgin Islands	**100.00**	100.00	100.00
	Gold Triumph Assets Limited	Singapore/British Virgin Islands	**100.00**	100.00	100.00
	Yorkwin Investments Limited	Singapore/British Virgin Islands	**100.00**	100.00	100.00
	Hong Fok Corporation (Cayman) Limited	Hong Kong/ Cayman Islands	**100.00**	100.00	100.00
@	Hong Fok Corporation (H.K.) Limited and its subsidiaries:	Hong Kong	**100.00**	100.00	100.00
	Hong Fok Investment Holding Company Limited	Hong Kong	**100.00**	100.00	100.00
	Hong Fok Land International Limited	Hong Kong	**100.00**	100.00	100.00
	Hong Fok Nominees Limited	Hong Kong	**100.00**	100.00	100.00
	Supreme Homes Company Limited	Hong Kong	**100.00**	100.00	100.00
	Hong Fok Enterprises Limited	Hong Kong	**100.00**	100.00	100.00
@	Hong Fok Land International Limited and its significant subsidiaries:	Hong Kong/ Bermuda	**42.33**	42.33	42.33
	Hong Fok Land Asia Limited	Hong Kong/British Virgin Islands	**42.33**	42.33	42.33
	Hong Fok Land Investment Limited	Hong Kong	**42.33**	42.33	42.33
	Hugoton Limited	Hong Kong	**42.33**	42.33	42.33
	Bossiney Limited	Hong Kong	**42.33**	42.33	42.33
	Magazine Gap Property Management Limited	Hong Kong	**42.33**	42.33	42.33
	Wellow Investment Limited	Hong Kong/ Republic of Liberia	**42.33**	42.33	42.33
	Giant Yield Limited	Hong Kong	**42.33**	42.33	42.33
	Hong Fok Land Holding Limited	Hong Kong	**42.33**	42.33	42.33
	Allied Crown Limited	Hong Kong	**42.33**	42.33	42.33
	Winfoong Land Limited	Hong Kong	**42.33**	42.33	42.33
	Asian Vision Limited	Hong Kong	**42.33**	42.33	42.33
	King Dynasty Limited	Hong Kong/British Virgin Islands	**42.33**	42.33	–
	U-Kwong Holdings Limited	Hong Kong/British Virgin Islands	**–**	–	42.33

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Name of Subsidiaries	Principal Place of Business/Country of Incorporation	Ownership Interest Held by the Group 2018 %	2017 %	1 Jan 2017 %
Hammerman Assets Limited	Hong Kong/British Virgin Islands	**–**	–	42.33
Prestige Century Limited	Hong Kong/British Virgin Islands	**42.33**	42.33	42.33
* Hong Fok Land Assets Pte. Ltd.	Singapore	**42.33**	42.33	42.33

@ *These consolidated financial statements are audited by Crowe (HK) CPA Limited (formerly known as Crowe Horwarth (HK) CPA Limited).*
* *The financial statements are audited by Crowe Horwath First Trust LLP.*

KPMG LLP is the auditor of all significant Singapore-incorporated subsidiaries. Significant foreign-incorporated subsidiaries are audited by Crowe (HK) CPA Limited. For this purpose, a subsidiary is considered significant as defined under the Listing Manual of the SGX-ST if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

Although the Group owns less than half of the voting power of Hong Fok Land International Limited, management has determined that the Group has de facto control over Hong Fok Land International Limited. This is on the basis that the remaining voting rights in the investee are widely dispersed, historical attendance at shareholder meetings shows that the Group has been able to control the outcome of voting, and that there is no indication that other shareholders exercise their votes collectively.

6 NON-CONTROLLING INTERESTS

The following subsidiaries have material NCI:

Name of Subsidiary	Place of Business	Country of Incorporation	Ownership Interest Held by Non-controlling Interests 2018 %	2017 %	1 Jan 2017 %
Hong Fok Land International Limited and its subsidiaries	Hong Kong, Singapore	Bermuda, Hong Kong, British Virgin Islands, Republic of Liberia, Singapore	**57.67**	57.67	57.67

The following summarised the financial information of the Group's subsidiaries with material NCI prepared in accordance with SFRS(I).

Group	Hong Fok Land International Limited and its Subsidiaries $'000	Intra-group Adjustments $'000	Total $'000
31 December 2018			
Non-current assets	**714,006**		
Current assets	**18,193**		
Non-current liabilities	**(82,931)**		
Current liabilities	**(8,440)**		
Net assets	**640,828**		
Net assets attributable to NCI	**369,566**	**263,185**	**632,751**

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Group	Hong Fok Land International Limited and its Subsidiaries $'000	Intra-group Adjustments $'000	Total $'000
Revenue	**5,035**		
Profit	**90,966**		
Other comprehensive income	**(33,704)**		
Total comprehensive income	**57,262**		
Attributable to NCI:			
– Profit	**52,460**	**27,574**	**80,034**
– Other comprehensive income	**(19,437)**	**25,139**	**5,702**
– Total comprehensive income	**33,023**	**52,713**	**85,736**
Cash flows used in operating activities	**(5,126)**		
Cash flows from investing activities	**1,903**		
Cash flows used in financing activities (dividends to NCI: $Nil)	**(6,397)**		
Net decrease in cash and cash equivalents	**(9,620)**		
31 December 2017			
Non-current assets	633,229		
Current assets	26,985		
Non-current liabilities	(90,779)		
Current liabilities	(10,003)		
Net assets	559,432		
Net assets attributable to NCI	322,624	216,749	539,373
Revenue	3,325		
Profit	25,499		
Other comprehensive income	52,854		
Total comprehensive income	78,353		
Attributable to NCI:			
– Profit	14,705	30,543	45,248
– Other comprehensive income	30,481	(55,041)	(24,560)
– Total comprehensive income	45,186	(24,498)	20,688
Cash flows used in operating activities	(5,403)		
Cash flows used in investing activities	(13,901)		
Cash flows used in financing activities (dividends to NCI: $Nil)	(2,410)		
Net decrease in cash and cash equivalents	(21,714)		
1 January 2017			
Non-current assets	581,595		
Current assets	51,627		
Non-current liabilities	(95,715)		
Current liabilities	(19,297)		
Net assets	518,210		
Net assets attributable to NCI	298,852	219,824	518,676

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7 ASSOCIATE AND JOINT VENTURE

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Interest in associate	**–**	–	–	**–**	–	2,000
Impairment loss	**–**	–	–	**–**	–	(2,000)
	–	–	–	**–**	–	–
Interest in joint venture	**#**	#	#	**–**	–	–
Impairment loss	**–**	–	–	**–**	–	–
	#	#	#	**–**	–	–
Amount due from associate	**–**	–	–	**–**	–	2,002
Impairment loss	**–**	–	–	**–**	–	(2,002)
	–	–	–	**–**	–	–
	#	#	#	**–**	–	–

Amount less than $1,000

In 2017, the associate was dissolved voluntarily.

Impairment Loss

The movements in impairment loss on investment in associate were as follows:

Company	2018 $'000	2017 $'000
At 1 January	**–**	(2,000)
Dissolution of associate	**–**	2,000
At 31 December	**–**	–

The summarised financial information of the associate and joint venture has not been presented as the carrying amounts are not significant to the consolidated financial statements.

Amount Due from Associate

The amount due from associate of approximately $2,002,000 as at 1 January 2017 is classified as loans and receivables.

The amount due from associate is unsecured and has no fixed terms of repayment. The settlement of this amount is neither planned nor likely to occur in the foreseeable future and hence is classified as non-current.

8 INVESTMENT PROPERTIES

Group	Note	2018 $'000	2017 $'000
At 1 January		**2,823,134**	2,562,574
Acquisition of subsidiary	37	**–**	2,277
Additions arising from subsequent expenditure recognised in carrying amount		**9,292**	62,914
Disposal		**(1,550)**	–
Transfer to non-current asset held for sale	38	**(1,720)**	–
Changes in fair value		**253,120**	233,509
Translation differences		**9,469**	(38,140)
At 31 December		**3,091,745**	2,823,134

NOTES TO THE FINANCIAL STATEMENTS

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Investment properties comprise freehold land and buildings that include a hotel property and commercial properties, and leasehold land and buildings that include commercial properties, residential properties and parking spaces.

The hotel property is managed by a third-party hotel operator for a period of approximately sixteen years with option to renew.

The commercial and residential properties are mainly leased to external customers. Each of the leases contains an initial non-cancellable period of usually one to four years. Subsequent renewals are negotiated with the lessee.

Changes in fair value are recognised as gain or loss in profit or loss. All gain or loss are unrealised.

In 2017, interest expense capitalised as cost of investment properties amounted to approximately $617,000 (see Note 24) at rates ranging from approximately 2.4% to 2.5% per annum.

During the year, a leasehold residential property was reclassified to non-current asset held for sale (see Note 38).

Security

The Group's investment properties with a carrying value of approximately $3,075,343,000 (2017: $2,804,325,000; 1 Jan 2017: $2,547,774,000) are mortgaged for credit facilities granted to the Group (see Note 18).

Measurement of Fair Value

(i) ***Change in Valuation Technique***

In 2017, the development was completed for the hotel property and commercial properties that was under development as at 31 December 2016. Accordingly, the fair value of the properties as at 31 December 2017 were based on the sales comparison method (1 Jan 2017: residual value method) (see Note (iii) below).

(ii) ***Fair Value Hierarchy***

The fair value information of investment properties are set out as follows:

Group	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2018				
Leasehold properties	**–**	**16,740**	**1,858,405**	**1,875,145**
Freehold properties	**–**	**–**	**1,216,600**	**1,216,600**
	–	**16,740**	**3,075,005**	**3,091,745**
31 December 2017				
Leasehold properties	–	18,750	1,697,344	1,716,094
Freehold properties	–	–	1,107,040	1,107,040
	–	18,750	2,804,384	2,823,134
1 January 2017				
Leasehold properties	–	18,280	1,668,154	1,686,434
Freehold properties	–	–	876,140	876,140
	–	18,280	2,544,294	2,562,574

The fair values of investment properties were determined by external, independent valuers, having the appropriate recognised professional qualifications and recent experience in the locations and categories of the properties being valued. The independent valuers provide the fair values of the Group's investment properties portfolio at least annually.

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(iii) ***Level 3 Fair Value***

The following table shows a reconciliation of the Group's investment properties from the beginning balance to the ending balance for fair value measurements in Level 3 of the fair value hierarchy:

	2018 $'000	2017 $'000
At 1 January	**2,804,384**	2,544,294
Acquisition of subsidiary	**–**	2,277
Additions arising from subsequent expenditure recognised in carrying amount	**9,292**	62,914
Changes in fair value		
– net gain included in 'Gain on revaluation of investment properties'	**251,860**	233,039
Translation differences	**9,469**	(38,140)
At 31 December	**3,075,005**	2,804,384

The following table shows the Group's valuation techniques used in measuring the fair values of investment properties, as well as the significant inputs used.

Valuation Techniques	Key Inputs		Inter-relationship between Key Inputs and Fair Value Measurement
	Singapore	**Hong Kong**	
Sales Comparison Method: The market comparable approach involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties	***Leasehold Properties:*** Prices per square feet ("psf"): $1,900 to $3,900 (2017: $1,800 to $3,900; 1 Jan 2017: $1,800 to $3,500) ***Freehold Properties:*** Prices psf: $2,700 to $12,300 (2017: $2,400 to $12,000; 1 Jan 2017: $2,200 to $6,200) Price per room: $1,300,000 (2017: $1,200,000; 1 Jan 2017: Not applicable)	***Leasehold Properties:*** Prices psf: $5,226 to $6,968 (2017: $4,278 to $5,133; 1 Jan 2017: $4,478 to $5,225) Prices per parking space: $45,292 to $313,560 (2017: $34,220 to $342,200; 1 Jan 2017: Not applicable)	The estimated fair value would increase (decrease) if: • price per square feet was higher (lower); • price per room was higher (lower); or • price per parking space was higher (lower).
Investment Method: The investment approach is based on the income method which takes into consideration the estimated net rent (using the current and projected average rental rates and occupancy), and a capitalisation rate applicable to the nature and type of investment properties in question	***Leasehold Properties:*** Vacancy allowance: 5% (2017: 5%; 1 Jan 2017: 5%) Capitalisation rate: 3.0% (2017: 3.2%; 1 Jan 2017: 3.2%) ***Freehold Properties:*** Vacancy allowance: 5% to 10% (2017: 5% to 20%; 1 Jan 2017: 7%) Capitalisation rate: 3.25% to 3.75% (2017: 3.25% to 6%; 1 Jan 2017: 3.5%)	Not applicable	The estimated fair value would increase (decrease) if: • vacancy allowance was lower (higher); or • capitalisation rate was lower (higher).

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Valuation Techniques	Key Inputs		Inter-relationship between Key Inputs and Fair Value Measurement
	Singapore	**Hong Kong**	
1 Jan 2017			
Residual Value Method: The value of the investment property is arrived at by deducting the estimated cost to complete as of valuation date and other relevant costs from the gross development value of the proposed development assuming satisfactory completion and accounting for developers' profit	***Freehold Properties:*** Gross development value: $693 million Estimated total cost of development: $143 million Cost of works done: $98.3 million	Not applicable	The estimated fair value would increase (decrease) if: • gross development value was higher (lower); or • estimated total cost of development was lower (higher).

9 OTHER ASSETS

Group	2018 $'000	2017 $'000	1 Jan 2017 $'000
Non-current			
Club membership	**217**	175	187

Movements of the club membership are set out as follows:

	2018 $'000	2017 $'000
Cost		
At 1 January	**403**	390
Additions	**–**	20
Exchange translation difference	**2**	(7)
At 31 December	**405**	403
Accumulated Impairment		
At 1 January	**228**	203
Impairment loss recognised	**–**	25
Impairment loss written back	**(40)**	–
At 31 December	**188**	228
Carrying Amount		
At 1 January	**175**	187
At 31 December	**217**	175

During the year, an impairment loss of approximately $40,000 was written back (2017: $25,000 was recognised) based on the recoverable amount of the club membership.

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10 OTHER INVESTMENTS

Group	2018 $'000	2017 $'000	1 Jan 2017 $'000
Non-current			
Equity investments – designated at FVTPL	**700**	–	–
Current			
Quoted debt investments – held-to-maturity	**–**	1,340	–
Debt investments – mandatorily at FVTPL	**715**	–	–
Quoted equity investments – held for trading	**–**	92	84
Unquoted equity investments – held for trading	**–**	349	270
Equity investments – mandatorily at FVTPL	**17,258**	–	–
	17,973	1,781	354

In 2017, quoted debt investments held-to-maturity have stated interest rates of 5.7% and mature within 1 year.

11 DEFERRED TAX ASSETS AND LIABILITIES

Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities		
Group	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Investment properties	**–**	–	–	**(1,446)**	(1,192)	(1,138)
Tax losses carry-forward	**2,117**	1,448	904	**–**	–	–
Deferred tax assets/(liabilities)	**2,117**	1,448	904	**(1,446)**	(1,192)	(1,138)
Set off of tax	**(1,038)**	(803)	(665)	**1,038**	803	665
Net deferred tax assets/(liabilities)	**1,079**	645	239	**(408)**	(389)	(473)

Movement in Deferred Tax Balances

Movements in deferred tax balances of the Group during the year are as follows:

Group	At 1/1/2017 $'000	Recognised in Profit or Loss (Note 26) $'000	Translation Differences $'000	At 31/12/2017 $'000	Recognised in Profit or Loss (Note 26) $'000	Translation Differences $'000	At 31/12/2018 $'000
Investment properties	(1,138)	(154)	100	**(1,192)**	**(229)**	**(25)**	**(1,446)**
Tax losses carry-forward	904	638	(94)	**1,448**	**636**	**33**	**2,117**
	(234)	484	6	**256**	**407**	**8**	**671**

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Unrecognised Deferred Tax Assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

Group	2018 $'000	2017 $'000	1 Jan 2017 $'000
Deductible temporary differences	**11,564**	11,660	11,753
Unutilised tax losses	**128,862**	126,706	129,067
	140,426	138,366	140,820

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The tax losses and deductible temporary differences do not expire under current tax legislation.

12 DEVELOPMENT PROPERTIES

Group	2018 $'000	2017 $'000	1 Jan 2017 $'000
Completed properties	**198,941**	236,482	245,179

During the year, completed development properties for sale of approximately $30,750,000 (2017: $8,697,000) were recognised as an expense and included in 'Cost of sales of development properties'.

Development properties with a carrying amount of approximately $197,701,000 (2017: $235,242,000; 1 Jan 2017: $240,679,000) are mortgaged for credit facilities granted to the Group (see Note 18).

In assessing the net realisable value of the completed property units, management takes into account the recent transaction prices of similar or comparable properties for completed units. Market conditions may, however, change, which may affect the future selling prices on the remaining unsold residential units of the development properties and accordingly, the carrying value of development properties for sale may be subject to adjustments in future periods.

13 TRADE AND OTHER RECEIVABLES

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Trade receivables	**1,236**	1,963	1,722	**–**	–	–
Impairment loss	**(299)**	(85)	(341)	**–**	–	–
	937	1,878	1,381	**–**	–	–
Other receivables	**1,639**	1,172	1,417	**–**	–	–
Deposits	**1,094**	485	465	**6**	5	5
	3,670	3,535	3,263	**6**	5	5
Prepayments and others	**1,275**	5,685	1,413	**23**	24	21
	4,945	9,220	4,676	**29**	29	26

In 2017, included in the trade receivables was an amount due from the hotel operator of approximately $942,000 (1 Jan 2017: $Nil).

In 2017, included in the prepayments was transaction costs of approximately $4,455,000 (1 Jan 2017: $Nil) relating to new loan facilities drawn down in January 2018.

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14 AMOUNTS DUE FROM/TO SUBSIDIARIES

Company	2018 $'000	2017 $'000	1 Jan 2017 $'000
Amounts due from subsidiaries:			
– Interest free	**219,673**	285,109	91,706
– Interest bearing	**166,246**	207,195	178,706
Impairment loss	**(699)**	(699)	(699)
	385,220	491,605	269,713
Amounts due to subsidiaries:			
– Interest free	**262,813**	255,615	21,997

Except as stated below, the amounts due from/to subsidiaries are non-trade in nature, unsecured and repayable on demand.

Interest incurred by the Company on borrowings is charged to the respective subsidiaries based on their utilisation of funds (see Note 32). The effective interest rate is 4.75% (2017: 4.75%; 1 Jan 2017: 4.75%) per annum at reporting date.

15 CASH AND CASH EQUIVALENTS

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Cash at banks and in hand	**9,183**	3,930	4,224	**888**	747	1,936
Deposits	**50,349**	54,256	79,645	**–**	–	–
Cash and cash equivalents	**59,532**	58,186	83,869	**888**	747	1,936
Less: Pledged bank deposits (non-current)	**(9,303)**	(7,550)	(6,499)	**–**	–	–
Cash and cash equivalents (current)	**50,229**	50,636	77,370	**888**	747	1,936
Less: Restricted cash	**(171)**	(11)	–	**–**	–	–
Cash and cash equivalents in the consolidated statement of cash flows	**50,058**	50,625	77,370	**888**	747	1,936

The effective interest rate for the cash at banks and deposits ranged from approximately 0% to 2.71% (2017: 0% to 1.45%; 1 Jan 2017: 0% to 1.36%) per annum. These interest rates reprice within six months of the reporting date.

Pledged bank deposits represent bank balances of certain subsidiaries pledged as security for credit facilities (see Note 18).

16 SHARE CAPITAL

	Group		Company	
	2018 No. of Shares '000	2017 No. of Shares '000	2018 No. of Shares '000	2017 No. of Shares '000
Issued and Fully Paid Ordinary Shares, with no Par Value, excluding Treasury Shares				
At 1 January and 31 December	**693,023**	693,023	**870,612**	870,612

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The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

17 RESERVES

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Capital reserves	**2,284**	2,470	2,472	**–**	–	–
Translation reserves	**(10,923)**	(14,439)	–	**–**	–	–
Retained profit	**1,818,715**	1,636,724	1,465,584	**669,191**	678,654	72,182
	1,810,076	1,624,755	1,468,056	**669,191**	678,654	72,182

Capital reserves comprise the following items:

(a) difference between the fair value of the net assets and the purchase consideration in respect of the subsidiaries acquired prior to 1 January 2001; and

(b) imputed interest on and modification of the bonds issued by a subsidiary and subscribed by non-controlling interests (See Note 18).

The translation reserves comprise foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company and the foreign currency differences on monetary items which form part of the Company's net investment in foreign subsidiaries.

18 LOANS AND BORROWINGS

		Group			Company		
	Note	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Non-current Liabilities							
Singapore dollar secured bank loans	a	**608,058**	448,246	449,960	**–**	–	–
Singapore dollar unsecured fixed rate notes	b	**–**	120,000	220,000	**–**	120,000	220,000
Hong Kong dollar secured bank loans	a	**17,420**	17,110	18,660	**–**	–	–
Hong Kong dollar unsecured bonds	d	**43,028**	42,262	44,038	**–**	–	–
Finance lease liabilities		**–**	3	–	**–**	–	–
Unamortised transaction cost		**(8,285)**	(6,119)	(1,401)	**–**	(195)	(724)
Unamortised imputed interest on unsecured bonds		**(6,230)**	(916)	(1,779)	**–**	–	–
		653,991	620,586	729,478	**–**	119,805	219,276

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		Group			Company		
	Note	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Current Liabilities							
Singapore dollar secured bank loans	a, c	**2,661**	78,140	5,120	**–**	–	–
Singapore dollar unsecured fixed rate notes	b	**120,000**	100,000	–	**120,000**	100,000	–
Hong Kong dollar unsecured bank loan	c	**–**	38	110	**–**	–	–
Finance lease liabilities		**3**	20	–	**–**	–	–
Unamortised transaction cost		**(36)**	(21)	–	**(36)**	(21)	–
		122,628	178,177	5,230	**119,964**	99,979	–
Total loans and borrowings		**776,619**	798,763	734,708	**119,964**	219,784	219,276

(a) Certain loans of the Group are secured by:

(i) mortgages on and assignment of rental income from investment properties with carrying values of approximately $3,075,343,000 as at 31 December 2018 (2017: $2,804,325,000; 1 Jan 2017: $2,547,774,000) (see Note 8);

(ii) mortgages on development properties with carrying values of approximately $197,701,000 as at 31 December 2018 (2017: $235,242,000; 1 Jan 2017: $240,679,000) (see Note 12) and assignment of the rights, titles and interest in the tenancy agreements, sale and purchase agreements and insurances from the development properties;

(iii) guarantees by the Company and/or its subsidiaries (see Note 29); and

(iv) charges over certain of the Group's bank deposits of approximately $9,303,000 (2017: $7,550,000; 1 Jan 2017: $6,499,000) (see Note 15).

(b) The Company has a $600 million Multicurrency Debt Issuance Programme. During the year, the Company has repaid its $100 million, 5 year unsecured fixed rate notes due in January 2018. As at 31 December 2018, the Company has outstanding $120 million, 6 year unsecured fixed rate notes due in March 2019. These fixed rate notes, bearing interest rate of 4.75% per annum payable semi-annually in arrears, are listed on the SGX-ST.

The fixed rate notes have carrying amounts at amortised cost of approximately $119,964,000 (2017: $219,784,000; 1 Jan 2017: $219,276,000) as at 31 December 2018.

(c) Bank loans of approximately $2,661,000 (2017: $4,678,000; 1 Jan 2017: $5,230,000) contain a repayment on demand clause and are therefore classified under current liabilities although they are expected to be repaid in accordance with the scheduled repayment dates.

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(d) As at 31 December 2018, a subsidiary of the Company issued bonds amounting to HK$437,000,000 (approximately $76,125,000) (2017: HK$437,000,000 (approximately $74,771,000); 1 Jan 2017: HK$426,000,000 (approximately $79,492,000)), of which HK$190,000,000 (approximately $33,098,000) (2017: HK$190,000,000 (approximately $32,509,000); 1 Jan 2017: HK$190,000,000 (approximately $35,454,000)) was subscribed by another subsidiary of the Company. The bonds are non-convertible, unsecured, bear a fixed interest rate of 2.75% per annum payable annually in arrears and will mature on 9 March 2019. The subsidiary may redeem whole or part of principal amount and interest at any time prior to the maturity date by giving the holder not less than 10 days' prior written notice.

During the year, the unsecured bonds were modified and the maturity date was extended from 9 March 2019 to 9 March 2021. The fixed interest rate of 2.75% per annum payable annually in arrears for these bonds remain unchanged.

Terms and Debt Repayment Schedule

	Currency	Nominal Interest Rate Per Annum	Year of Maturity	Carrying Amount $'000
Group				
31 December 2018				
Secured bank loans	SGD	1.89% – 3.12%	2022	**511,734**
Secured bank loans	SGD	2.03% – 3.00%	2023	**88,039**
Secured bank loan	SGD	2.25 % – 2.90%	Equal monthly instalments of approximately $40,000 commencing on Oct 2012	**2,661**
Secured bank loans	HKD	2.43% – 3.94%	2021	**17,420**
Unsecured fixed rate notes	SGD	4.75%	2019	**119,964**
Unsecured bonds	HKD	2.75%	2021	**36,798**
Finance lease liabilities	SGD	2.78%	2019	**3**
				776,619
31 December 2017				
Secured bank loans	SGD	1.37% – 2.41%	2022	442,322
Secured bank loans	SGD	2.15% – 3.07%	2018	73,500
Secured bank loan	SGD	1.96% – 2.38%	Equal monthly instalments of approximately $40,000 commencing on Oct 2012	4,640
Secured bank loans	HKD	2.06% – 2.89%	2021	17,110
Unsecured fixed rate notes	SGD	4.75%	2018-2019	219,784
Unsecured bank loan	HKD	5.00%	2018	38
Unsecured bonds	HKD	2.75%	2019	41,346
Finance lease liabilities	SGD	2.78%	2019	23
				798,763
1 January 2017				
Secured bank loans	SGD	1.42% – 2.79%	2019	393,960
Secured bank loan	SGD	2.32% – 2.86%	2018	55,323
Secured bank loan	SGD	1.87% – 2.38%	Equal monthly instalments of approximately $40,000 commencing on Oct 2012	5,120
Secured bank loans	HKD	1.91% – 2.45%	2020	18,660
Unsecured fixed rate notes	SGD	4.75%	2018-2019	219,276
Unsecured bank loan	HKD	5.00%	2018	110
Unsecured bonds	HKD	2.75%	2019	42,259
				734,708

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	Currency	Nominal Interest Rate Per Annum	Year of Maturity	Carrying Amount $'000
Company				
31 December 2018				
Unsecured fixed rate notes	SGD	4.75%	2019	**119,964**
31 December 2017				
Unsecured fixed rate notes	SGD	4.75%	2018-2019	219,784
1 January 2017				
Unsecured fixed rate notes	SGD	4.75%	2018-2019	219,276

Finance Lease Liabilities

Finance lease liabilities are repayable as follows:

Group	Principal $'000	Interest $'000	Payments $'000
31 December 2018			
Within one year	**3**	**#**	**3**
31 December 2017			
Within one year	20	1	21
After 1 year but within 5 years	3	#	3
	23	1	24

Amount less than $1,000

The finance lease is secured by the motor vehicle (see Note 4).

Reconciliation of Movements of (Assets)/Liabilities to Cash Flows Arising from Financing Activities

	Assets		Liabilities					
	Prepayment $'000	Pledged Bank Deposits $'000	Interest Payables $'000	Bank Loans $'000	Fixed Rate Notes $'000	Bonds $'000	Finance Lease Liabilities $'000	Total $'000
At 1 January 2017	–	(6,499)	4,690	473,173	219,276	42,259	–	732,899
Changes from financing cash flows								
Increase in pledged bank deposits	–	(1,338)	–	–	–	–	–	(1,338)
Interest paid	–	–	–	(10,471)	(10,450)	(1,176)	(1)	(22,098)
Payment of finance lease liabilities	–	–	–	–	–	–	(17)	(17)
Payment of transaction costs on loans and borrowings	(4,455)	–	–	(7,140)	–	–	–	(11,595)
Repayments of loans and borrowings	–	–	–	(304,356)	–	–	–	(304,356)
Proceeds from loans and borrowings	–	–	–	375,600	–	1,882	–	377,482
Total changes from financing cash flows	(4,455)	(1,338)	–	53,633	(10,450)	706	(18)	38,078

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	Assets		Liabilities					
	Prepayment $'000	Pledged Bank Deposits $'000	Interest Payables $'000	Bank Loans $'000	Fixed Rate Notes $'000	Bonds $'000	Finance Lease Liabilities $'000	Total $'000
The effect of changes in foreign exchange rates	–	287	(78)	(1,560)	–	(3,455)	–	(4,806)
Other changes								
New finance leases	–	–	–	–	–	–	40	40
Interest expense capitalised	–	–	–	617	–	–	–	617
Imputed interest on the bonds issued by a subsidiary	–	–	–	–	–	(16)	–	(16)
Increase in interest payables	–	–	192	(116)	–	(76)	–	–
Finance expense	–	–	–	11,863	10,958	1,928	1	24,750
Total other changes	–	–	192	12,364	10,958	1,836	41	25,391
At 31 December 2017	(4,455)	(7,550)	4,804	537,610	219,784	41,346	23	791,562
At 1 January 2018	**(4,455)**	**(7,550)**	**4,804**	**537,610**	**219,784**	**41,346**	**23**	**791,562**
Changes from financing cash flows								
Increase in pledged bank deposits	**–**	**(1,672)**	**–**	**–**	**–**	**–**	**–**	**(1,672)**
Interest paid	**–**	**–**	**–**	**(16,610)**	**(8,095)**	**(1,138)**	**(1)**	**(25,844)**
Payment of finance lease liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**(20)**	**(20)**
Payment of transaction costs on loans and borrowings	**–**	**–**	**–**	**(180)**	**–**	**–**	**–**	**(180)**
Repayments of loans and borrowings	**–**	**–**	**–**	**(103,906)**	**(100,000)**	**–**	**–**	**(203,906)**
Proceeds from loans and borrowings	**–**	**–**	**–**	**188,200**	**–**	**–**	**–**	**188,200**
Total changes from financing cash flows	**–**	**(1,672)**	**–**	**67,504**	**(108,095)**	**(1,138)**	**(21)**	**(43,422)**
The effect of changes in foreign exchange rates	**–**	**(81)**	**17**	**311**	**–**	**758**	**–**	**1,005**
Other changes								
Reclassification of prepaid transaction costs	**4,455**	**–**	**–**	**(4,455)**	**–**	**–**	**–**	**–**
Modification of bonds issued by a subsidiary	**–**	**–**	**–**	**–**	**–**	**(7,454)**	**–**	**(7,454)**
Decrease in interest payables	**–**	**–**	**(2,125)**	**44**	**2,095**	**(14)**	**–**	**–**
Finance expense	**–**	**–**	**–**	**18,840**	**6,180**	**3,300**	**1**	**28,321**
Total other changes	**4,455**	**–**	**(2,125)**	**14,429**	**8,275**	**(4,168)**	**1**	**20,867**
At 31 December 2018	**–**	**(9,303)**	**2,696**	**619,854**	**119,964**	**36,798**	**3**	**770,012**

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19 TRADE AND OTHER PAYABLES

	Note	Group			Company		
		2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Non-current							
Trade payables		**126**	–	2,091	**–**	–	–
Provision for other long-term employee benefits	20	**11,629**	11,685	11,730	**–**	–	–
		11,755	11,685	13,821	**–**	–	–
Current							
Trade payables		**7,428**	10,514	15,145	**–**	–	–
Accrued operating expenses		**8,139**	9,044	9,168	**1,893**	3,948	3,894
Accrued development expenditure		**8,741**	18,456	15,575	**–**	–	–
Provision for bonus		**9,067**	9,126	6,512	**–**	–	–
Deferred consideration received in advance		**–**	–	9,000	**–**	–	–
Tenancy and other deposits		**14,314**	14,017	15,184	**–**	–	–
Unclaimed dividends		**847**	601	544	**847**	601	544
Other payables		**3,401**	3,441	3,340	**1**	198	200
		51,937	65,199	74,468	**2,741**	4,747	4,638
Other liabilities		**1,379**	–	–	**–**	–	–
		53,316	65,199	74,468	**2,741**	4,747	4,638

Trade payables include retention sum of approximately $3,775,000 (2017: $8,009,000; 1 Jan 2017: $7,340,000) relating to development of properties.

Other liabilities comprises deposits received from customers.

Deferred Consideration Received in Advance

On 6 June 2014, the Group, through its subsidiary, Hammerman Assets Limited ("HAL"), entered into a sale and purchase agreement with an independent third party to dispose of 100% equity interests in Wellpool International Limited. Included in the transaction is a deferred consideration received in advance, which relates to the estimated tax exposure on the gain on disposal of the subsidiaries, which the Group may be subjected to in accordance with the terms in the sale and purchase agreement.

In 2017, the Group disposed 100% equity interest in HAL and the deferred consideration received in advance was derecognised based on the terms and conditions set out in the sale and purchase agreement for the disposal of subsidiaries where the buyer does not have any recourse and rights to claw back any tax from the Group (see Note 36).

20 OTHER LONG-TERM EMPLOYEE BENEFITS

Group	Note	2018 $'000	2017 $'000	1 Jan 2017 $'000
Liability for other long-term employee benefits	19	**11,629**	11,685	11,730

The Group's net obligation in respect of other long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods.

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Movements in the net obligation recognised in the statement of financial position during the year are as follows:

Group	Note	2018 $'000	2017 $'000
Present value of obligation:			
At 1 January		**11,685**	11,730
Provision made/(Provision written back), net	23	**93**	(43)
Benefits paid		**(149)**	(2)
At 31 December		**11,629**	11,685

The interest rate used to discount estimated cash flows at the reporting date is 1.9% to 2.5% (2017: 1.6% to 2.4%) per annum.

The weighted average number of service years provided by the employees at the end of the reporting period is approximately 18.2 years (2017: 18.2 years).

21 REVENUE

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Gross dividend income from:					
– subsidiary		**–**	–	**–**	620,100
– investments		**33**	2	**–**	–
Gross rental income from					
– investment properties		**57,186**	41,086	**–**	–
– development properties		**4,602**	5,151	**–**	–
Maintenance fee, hiring charges from					
– investment properties		**7,797**	7,220	**–**	–
– development properties		**2,409**	3,223	**–**	–
Revenue from contracts with customers	(i)	**59,094**	13,293	**–**	–
Gain on disposal of other investments		**6**	–	**–**	–
		131,127	69,975	**–**	620,100

(i) Disaggregation of Revenue from Contracts with Customers

Group	Reportable Segments: Property Investment $'000	Reportable Segments: Property Development and Construction $'000	Reportable Segments: Property Management $'000	Total $'000
2018				
Major Product or Service Lines				
Sale of completed development properties	**–**	**56,775**	**–**	**56,775**
Property management income	**–**	**–**	**1,911**	**1,911**
Car park income	**396**	**–**	**–**	**396**
Others	**–**	**12**	**–**	**12**
	396	**56,787**	**1,911**	**59,094**
Timing of Revenue Recognition				
Products transferred at a point in time	**396**	**56,787**	**479**	**57,662**
Products and services transferred over time	**–**	**–**	**1,432**	**1,432**
	396	**56,787**	**1,911**	**59,094**

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Group	Reportable Segments Property Investment $'000	Property Development and Construction $'000	Property Management $'000	Total $'000
2017				
Major Product or Service Lines				
Sale of completed development properties	–	11,128	–	11,128
Property management income	–	–	2,086	2,086
Car park income	79	–	–	79
	79	11,128	2,086	13,293
Timing of Revenue Recognition				
Products transferred at a point in time	79	11,128	284	11,491
Products and services transferred over time	–	–	1,802	1,802
	79	11,128	2,086	13,293

(ii) **Contract Balance**

The following table provides information about trade receivables and contract liabilities from contracts with customers.

Group	2018 $'000	2017 $'000	1 Jan 2017 $'000
Trade receivables	**238**	154	231
Contract liabilities	**(27)**	(194)	(46)
	211	(40)	185

Contract liabilities relate primarily to advance consideration received from customers.

The contract liabilities are recognised as revenue when the Group fulfils its performance obligation under the contract with the customer. The significant changes in the contract liabilities during the year are as follows:

Group	2018 $'000	2017 $'000
Revenue recognised that was included in contract liabilities at the beginning of the year	**(194)**	(46)
Increases due to cash received, excluding amounts recognised as revenue during the year	**27**	194
	(167)	148

22 OTHER INCOME

Group	2018 $'000	2017 $'000
Compensation/Forfeiture income	**81**	4
Gain on disposal of property, plant and equipment	**–**	10
Attendance and processing fees	**60**	64
Government grants/schemes	**48**	136
License fees and other charges	**6**	78
Others	**92**	130
	287	422

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23 EMPLOYEE BENEFIT EXPENSES

Group	Note	2018 $'000	2017 $'000
Salaries and wages#		**21,834**	22,693
Contributions to defined contribution plans#		**950**	1,235
Other long-term employee benefits	20	**93**	(43)
Others		**1,767**	1,724
		24,644	25,609
Employee benefit expenses capitalised in investment properties#		**(1,637)**	(3,042)
		23,007	22,567

Includes employee benefit expenses of approximately $569,000 (2017: $36,000) utilised from accrued development expenses during the year.

24 NET FINANCE EXPENSE

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Interest income on:					
– late payments		**84**	96	**–**	–
– cash and cash equivalents		**1,424**	469	**1**	1
Finance income		**1,508**	565	**1**	1
Interest expense on:					
– bank loans, fixed rate notes and unsecured bonds		**23,734**	22,212	**80**	1,112
– finance lease liabilities		**1**	1	**–**	–
Amortisation of transaction costs previously capitalised		**2,455**	2,401	**181**	508
Amortisation of imputed interest on unsecured bonds		**2,131**	753	**–**	–
		28,321	25,367	**261**	1,620
Interest expense capitalised in investment properties under development	8	**–**	(617)	**–**	–
Finance expense		**28,321**	24,750	**261**	1,620
Net finance expense recognised in profit or loss		**(26,813)**	(24,185)	**(260)**	(1,619)

25 PROFIT/(LOSS) BEFORE TAX

The following items have been included in arriving at profit/(loss) before tax:

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Audit fees paid to:					
– Auditors of the Company		**281**	277	**153**	162
– Other auditors		**141**	147	**–**	–
Non-audit fees paid to:					
– Auditors of the Company		**70**	83	**21**	25
– Other auditors		**64**	59	**61**	56
Bad debts written off/(recovered), net		**#**	(80)	**–**	–
Changes in fair value of other investments at fair value through profit or loss		**3,472**	(93)	**–**	–
Direct operating expenses arising from investment properties:					
– that generated rental income		**14,626**	16,254	**–**	–
– that did not generate rental income		**231**	288	**–**	–
Directors' fees		**321**	358	**268**	257

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	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Exchange (gain)/loss, net		**(643)**	(181)	**(451)**	2,256
Impairment loss/(Impairment loss written back) on trade receivables, net		**214**	(32)	**–**	–
(Impairment loss written back)/Impairment loss on other assets	9	**(40)**	25	**–**	–
Loss/(Gain) on disposal of property, plant and equipment		**56**	(10)	**–**	–
Gain on disposal of investment properties		**(76)**	–	**–**	–
Gain on disposal of other investments		**(6)**	–	**–**	–

\# *Amount less than $1,000*

26 TAX EXPENSE

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Current Tax Expense					
Current year		**5,071**	4,956	**–**	–
Adjustments in prior years		**(13)**	(23)	**–**	–
		5,058	4,933	**–**	–
Deferred Tax Expense					
Current year	11	**(407)**	(484)	**–**	–
		4,651	4,449	**–**	–
Reconciliation of Effective Tax Rate					
Profit/(Loss) before tax		**273,606**	227,767	**(757)**	615,178
Tax using the Singapore tax rate at 17% (2017: 17%)		**46,513**	38,720	**(129)**	104,580
Effect of tax rates in foreign jurisdictions		**(456)**	(130)	**–**	–
Tax exempt income		**(43,986)**	(39,715)	**(77)**	(105,417)
Non-deductible expenses		**2,633**	5,405	**206**	837
Deferred tax assets not recognised		**1,070**	584	**–**	–
Tax incentives		**(48)**	(132)	**–**	–
Utilisation of previously unrecognised tax losses		**(1,057)**	(281)	**–**	–
Adjustments in prior years		**(13)**	(23)	**–**	–
Others		**(5)**	21	**–**	–
		4,651	4,449	**–**	–

27 DIVIDEND

A first and final tax exempt (one-tier) dividend in respect of the previous financial year was paid by the Company and the Group as follows:

	2018 $'000	2017 $'000
Company		
Paid to Owners of the Company		
First and final dividend of 1.0 cent (2017: 1.0 cent) per ordinary share	**8,706**	8,706
Group		
Paid to Owners of the Company	**8,706**	8,706
Dividend paid to subsidiary	**(1,776)**	(1,776)
	6,930	6,930

Subsequent to the reporting date, the following tax exempt (one-tier) dividend was proposed by the Directors. This exempt (one-tier) dividend based on the number of ordinary shares (excluding treasury shares) as at 31 December 2018 has not been provided for:

Company	2018 $'000	2017 $'000
First and final dividend of 1.0 cent and special dividend of 0.3 cent (2017: first and final dividend of 1.0 cent) per ordinary share	**11,318**	8,706

28 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 31 December 2018 was based on the consolidated profit attributable to ordinary shareholders of approximately $188,921,000 (2017: 178,070,000); and the weighted average number of ordinary shares outstanding of approximately 693,023,000 (2017: 693,023,000), calculated as follows:

Weighted Average Number of Ordinary Shares

Group	Note	2018 '000	2017 '000
Issued ordinary shares at 1 January		**870,612**	870,612
Effect of ordinary shares held by an investee		**(177,589)**	(177,589)
Weighted average number of ordinary shares during the year	16	**693,023**	693,023

The weighted average number of ordinary shares detailed above is used for both the basic and diluted earnings per share as there are no dilutive potential ordinary shares.

29 FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Management Committee.

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Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's other investments, trade and other receivables and cash and cash equivalents.

The carrying amounts of financial assets represent the Group's and the Company's maximum exposures to credit risk, before taking into account any collateral held.

Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries.

Intra-group financial guarantees comprise guarantees given by the Company to financial institutions in respect of credit facilities granted to subsidiaries. The maximum exposure of the Company is approximately $1,197,508,000 (2017: $1,095,896,000; 1 Jan 2017: $969,710,000). At the end of reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantees. The periods in which the financial guarantees expire are as follows:

Company	2018 $'000	2017 $'000	1 Jan 2017 $'000
Within 1 year	**5,750**	370,750	5,750
After 1 year but within 5 years	**1,191,758**	725,146	963,960
	1,197,508	1,095,896	969,710

Trade and Other Receivables

Risk management policy

Concentration of credit risk relating to trade and other receivables is limited due to the Group's many varied customers. These customers are individuals and corporations, both local and multinational with different business activities. The Group's historical experience in the collection of trade receivables falls within the recorded allowances. Rental deposits and bankers' guarantees are received for the Group's lease arrangements as lessor to reduce credit risk.

Due to these factors, management believes that no additional credit risk beyond amounts provided for impairment loss is inherent in the Group's trade receivables.

Exposure to credit risk

A summary of the exposures to credit risk for trade receivables is as follows:

	2018		2017
Group	Not Credit Impaired $'000	Credit Impaired $'000	$'000
Not past due	**61**	**–**	37
Within 1 month	**296**	**75**	1,305
1 month to 3 months	**161**	**–**	152
3 months to 12 months	**–**	**341**	89
More than 12 months	**–**	**302**	380
Total gross carrying amount	**518**	**718**	1,963
Loss allowance	**–**	**(299)**	(85)
	518	**419**	1,878

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Comparative information under FRS 39

The ageing of trade receivables at the reporting date was:

Group	Total $'000	Neither Past Due Nor Impaired $'000	Past Due but Not Impaired $'000	Individually Impaired $'000
31 December 2017				
Within 1 month	1,342	37	1,305	–
1 month to 3 months	152	–	152	–
3 months to 12 months	89	–	89	–
More than 12 months	380	–	295	85
	1,963	37	1,841	85
1 January 2017				
Within 1 month	402	50	350	2
1 month to 3 months	174	–	172	2
3 months to 12 months	202	–	152	50
More than 12 months	944	–	657	287
	1,722	50	1,331	341

Expected credit loss assessment as at 1 January and 31 December 2018

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual, customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

Movements in allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Group	Impairment $'000
At 1 January 2017 per FRS 39	341
Impairment loss written back	(32)
Impairment loss written off	(224)
At 31 December 2017 per FRS 39	85

Group	Lifetime ECL $'000
At 1 January 2018 per SFRS(I) 9#	**85**
Impairment loss recognised	**234**
Impairment loss written back	**(20)**
At 31 December 2018 per SFRS(I) 9	**299**

The Group considered the impact to the allowance for impairment in respect of trade receivables upon the adoption of SFRS(I) 9 as at 1 January 2018 to be negligible.

Other Receivables

The Group and Company assess on a forward-looking basis the expected credit losses associated with other receivables, excluding prepayment. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and Company consider the amount of the allowance on other receivables to be negligible.

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Cash and Cash Equivalents

The Group and the Company held cash and cash equivalents of approximately $50,229,000 and $888,000 respectively at 31 December 2018 (2017: $50,636,000 and $747,000; 1 Jan 2017: $77,370,000 and $1,936,000 respectively), and these figures represent the maximum credit exposures on these assets. The cash and cash equivalents are held with regulated financial institutions.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

Non-trade Amounts Due from Subsidiaries

The Company held non-trade receivables from its subsidiaries of approximately $1,020,743,000 (2017: $1,124,975,000, 1 Jan 2017: $303,082,000) as follows:

		2018		2017
		Not Credit	**Credit**	
	Note	**Impaired**	**Impaired**	
Company		**$'000**	**$'000**	**$'000**
Amounts due from subsidiaries (non-current)	5	**626,571**	**8,253**	632,671
Amounts due from subsidiaries (current)				
– Interest free	14	**218,915**	**758**	285,109
– Interest bearing	14	**166,246**	**–**	207,195
Total gross carrying amount		**1,011,732**	**9,011**	1,124,975
Loss allowance		**(68)**	**(8,950)**	(9,018)
		1,011,664	**61**	1,115,957

In assessing whether the amounts due from subsidiaries are credit impaired, the Company considered the financial positions, financial performance and operations of the subsidiaries.

Movements in allowance for impairment in respect of amounts due from subsidiaries

The movement in the allowance for impairment in respect of amounts due from subsidiaries during the year was as follows:

Company	**Impairment $'000**
At 1 January 2017 and 31 December 2017 per FRS 39	9,018

Company	**12-month ECL $'000**	**Lifetime ECL $'000**
At 1 January 2018 and 31 December 2018 per SFRS(I) 9	**68**	**8,950**

Liquidity risk

Risk Management Policy

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

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Exposure to Liquidity Risk

The following are the expected contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements:

	Carrying Amount $'000	Contractual Cash Outflows $'000	Cash Outflows: Within 1 Year $'000	Cash Outflows: After 1 Year but Within 5 Years $'000	Cash Outflows: After 5 Years $'000
Group					
31 December 2018					
Non-derivative Financial Liabilities					
Loans and borrowings	**776,619**	**(857,717)**	**(144,503)**	**(713,214)**	**–**
Trade and other payables*	**50,998**	**(50,998)**	**(43,023)**	**(7,975)**	**–**
	827,617	**(908,715)**	**(187,526)**	**(721,189)**	**–**
31 December 2017					
Non-derivative Financial Liabilities					
Loans and borrowings	798,763	(859,739)	(196,430)	(663,309)	–
Trade and other payables*	64,615	(64,615)	(55,577)	(8,897)	(141)
	863,378	(924,354)	(252,007)	(672,206)	(141)
1 January 2017					
Non-derivative Financial Liabilities					
Loans and borrowings	734,708	(777,881)	(24,820)	(753,061)	–
Trade and other payables*	76,071	(76,071)	(65,729)	(10,059)	(283)
	810,779	(853,952)	(90,549)	(763,120)	(283)
Company					
31 December 2018					
Non-derivative Financial Liabilities					
Loans and borrowings	**119,964**	**(121,250)**	**(121,250)**	**–**	**–**
Trade and other payables	**2,741**	**(2,741)**	**(2,741)**	**–**	**–**
Amounts due to subsidiaries	**262,813**	**(262,813)**	**(262,813)**	**–**	**–**
Recognised financial liabilities	**385,518**	**(386,804)**	**(386,804)**	**–**	**–**
Financial guarantees	**–**	**(608,281)**	**(608,281)**	**–**	**–**
	385,518	**(995,085)**	**(995,085)**	**–**	**–**
31 December 2017					
Non-derivative Financial Liabilities					
Loans and borrowings	219,784	(227,249)	(105,999)	(121,250)	–
Trade and other payables	4,747	(4,747)	(4,747)	–	–
Amounts due to subsidiaries	255,615	(255,615)	(255,615)	–	–
Recognised financial liabilities	480,146	(487,611)	(366,361)	(121,250)	–
Financial guarantees	–	(521,969)	(521,969)	–	–
	480,146	(1,009,580)	(888,330)	(121,250)	–
1 January 2017					
Non-derivative Financial Liabilities					
Loans and borrowings	219,276	(237,699)	(10,450)	(227,249)	–
Trade and other payables	4,638	(4,638)	(4,638)	–	–
Amounts due to subsidiaries	21,997	(21,997)	(21,997)	–	–
Recognised financial liabilities	245,911	(264,334)	(37,085)	(227,249)	–
Financial guarantees	–	(450,116)	(450,116)	–	–
	245,911	(714,450)	(487,201)	(227,249)	–

* *Exclude provision for other long-term employee benefits, Goods and Services Tax payables and other liabilities.*

The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

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Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Risk Management Policy

The Group's and the Company's exposure to changes in interest rates relates primarily to loans and borrowings, deposits placed with financial institutions and amounts due from subsidiaries. Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which interest income and expense could be impacted from an adverse movement in interest rates.

Exposure to Interest Rate Risk

At the reporting date, the interest rate profile of the Group's and the Company's interest bearing financial instruments, was as follows:

	Group			Company		
			1 Jan			1 Jan
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Fixed Rate Instruments						
Quoted debt investments, held-to-maturity	**–**	1,340	–	**–**	–	–
Amounts due from subsidiaries	**–**	–	–	**166,246**	207,195	178,706
Loans and borrowings	**(163,031)**	(262,323)	(264,148)	**(120,000)**	(220,000)	(220,000)
	(163,031)	(260,983)	(264,148)	**46,246**	(12,805)	(41,294)
Variable Rate Instruments						
Deposits	**50,349**	54,256	79,645	**–**	–	–
Loans and borrowings	**(628,139)**	(543,496)	(473,740)	**–**	–	–
	(577,790)	(489,240)	(394,095)	**–**	–	–

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Group and the Company do not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect the profit or loss.

Cash Flow Sensitivity Analysis for Variable Rate Instruments

An increase/decrease of 100 basis points in interest rates on loans and borrowings, would decrease/increase the Group's profit before tax for 2018 by approximately $5,835,000 (2017: $5,095,000; 1 Jan 2017: $4,573,000). There is no effect to equity. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017 and as at 1 January 2017.

Foreign currency risk

As at the reporting date, the Group is exposed to foreign currency risk on the short term deposits and investments that are denominated in Great British Pound ("GBP"), United States Dollar ("USD") and Hong Kong Dollar ("HKD").

The Company is exposed to foreign currency risk on amounts due from subsidiaries and associates (mainly non-trade) that are denominated in HKD.

Exposure to currency risk is monitored on an ongoing basis and the Group and the Company endeavour to keep the net exposure at an acceptable level.

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Exposure to Foreign Currency Risk

The summary of quantitative data about the Group's and Company's exposure to foreign currency risk as reported to the management of the Group is as follows:

Group	2018 GBP $'000	2018 USD $'000	2018 HKD $'000	2017 USD $'000	1 Jan 2017 USD $'000
Equity investments – designated at FVTPL	**700**	**–**	**–**	–	–
Quoted debt investments – held-to-maturity	**–**	**–**	**–**	1,340	–
Debt investments – mandatorily at FVTPL	**–**	**715**	**–**	–	–
Equity investments – mandatorily at FVTPL	**–**	**–**	**16,004**	–	–
Deposits	**–**	**21,614**	**–**	20,933	22,358
	700	**22,329**	**16,004**	22,273	22,358

Company	2018 HKD $'000	2017 HKD $'000	1 Jan 2017 HKD $'000
Amounts due from subsidiaries	**25,273**	24,903	27,163

Sensitivity Analysis – Foreign Currency Risk

A reasonably possible strengthening (weakening) of the Singapore dollar, as indicated below, against the GBP, USD and HKD at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

	Group Profit or Loss $'000	Group Equity $'000	Company Profit or Loss $'000	Company Equity $'000
2018				
GBP (10% strengthening)	**(70)**	**–**	**–**	**–**
USD (10% strengthening)	**(2,233)**	**–**	**–**	**–**
HKD (10% strengthening)	**(1,600)**	**–**	**(2,527)**	**–**
GBP (10% weakening)	**70**	**–**	**–**	**–**
USD (10% weakening)	**2,233**	**–**	**–**	**–**
HKD (10% weakening)	**1,600**	**–**	**2,527**	**–**
2017				
USD (10% strengthening)	(2,093)	–	–	–
HKD (10% strengthening)	–	–	(2,490)	–
USD (10% weakening)	2,093	–	–	–
HKD (10% weakening)	–	–	2,490	–

Equity Price Risk

The Group has investments in quoted equity and debt investments and is exposed to equity price risk. These investments are listed on the SGX-ST and The Stock Exchange of Hong Kong Limited.

For such investments classified as FVTPL, the impact of a 2% increase in the Straits Times Index and the Hang Seng Index at the reporting date on profit or loss of the Group would have been an increase of $335,000 (2017: $2,000) before tax. An equal change in the opposite direction would have decreased profit or loss of the Group by $335,000 (2017: $2,000) before tax.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

30 FAIR VALUE OF ASSETS AND LIABILITIES

Accounting Classification and Fair Values

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

Group	Note	Carrying Amount Mandatorily at FVTPL $'000	Designated at FVTPL $'000	Amortised Cost $'000	Total $'000	Fair Value Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2018									
Financial Assets Measured at Fair Value									
Equity investments – designated at FVTPL	10	–	700	–	700	–	–	700	700
Debt investments – mandatorily at FVTPL	10	715	–	–	715	715	–	–	715
Equity investments – mandatorily at FVTPL	10	17,258	–	–	17,258	16,040	1,218	–	17,258
		17,973	700	–	18,673				
Financial Assets Not Measured at Fair Value									
Trade and other receivables#	13	–	–	3,670	3,670				
Cash and cash equivalents	15	–	–	50,229	50,229				
		–	–	53,899	53,899				
Financial Liabilities Not Measured at Fair Value									
Loans and borrowings	18	–	–	(776,619)	(776,619)	–	(806,646)	–	(806,646)
Trade and other payables*	19	–	–	(50,998)	(50,998)				
		–	–	(827,617)	(827,617)				

Group	Note	Carrying Amount Loans and Receivables $'000	Held-to-Maturity $'000	Held for Trading $'000	Other Financial Liabilities $'000	Total $'000	Fair Value Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2017										
Financial Assets Measured at Fair Value										
Quoted equity investments, held for trading	10	–	–	92	–	92	92	–	–	92
Unquoted equity investments, held for trading	10	–	–	349	–	349	–	349	–	349
		–	–	441	–	441				
Financial Assets Not Measured at Fair Value										
Quoted debt investments, held-to-maturity	10	–	1,340	–	–	1,340	1,340	–	–	1,340
Trade and other receivables#	13	3,535	–	–	–	3,535				
Cash and cash equivalents	15	50,636	–	–	–	50,636				
		54,171	1,340	–	–	55,511				

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Group	Note	Carrying Amount Loans and Receivables $'000	Carrying Amount Held-to-Maturity $'000	Carrying Amount Held for Trading $'000	Carrying Amount Other Financial Liabilities $'000	Carrying Amount Total $'000	Fair Value Level 1 $'000	Fair Value Level 2 $'000	Fair Value Level 3 $'000	Fair Value Total $'000
Financial Liabilities Not Measured at Fair Value										
Loans and borrowings	18	–	–	–	(798,763)	(798,763)	–	(814,275)	–	(814,275)
Trade and other payables*	19	–	–	–	(64,615)	(64,615)				
		–	–	–	(863,378)	(863,378)				

Group	Note	Carrying Amount Loans and Receivables $'000	Carrying Amount Held for Trading $'000	Carrying Amount Other Financial Liabilities $'000	Carrying Amount Total $'000	Fair Value Level 1 $'000	Fair Value Level 2 $'000	Fair Value Level 3 $'000	Fair Value Total $'000
1 January 2017									
Financial Assets Measured at Fair Value									
Quoted equity investments, held for trading	10	–	84	–	84	84	–	–	84
Unquoted equity investments, held for trading	10	–	270	–	270	–	270	–	270
		–	354	–	354				
Financial Assets Not Measured at Fair Value									
Trade and other receivables#	13	3,263	–	–	3,263				
Cash and cash equivalents	15	77,370	–	–	77,370				
		80,633	–	–	80,633				
Financial Liabilities Not Measured at Fair Value									
Loans and borrowings	18	–	–	(734,708)	(734,708)	–	(751,554)	–	(751,554)
Trade and other payables*	19	–	–	(76,071)	(76,071)				
		–	–	(810,779)	(810,779)				

\# *Exclude prepayments and others.*
* *Exclude provision for other long-term employee benefits, Goods and Services Tax payables and other liabilities.*

Company	Note	Carrying Amount Amortised Cost $'000	Carrying Amount Total $'000	Fair Value Level 1 $'000	Fair Value Level 2 $'000	Fair Value Level 3 $'000	Fair Value Total $'000
31 December 2018							
Financial Assets Not Measured at Fair Value							
Trade and other receivables#	13	**6**	**6**				
Amounts due from subsidiaries (non-current)	5	**626,505**	**626,505**				
Amounts due from subsidiaries (current)	14	**385,220**	**385,220**				
Cash and cash equivalents	15	**888**	**888**				
		1,012,619	**1,012,619**				
Financial Liabilities Not Measured at Fair Value							
Amounts due to subsidiaries	14	**(262,813)**	**(262,813)**				
Loans and borrowings	18	**(119,964)**	**(119,964)**	**–**	**(121,250)**	**–**	**(121,250)**
Trade and other payables	19	**(2,741)**	**(2,741)**				
		(385,518)	**(385,518)**				

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Company	Note	Carrying Amount: Loans And Receivables $'000	Carrying Amount: Other Financial Liabilities $'000	Carrying Amount: Total $'000	Fair Value: Level 1 $'000	Fair Value: Level 2 $'000	Fair Value: Level 3 $'000	Fair Value: Total $'000
31 December 2017								
Financial Assets Not Measured at Fair Value								
Trade and other receivables#	13	5	–	5				
Amounts due from subsidiaries	14	491,605	–	491,605				
Cash and cash equivalents	15	747	–	747				
		492,357	–	492,357				
Financial Liabilities Not Measured at Fair Value								
Amounts due to subsidiaries	14	–	(255,615)	(255,615)				
Loans and borrowings	18	–	(219,784)	(219,784)	–	(223,363)	–	(223,363)
Trade and other payables	19	–	(4,747)	(4,747)				
		–	(480,146)	(480,146)				
1 January 2017								
Financial Assets Not Measured at Fair Value								
Trade and other receivables#	13	5	–	5				
Amounts due from subsidiaries	14	269,713	–	269,713				
Cash and cash equivalents	15	1,936	–	1,936				
		271,654	–	271,654				
Financial Liabilities Not Measured at Fair Value								
Amounts due to subsidiaries	14	–	(21,997)	(21,997)				
Loans and borrowings	18	–	(219,276)	(219,276)	–	(230,497)	–	(230,497)
Trade and other payables	19	–	(4,638)	(4,638)				
		–	(245,911)	(245,911)				

Exclude prepayments and others.

Valuation Techniques and Significant Inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant inputs used.

Financial instruments measured at fair value

Type	Valuation Techniques	Significant Inputs	Inter-relationship between Key Inputs and Fair Value Measurement
Group			
Equity investments – mandatorily at FVTPL	***Market Comparison Technique:*** The fair value is calculated using the net asset value of the investee entity, where the net assets comprise mainly of marketable securities traded in active markets.	Not applicable	Not applicable

NOTES TO THE FINANCIAL STATEMENTS

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Financial instruments not measured at fair value

Type	Valuation Techniques
Group and Company	
Other financial liabilities *	***Discounted Cash Flows:*** The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.

* *Other financial liabilities include loans and borrowings and trade and other payables.*

Transfer between Level 1 and 2

There were no transfer between Level 1 and 2 in 2018 and 2017.

Level 3 Fair Values

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair values:

	Equity Investments – Designated at FVTPL $'000
At 1 January 2018	–
Purchases	**700**
At 31 December 2018	**700**

31 CAPITAL MANAGEMENT

The Group's primary objective in capital management is to maintain a strong capital base so as to maintain investor, creditor and market confidence, to continue to maintain the future development and growth of the business.

The Group monitors capital using a net debt equity ratio, which is adjusted net debt divided by total equity. For this purpose, adjusted net debt is defined as total loans and borrowings less cash and cash equivalents. Total equity includes equity attributable to equity holders of the Company.

The Group also monitors capital using a net debt to equity ratio, which is defined as net debt divided by total equity.

	2018 $'000	**2017 $'000**	**1 Jan 2017 $'000**
Gross loans and borrowings	**791,170**	805,819	737,888
Pledged bank deposits	**(9,303)**	(7,550)	(6,499)
Cash and cash equivalents	**(50,229)**	(50,636)	(77,370)
Net debt	**731,638**	747,633	654,019
Total equity	**2,528,465**	2,249,766	2,072,370
Net debt to equity ratio	**0.29**	0.33	0.32

The Company seeks shareholders' approval annually to renew its share purchase mandate which authorises the Directors of the Company to make purchases of the Company's shares on the market subject to terms and conditions stated in the share purchase mandate. There were no changes in the Group's approach to capital management during the financial year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

32 RELATED PARTIES

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

	2018 $'000	2017 $'000
Group		
Rental income and management fee from key management personnel	**467**	480
Contract services provided to key management personnel	**197**	103
Company		
Interest expense allocated to subsidiaries	**5,919**	9,338

Key Management Personnel Remuneration

Key management personnel remuneration is as follows:

	2018 $'000	2017 $'000
Group		
Short-term employee benefits	**17,649**	17,424
Post-employment benefits	**116**	122
Other long-term employee benefits	**57**	63
	17,822	17,609

33 SEGMENT REPORTING

The Group has 3 reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different services, and are managed separately because they require different operating and marketing strategies. For each of the strategic business units, the Company's Board of Directors reviews internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:
- *Property investment* – includes investments in investment properties
- *Property development and construction* – sale of residential units and development of properties
- *Property management* – provides maintenance and management services

Other operations include investment holding, investment trading and dormant companies. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2018 or 2017.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit/(loss) before tax, as included in the internal management reports that are reviewed by the Company's Board of Directors. Segment profit/(loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly gain on disposal of subsidiaries, current tax and deferred tax expense, current tax assets and liabilities, and deferred tax assets and liabilities. Segment revenue, expense and results include transfers between business segments. These transfers are eliminated on consolidation.

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Information about Reportable Segments
Business Segments

Group	Property Investment $'000	Property Development and Construction $'000	Property Management $'000	Other Operations $'000	Total $'000
2018					
External revenue	**65,377**	**63,799**	**1,911**	**40**	**131,127**
Inter-segment revenue	**429**	**5,215**	**2,113**	**1,788**	**9,545**
Finance income	**143**	**70**	**–**	**1,295**	**1,508**
Finance expense	**(23,644)**	**(3,823)**	**–**	**(854)**	**(28,321)**
Reportable segment profit/(loss) before tax	**261,491**	**22,445**	**(169)**	**(10,161)**	**273,606**
Other material non-cash items:					
– Depreciation and amortisation	**(4,635)**	**(451)**	**(15)**	**(242)**	**(5,343)**
– Gain on revaluation of investment properties	**253,120**	**–**	**–**	**–**	**253,120**
– Impairment loss on trade receivables, net	**(128)**	**(75)**	**(11)**	**–**	**(214)**
– Impairment loss written back on other assets	**40**	**–**	**–**	**–**	**40**
– Changes in fair value of other investments at fair value through profit or loss	**–**	**–**	**–**	**(3,472)**	**(3,472)**
Reportable segment assets	**3,106,656**	**205,461**	**902**	**65,633**	**3,378,652**
Capital expenditure:					
– Investment properties	**9,292**	**–**	**–**	**–**	**9,292**
– Property, plant and equipment	**1,717**	**17**	**2**	**3**	**1,739**
Reportable segment liabilities	**637,728**	**137,748**	**869**	**65,372**	**841,717**
2017					
External revenue	49,192	18,695	2,086	2	69,975
Inter-segment revenue	213	44,001	455	1,767	46,436
Finance income	129	7	–	429	565
Finance expense	(19,478)	(3,652)	–	(1,620)	(24,750)
Reportable segment profit/(loss) before tax	225,186	1,492	(167)	(7,726)	218,785
Gain on disposal of subsidiaries					8,982
Other material non-cash items:					
– Depreciation and amortisation	(2,675)	(422)	(13)	(560)	(3,670)
– Gain on revaluation of investment properties	233,509	–	–	–	233,509
– Impairment loss written back on trade receivables, net	32	–	–	–	32
– Impairment loss on other assets	–	–	–	(25)	(25)
– Changes in fair value of other investments at fair value through profit or loss	–	–	–	93	93
Reportable segment assets	2,839,114	240,405	732	50,915	3,131,166
Capital expenditure:					
– Investment properties	65,191	–	–	–	65,191
– Property, plant and equipment	222	104	120	225	671
Reportable segment liabilities	625,947	176,276	659	72,959	875,841

NOTES TO THE FINANCIAL STATEMENTS

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Reconciliations of Reportable Segment Revenue, Profit or Loss, Assets and Liabilities and Other Material Items

Group	2018 $'000	2017 $'000
Revenue		
Total revenue for reportable segments	**138,844**	114,642
Revenue for other operations	**1,828**	1,769
Elimination of inter-segment revenue	**(9,545)**	(46,436)
	131,127	69,975
Profit or Loss		
Total profit for reportable segments	**283,767**	226,511
Loss for other operations	**(10,161)**	(7,726)
	273,606	218,785
Other unallocated profit or loss items	**–**	8,982
	273,606	227,767

Group	2018 $'000	2017 $'000	1 Jan 2017 $'000
Assets			
Total assets for reportable segments	**3,313,019**	3,080,251	2,821,887
Assets for other operations	**65,633**	50,915	77,054
Deferred tax assets	**1,079**	645	239
Current tax assets	**215**	133	145
	3,379,946	3,131,944	2,899,325
Liabilities			
Total liabilities for reportable segments	**776,345**	802,882	719,195
Liabilities for other operations	**65,372**	72,959	103,848
Deferred tax liabilities	**408**	389	473
Current tax liabilities	**9,356**	5,948	3,439
	851,481	882,178	826,955

Other Material Items

Group	Reportable Segments $'000	Other Operations $'000	Total $'000
2018			
Finance income	**213**	**1,295**	**1,508**
Finance expense	**(27,467)**	**(854)**	**(28,321)**
Depreciation and amortisation	**(5,101)**	**(242)**	**(5,343)**
Gain on revaluation of investment properties	**253,120**	**–**	**253,120**
Impairment loss on trade receivables, net	**(214)**	**–**	**(214)**
Impairment loss written back on other assets	**40**	**–**	**40**
Changes in fair value of other investments at fair value through profit or loss	**–**	**(3,472)**	**(3,472)**
Capital expenditure:			
– Investment properties	**9,292**	**–**	**9,292**
– Property, plant and equipment	**1,736**	**3**	**1,739**

NOTES TO THE FINANCIAL STATEMENTS

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Group	Reportable Segments $'000	Other Operations $'000	Total $'000
2017			
Finance income	136	429	565
Finance expense	(23,130)	(1,620)	(24,750)
Depreciation and amortisation	(3,110)	(560)	(3,670)
Gain on revaluation of investment properties	233,509	–	233,509
Impairment loss written back on trade receivables, net	32	–	32
Impairment loss on other assets	–	(25)	(25)
Changes in fair value of other investments at fair value through profit or loss	–	93	93
Capital expenditure:			
– Investment properties	65,191	–	65,191
– Property, plant and equipment	446	225	671

Geographical Segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on geographical location of the assets.

Group	Singapore $'000	Hong Kong $'000	Total $'000
2018			
External revenue	**126,399**	**4,728**	**131,127**
Non-current assets^	**2,526,812**	**568,029**	**3,094,841**
2017			
External revenue	67,004	2,971	69,975
Non-current assets^	2,368,897	456,600	2,825,497

^ *Non-current assets consist of property, plant and equipment, associate and joint venture, investment properties and other assets (club membership).*

34 OPERATING LEASES

Leases as Lessee

The Group leases staff accommodation space and office equipment under non-cancellable operating lease agreements. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

At 31 December, the total future minimum lease payments under non-cancellable operating leases in respect of properties and equipment are payable as follows:

Group	2018 $'000	2017 $'000
Within 1 year	**1,415**	607
After 1 year but within 5 years	**1,748**	163
	3,163	770

Leases as Lessor

The Group leases out its investment and development properties. The leases typically run for an initial period of one to four years, with an option to renew the lease when all terms are renegotiated. During the year, contingent rental amounting to $11,661,000 (2017: $Nil) was received.

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Non-cancellable operating lease rentals receivable as at 31 December are as follows:

Group	2018 $'000	2017 $'000
Within 1 year	**55,370**	52,577
After 1 year but within 5 years	**93,063**	99,848
After 5 years	**120,039**	132,120
	268,472	284,545

35 COMMITMENTS

As at 31 December, the Group's capital commitments outstanding but not provided for in the consolidated financial statements were as follows:

Group	2018 $'000	2017 $'000
Contracted for:		
– construction cost of investment properties	**1,568**	1,167
– improvement works to investment and development properties	**3,854**	2,216
	5,422	3,383

36 DISPOSAL OF SUBSIDIARIES

On 16 May 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 100% equity interests in U-Kwong Holdings Limited together with the assignment of amount due from a fellow subsidiary of approximately HK$1,227,000 (approximately $221,000) for a total cash consideration of HK$1. The disposal was completed on the same date.

Name of Subsidiary	Date of Disposal	Effective Interest Disposed
U-Kwong Holdings Limited and its wholly owned subsidiary:		
Hammerman Assets Limited	16 May 2017	42.33%

Effect of Disposal

Analysis of assets and liabilities of the subsidiaries disposed were as follows:

Group	$'000
Amount due from a fellow subsidiary	221
Cash and cash equivalents	18
Trade and other payables	(9,000)
Net liabilities disposed of	(8,761)
Gain on disposal of subsidiaries	8,982
Assignment of amount due from a fellow subsidiary	(221)
Sale consideration	#
Cash and cash equivalents disposed of	(18)
Disposal of subsidiaries, net of cash	(18)

Amount less than $1,000

During the period from 1 January 2017 to 16 May 2017, the subsidiaries had no material contribution to the Group's cash flows and profit or loss.

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37 ACQUISITION OF SUBSIDIARY

On 16 May 2017, the Group acquired all the issued shares of the following subsidiary for a total consideration of HK$12,655,000 (approximately $2,279,000). The Group's intention was to acquire the investment property and the Group did not take over any management or operational process from the vendor. The acquisition was accounted for as an acquisition of asset and was out of scope of FRS 103 Business Combination.

Name of Subsidiary	Date of Acquisition	Effective Interest Acquired
King Dynasty Limited	16 May 2017	42.33%

Effect of Acquisition

The net assets of the subsidiary acquired are provided below:

Group	$'000
Investment property	2,277
Trade and other receivables	2
Net identifiable assets acquired and total consideration	2,279

38 NON-CURRENT ASSET HELD FOR SALE

Group	2018 $'000	2017 $'000	1 Jan 2017 $'000
Investment property	**1,720**	–	–

On 22 November 2018, a third party has exercised an option to purchase an investment property offered by the Group for a consideration of $1,725,000. The sale was subsequently completed on 1 February 2019.

39 SUBSEQUENT EVENTS

Share Buyback Offer by a Subsidiary

Subsequent to year end, the Group's subsidiary, Hong Fok Land International Limited ("HFLIL") has announced a proposed offer to buyback (the "Share Buyback Offer") all of the 1,492,410,986 outstanding ordinary shares in its issued share capital (the "HFLIL Shares") at a price of HK$0.55 for each HFLIL share.

As at 31 December 2018, the Company has an interest in 631,724,993 HFLIL Shares representing approximately 42.33% in HFLIL (the "Relevant HFLIL Shares"), held through its wholly owned subsidiaries, Hong Fok Corporation (Cayman) Limited, Hong Fok Corporation (H.K.) Limited and Hong Fok Enterprises Limited (collectively, the "HFC Subsidiaries").

The HFC Subsidiaries have undertaken not to accept the Share Buyback Offer in respect of any of the Relevant HFLIL Shares. As the HFC Subsidiaries have undertaken not to accept the Share Buyback Offer, the Group's percentage interest in HFLIL may increase after the Share Buyback Offer.

Share Buyback by the Company

Subsequent to year end and as of 29 March 2019, the Company has made purchases of 6,698,500 ordinary shares in the capital of the Company ("Shares") representing approximately 0.77% of the total number of issued Shares (excluding treasury shares) at a total consideration of approximately $5,957,000, including directly attributable transaction costs.

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As a result, the total treasury shares held by the Group and Company increased as follows.

	Group		Company	
	No. of Shares '000	$'000	No. of Shares '000	$'000
At 31 December 2018	177,589	101,050	–	–
Share buyback	6,699	5,957	6,699	5,957
At 29 March 2019	184,288	107,007	6,699	5,957

Issuance of Fixed Rate Notes by the Company

On 28 March 2019, the Company has issued a $100,000,000 3 year unsecured fixed rate notes due in March 2022. These fixed rate notes, bearing interest rate of 4.20% per annum payable semi-annually in arrears, are listed on the SGX-ST.

40 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

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

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS(I) – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations do not have a material effect on the financial statements.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 and SFRS(I) 15 have affected the Group's financial position, financial performance and cash flows, and the Company's financial position is set out under the summary of quantitative impact and the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

Summary of Quantitative Impact

The following reconciliations summarise the impacts on initial application of SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017. There were no material adjustments to the Group's statement of cash flows for the year ended 31 December 2017 arising on transition to SFRS(I).

Consolidated Statement of Financial Position

	FRS Framework $'000	SFRS(I) 15 $'000	SFRS(I) Framework $'000
As at 31 December 2017			
Current liabilities			
Trade and other payables	65,393	(194)	65,199
Contract liabilities	–	194	194
As at 1 January 2017			
Current liabilities			
Trade and other payables	74,514	(46)	74,468
Contract liabilities	–	46	46

Notes to the Reconciliations

A SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

(i) Foreign Currency Translation Reserve ("FCTR")

The Group considers that restating FCTR to comply with current SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods.

The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassified the cumulative FCTR of approximately $26,774,000 as at 1 January 2017 determined in accordance with FRS to retained profit. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

By electing this optional exemption, the cumulative FCTR increased by approximately $26,774,000 and retained profit decreased by the same amount as at 31 December 2017. FCTR and retained profit are included in 'reserves' in the consolidated statement of financial position.

B SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below, and the information presented for 2017 has been restated.

The Group has applied the practical expedient for completed contracts as allowed under SFRS(I) 1. Completed contracts that began and ended in the same annual reporting period in 2017 and contracts completed at 1 January 2017 are not restated.

On adopting SFRS(I) 15, the Group has changed the presentation and reclassified advance consideration received from customers from 'trade and other payables' to 'contract liabilities'.

C SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

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

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;
  - The designation of an equity investment that is not held-for-trading as at FVOCI; and
  - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at FVTPL.
- If a debt investment has low credit risk at 1 January 2018, the Group had assumed that the credit risk on the asset has not increased significantly since its initial recognition.

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

(i) Classification of Financial Assets and Financial Liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and related gain and loss under SFRS(I) 9, see Note 3.6(ii).

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

	Original Classification Under FRS 39	New Classification Under SFRS(I) 9
Group		
Financial Assets		
Quoted equity investments, held for trading	Held-for-trading	Mandatorily at FVTPL
Unquoted equity investments, held for trading	Held-for-trading	Mandatorily at FVTPL
Quoted debt investments, held-to-maturity	Held-to-maturity	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost
Company		
Financial Assets		
Trade and other receivables	Loans and receivables	Amortised cost
Amounts due from subsidiaries	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost

(ii) ***Impairment of Financial Assets***

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and intra-group financial guarantee contracts, but not to equity investments.

As a result of the adoption of SFRS(I) 9, the Group presented impairment loss related to trade receivables, separately in the statement of comprehensive income. As a result, the Group reclassified impairment loss written back amounting to approximately $32,000, recognised under FRS 39, from 'other expenses' to 'impairment loss written back on trade receivables, net' in the consolidated statement of comprehensive income for the year ended 31 December 2017.

41 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations of standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 Financial Statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments toSFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Applicable to 2021 Financial Statements

- SFRS(I) 17 *Insurance Contracts*

NOTES TO THE FINANCIAL STATEMENTS

Mandatory Effective Date Deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group has assessed the estimated impact that initial application of SFRS(I) 16 will have on the financial statements. The Group's assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group plans to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

(i) The Group as Lessee

The Group expects to measure lease liabilities by applying a single discount rate to their portfolio of staff accommodation space and office equipment. For lease contracts that contain the option to renew, the Group is expected to use hindsight in determining the lease term.

The Group expects their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16.

As at 1 January 2019, the Group expects an increase in ROU assets of approximately $2,295,000, an increase in lease liabilities of approximately $2,230,000 and an increase in retained earnings of approximately $65,000.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group's finance leases.

(ii) The Group as Lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

No significant impact is expected for leases in which the Group is a lessor.

STATEMENT OF SHAREHOLDINGS

AS AT 28 MARCH 2019

No. of Shares (excluding Treasury Shares[1] and Subsidiary Holdings[2])	:	865,370,640 Shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 Vote Per Share
No. of Treasury Shares[1]	:	5,241,500 (0.61%)
No. of Subsidiary Holdings[2]	:	Nil (0%)

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	103	1.99	3,896	0.00
100 – 1,000	267	5.16	128,199	0.01
1,001 – 10,000	2,566	49.55	14,169,498	1.64
10,001 – 1,000,000	2,195	42.39	107,425,628	12.42
1,000,001 and above	47	0.91	743,643,419	85.93
	5,178	100.00	865,370,640	100.00

TOP TWENTY SHAREHOLDERS[1]

	Name of Shareholder	No. of Shares	%
1	Hong Fok Land Holding Limited	177,589,632	20.52
2	Cheong Kim Pong	99,164,099	11.46
3	P.C. Cheong Pte Ltd	95,429,584	11.03
4	Cheong Sim Eng	60,681,328	7.01
5	Citibank Nominees Singapore Pte Ltd	45,757,238	5.29
6	United Overseas Bank Nominees Pte Ltd	34,235,498	3.96
7	Maybank Kim Eng Securities Pte Ltd	23,027,431	2.66
8	Goodyear Realty Co Pte Ltd	16,385,758	1.89
9	OCBC Securities Private Ltd	16,320,496	1.89
10	UOB Nominees (2006) Pte Ltd	15,325,280	1.77
11	Raffles Nominees (Pte) Ltd	15,289,585	1.77
12	UOB Kay Hian Pte Ltd	14,252,078	1.65
13	Cheong Lay Kheng	14,233,000	1.64
14	DBS Nominees Pte Ltd	13,883,574	1.60
15	Cheong Pin Chuan	11,272,078	1.30
16	Morph Investments Ltd	10,890,000	1.26
17	Khoo Poh Koon	9,014,391	1.04
18	Corporate Development Limited	8,113,776	0.94
19	Cheong Puay Kheng	7,598,200	0.88
20	Cheong Chay Khong	4,415,790	0.51
		692,878,816	80.07

Based on the information available to the Company, as at 28 March 2019, approximately 28.78% of the issued ordinary shares of the Company (excluding treasury shares) are held in the hands of the public. Hence, Rule 723 of the Listing Manual of the SGX-ST has accordingly been complied with.

1 As per The Central Depository (Pte) Limited's report.

2 The term "*Subsidiary Holdings*" shall have the same meaning ascribed to it in the Listing Manual, and is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

STATEMENT OF SHAREHOLDINGS

AS AT 28 MARCH 2019

SUBSTANTIAL SHAREHOLDERS[3]

	Name of Substantial Shareholder	No. of Shares Shareholdings in which Substantial Shareholder has a Direct/Beneficial Interest	Shareholdings in which Substantial Shareholder is Deemed to have an Interest
1	Goodyear Realty Co Pte Ltd	43,985,758	–
2	P.C. Cheong Pte Ltd	96,089,584	–
3	Cheong Sim Eng	113,801,456	53,159,778[(a)]
4	Cheong Pin Chuan	20,052,528	149,823,053[(b)]
5	Cheong Kim Pong	99,824,099	43,985,758[(c)]
6	Hong Fok Land Holding Limited	177,589,632[(d)]	–

(a) This represents Cheong Sim Eng's deemed interest in the issued ordinary shares in the capital of the Company ("Shares") held by his wife, Corporate Development Limited ("CDL") and Goodyear Realty Co Pte Ltd ("Goodyear").

(b) This represents Cheong Pin Chuan's deemed interest in the Shares held by his wife, P.C. Cheong Pte Ltd, CDL and Goodyear.

(c) This represents Cheong Kim Pong's deemed interest in the Shares held by Goodyear.

(d) Hong Fok Land Holding Limited ("HF Land") is wholly owned indirectly by Hong Fok Land International Limited (incorporated in Bermuda) via Hong Fok Land Asia Limited, Hong Fok Land Investment Limited and Wellow Investment Limited. The aforesaid companies are deemed to have an interest in the Shares held by HF Land.

[3] Based on the Register of Substantial Shareholders kept pursuant to Section 137C of the Securities and Futures Act.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifty-First Annual General Meeting ("AGM") of **HONG FOK CORPORATION LIMITED** will be held at Empress Ballroom 4 & 5, Level 2, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 on Tuesday, 30 April 2019 at 10.30 a.m. to transact the following business:

As Ordinary Business

1 To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December 2018 and the Auditors' Report thereon. **(Resolution 1)**

2 To declare a first and final 1-tier tax exempt dividend at 1 cent per ordinary share and a 1-tier tax exempt special dividend at 0.3 cent per ordinary share for the year ended 31 December 2018 (2017: 1 cent). **(Resolution 2)**

3 To approve the payment of Directors' fees of $316,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears. (2018: $267,500) [See Explanatory Note (i)] **(Resolution 3)**

4 To re-elect Mr Cheong Pin Chuan as Director retiring under Regulation 104 of the Constitution of the Company. [See Explanatory Note (ii)] **(Resolution 4)**

5 To re-elect Mr Chow Yew Hon as Director retiring under Regulation 104 of the Constitution of the Company. [See Explanatory Note (iii)] **(Resolution 5)**

6 To re-appoint KPMG LLP, Public Accountants and Chartered Accountants, Singapore, as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

As Special Business

To consider and, if thought fit, to pass the following as Ordinary Resolutions with or without any modification:

7 **General Authority to Allot and Issue New Shares in the Capital of the Company**

"That pursuant to Section 161 of the Companies Act, Chapter 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to issue shares and convertible securities in the capital of the Company, including additional convertible securities issued pursuant to adjustments and new shares arising from the conversion of convertible securities and additional convertible securities (whether by way of rights, bonus or otherwise or in pursuance of any offer, agreement or option made or granted by the Directors during the continuance of this authority which would or might require shares or convertible securities to be issued during the continuance of this authority or thereafter) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit (notwithstanding that such issue of shares pursuant to the offer, agreement or option or the conversion of the convertible securities may occur after the expiration of the authority contained in this Resolution), provided that the aggregate number of shares and convertible securities to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, and provided further that where shareholders of the Company with registered addresses in Singapore are not given an opportunity to participate in the same on a pro-rata basis, then the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to all existing shareholders of the Company must not exceed 15% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, and for the purpose of this Resolution, the percentage of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company shall be based on the Company's total number of issued shares excluding treasury shares and subsidiary holdings of the Company at the time this Resolution is passed (after adjusting for (i) new shares arising from the conversion or exercise of convertible securities, (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST and (iii) any subsequent bonus issue, consolidation or subdivision of shares), and unless revoked or varied by the Company in general meeting, such authority 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, and in this Resolution, "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST." [See Explanatory Note (iv)] **(Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

8 **Renewal of the Share Buy-Back Mandate**
"That the Directors of the Company be and are hereby authorised to make purchases from time to time (whether by way of on-market purchases or off-market purchases in accordance with an equal access scheme) of up to 10% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company as at the date of this Resolution at any price up to but not exceeding the Maximum Price (as defined in the "Guidelines on Share Purchases" (the "Guidelines") set out in the Appendix of the Addendum dated 15 April 2019 to shareholders of the Company (being an addendum to the Annual Report of the Company for the year ended 31 December 2018)) in accordance with the Guidelines and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force and expire on the date on which the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier, and in this Resolution, "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST." [See Explanatory Note (v)] **(Resolution 8)**

BY ORDER OF THE BOARD

LO SWEE OI
KOH CHAY TIANG
Company Secretaries

Singapore
15 April 2019

Notes:

(a) The Chairman of this AGM will be exercising his right under Regulation 81 of the Company's Constitution to demand a poll in respect of each of the resolutions to be put to the vote of members at the annual general meeting and at any adjournment thereof. Accordingly, each resolution at the annual general meeting will be voted on by way of a poll.

(b) Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50, a member is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. A proxy need not be a member of the Company.

A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak 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 (which number and class of shares shall be specified). In such an event, such member shall submit a list of its proxies together with the information required in the proxy form to the Company.

"Relevant Intermediary" means:

(i) a banking corporation licensed under the Banking Act of Singapore (Chapter 19) or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act of Singapore (Chapter 289), and who holds shares in that capacity; or

(iii) the Central Provident Fund Board established by the Central Provident Fund Act of Singapore (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

(c) Where a member appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.

(d) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 300 Beach Road #41-00, The Concourse, Singapore 199555 not less than 48 hours before the time appointed for holding the AGM.

(e) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

Explanatory Notes:

(i) The Ordinary Resolution 3 proposed in item 3 above, if passed, will facilitate the payment of Directors' fees during the financial year in which the fees are incurred, that is during the financial year ending 31 December 2019. In the event that the amount proposed is insufficient, approval will be sought at the next annual general meeting for payments to meet the shortfall.

(ii) Detailed information pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Mr Cheong Pin Chuan can be found on pages 3, 27 and 28 of the 2018 Annual Report of the Company.

(iii) Mr Chow Yew Hon, upon re-election as Director, shall remain as the lead independent Director, Chairman of the Remuneration Committee and a Member of the Audit and Risk Management Committee and Nominating Committee. He is considered as an Independent Director for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Detailed information pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Mr Chow Yew Hon can be found on pages 3, 27 and 28 of the 2018 Annual Report of the Company.

NOTICE OF ANNUAL GENERAL MEETING

(iv) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the next annual general meeting, to issue shares and convertible securities in the capital of the Company, without seeking any further approval from shareholders in general meeting but within the limitation imposed by the Resolution, for such purposes as the Directors may consider to be in the interests of the Company.

(v) The Ordinary Resolution 8 proposed in item 8 above relates to the renewal of a mandate approved by shareholders of the Company at previous annual general meetings of the Company held on 30 June 1999, 31 May 2000, 18 May 2001, 20 May 2002, 20 May 2003, 30 April 2004, 22 April 2005, 28 April 2006, 26 April 2007, 25 April 2008, 29 April 2009, 28 April 2010, 28 April 2011, 26 April 2012, 29 April 2013, 30 April 2014, 30 April 2015, 29 April 2016, 28 April 2017 and 30 April 2018 authorising the Company to purchase its own shares subject to and in accordance with the "Guidelines on Share Purchases" set out in the Appendix of the Addendum dated 15 April 2019 to shareholders of the Company (being an addendum to the Annual Report of the Company for the year ended 31 December 2018), the Constitution of the Company, the Companies Act, Chapter 50, the Listing Manual of the SGX-ST and such other laws and regulations as may for the time being be applicable. The source of funds to be used for the purchase or acquisition of shares including the amount of financing and its impact on the Company's financial position are set out in Sections 5 and 6 of the Addendum dated 15 April 2019.

Personal Data Privacy:
By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM 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 and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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 having the personal data of the member and/or his proxy(ies)/representative(s) together with any questions raised or motions proposed/seconded recorded for record keeping purpose (including the use of sound recording made by the Company, and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Photographic, sound and/or video recordings of the above meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the meeting. Accordingly, the personal data of a member of the Company (such as his name, his presence at the meeting and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

In addition, the Company may upon the request of any shareholder, provide such shareholder with a copy of the minutes of the above meeting which may contain a member's personal data as explained above. By participating in the meeting, raising any questions and/or proposing/seconding any motion, a member will be deemed to have consented to have his personal data recorded and dealt with for the purposes and in the manner explained above.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN THAT, subject to the approval of the shareholders to a first and final 1-tier tax exempt dividend at 1 cent per ordinary share and a 1-tier tax exempt special dividend at 0.3 cent per ordinary share for the financial year ended 31 December 2018 (the "Proposed Dividends") at the Annual General Meeting of **HONG FOK CORPORATION LIMITED** to be held on 30 April 2019, the Share Transfer Books and Register of Members of the Company will be closed on 10 May 2019 at 5.00 p.m. for the purpose of determining shareholders' entitlements to the Proposed Dividends.

Duly completed registrable transfers received by the Company's Share Registrar, B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544 up to 5.00 p.m. on 10 May 2019 will be registered to determine Members' entitlements to such Proposed Dividends. Members whose securities accounts with The Central Depository (Pte) Limited are credited with the shares as at 5.00 p.m. on 10 May 2019 will be entitled to such Proposed Dividends.

The Proposed Dividends, if approved at the Annual General Meeting to be held on 30 April 2019, will be paid on 24 May 2019.

BY ORDER OF THE BOARD

LO SWEE OI
KOH CHAY TIANG
Company Secretaries

Singapore
15 April 2019

HONG FOK CORPORATION LIMITED
(Company Registration No. 196700468N)
(Incorporated In the Republic of Singapore)

PROXY FORM

(Please read notes overleaf before completing this Form)

IMPORTANT:
1 Pursuant to Section 181(1C) of the Companies Act, Chapter 50 relevant intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2 For investors who have used their CPF monies to buy shares in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3 CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

I/We ________________________________(Name) ____________________ (NRIC/Passport/Co. Registration No.)

of ____

being a member/members of **HONG FOK CORPORATION LIMITED** (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Empress Ballroom 4 & 5, Level 2, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 on **Tuesday, 30 April 2019 at 10.30 a.m.** and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

(*Please indicate your vote "For" or "Against" with an "X" within the box provided.)

No.	**Resolutions relating to:**	***For**	***Against**
1	Directors' Statement and Audited Financial Statements		
2	Declaration of First and Final Dividend of 1 cent and a Special Dividend of 0.3 cent		
3	To approve the payment of Directors' fees of $316,000 for the financial year ending 31 December 2019		
4	Re-election of Mr Cheong Pin Chuan as Director retiring under Regulation 104		
5	Re-election of Mr Chow Yew Hon as Director retiring under Regulation 104		
6	Re-appointment of Auditors		
7	Authority to issue Shares and Convertible Securities		
8	Renewal of Share Buy-Back Mandate		

Dated this ______________ day of __________________ 2019

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder
* Delete where inapplicable

IMPORTANT: PLEASE READ 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 of Singapore (Chapter 289)), you should insert that number. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number. 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. If no number is inserted, this form of proxy shall be deemed to relate to all the Shares held by you.

2 Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "Act"), a member is entitled to appoint not more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3 Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary, is entitled to appoint more than two proxies to attend and vote at the meeting, but each proxy must be appointed to exercise rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the number and class of Shares held by such member in relation to which each proxy has been appointed shall be specified in the proxy form.

"Relevant Intermediary" means:

(i) a banking corporation licensed under the Banking Act of Singapore (Chapter 19) or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act of Singapore (Chapter 289), and who holds shares in that capacity; or

(iii) the Central Provident Fund Board established by the Central Provident Fund Act of Singapore (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4 A proxy need not be a member of the Company.

Fold along this line.

5 The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 300 Beach Road #41-00, The Concourse, Singapore 199555 not less than 48 hours before the time appointed for holding the Meeting.

6 The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.

7 Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8 Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.

9 A corporation that 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 Act.

10 The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have Shares 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. A depositor shall not be regarded as a member of the Company entitled to attend the Meeting and to vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for the Meeting.

11 An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

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 Annual General Meeting dated 15 April 2019.

Fold along this line.

Affix
Postage
Stamp

The Company Secretary
HONG FOK CORPORATION LIMITED
300 Beach Road #41-00
The Concourse
Singapore 199555

Fold along this line. Glue and seal firmly

Fold along this line. Glue and seal firmly

Fold along this line. Glue and seal firmly

HONG FOK CORPORATION LIMITED
CO. REG. NO. 196700468N
300 BEACH ROAD #41-00
THE CONCOURSE
SINGAPORE 199555
TEL: 6292 8181 FAX: 6293 8689