SINGAPORE CORPORATE GOVERNANCE WEEK
Towards Excellence in Corporate Governance 2016

2016 ANNUAL REPORT

HWA HONG CORPORATION LIMITED

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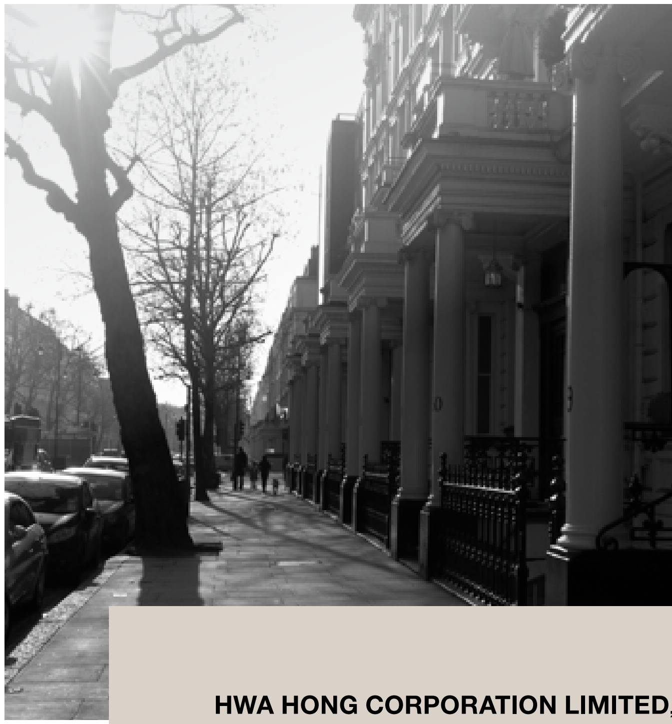

HWA HONG CORPORATION LIMITED, originally formed as a partnership, was incorporated on 29 December 1952 as a private limited company under the name of Hwa Hong Manufacturing Company Pte. Limited. On 21 November 1969, it converted to a public company known as Hwa Hong Manufacturing Company Limited and was admitted to the Official List of the Singapore Exchange Limited on 26 July 1979. The name "Hwa Hong Corporation Limited" was adopted with effect from 15 January 1985. The principal activity of HWA HONG CORPORATION LIMITED is that of an investment holding company. The subsidiary companies are primarily engaged in property rental investment and development and investment holding.

Roof terrace, 20 Midtown

20 Midtown

Refurbished apartment, Kilmuir House

CORPORATE INFORMATION

REGISTERED OFFICE
38 South Bridge Road
Singapore 058672
website: www.hwahongcorp.com

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email: finance@hwahongcorp.com

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email: property@hwahongcorp.com

Paco Industries Pte. Ltd.
Hwa Hong Edible Oil Industries Pte. Ltd.
38 South Bridge Road #04-01
Singapore 058672
tel: 6538 5711
fax: 6533 3028

MANAGEMENT
Ong Choo Eng *Group Managing Director*
Hwa Hong Corporation Limited
Ong Mui Eng *Executive Director*
Hwa Hong Corporation Limited
Lee Soo Wei *Chief Financial Officer*
Hwa Hong Corporation Limited
Ong Eng Yaw *Manager, Investments*
Singapore Warehouse Company (Private) Ltd.
Chen Chee Kiew (Mrs) *General Manager*
Singapore Warehouse Company (Private) Ltd.
Ong Eng Loke *Business Development Manager*
Hwa Hong Edible Oil Industries Pte. Ltd

COMPANY SECRETARIES
Lynn Wan Tiew Leng
Gwendolin Lee Soo Fern

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One Raffles Quay
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Singapore 048583
Partner In-Charge: Philip Ng
(with effect from financial year ended 31 December 2015)

BOARD OF DIRECTORS
Hans Hugh Miller *Non Executive Chairman*
Ong Choo Eng *Group Managing Director*
Ong Mui Eng
Ong Hian Eng (Dr)
Guan Meng Kuan
Ong Wui Leng, Linda
Huang Yuan Chiang

AUDIT AND RISK COMMITTEE
Hans Hugh Miller *Chairman*
Ong Wui Leng, Linda
Huang Yuan Chiang

NOMINATING COMMITTEE
Ong Wui Leng, Linda *Chairman*
Hans Hugh Miller
Guan Meng Kuan

REMUNERATION COMMITTEE
Huang Yuan Chiang *Chairman*
Hans Hugh Miller
Guan Meng Kuan

DIVESTMENT AND INVESTMENT COMMITTEE
Huang Yuan Chiang *Chairman*
Ong Wui Leng, Linda
Hans Hugh Miller

FINANCIAL CALENDAR

IN RESPECT OF FINANCIAL YEAR ENDED 31 DECEMBER 2016

Announcement of 2016 Unaudited Results

First Quarter ended 31 March 2016	27 April 2016
Second Quarter ended 30 June 2016	22 July 2016
Third Quarter ended 30 September 2016	21 October 2016
Financial Year ended 31 December 2016	26 January 2017

Annual General Meeting 27 April 2017 (10.00 a.m.)

Dividends

Proposed one-tier tax exempt final ordinary dividend of 1 cent per share

	Up to 5.00 p.m. on
Last day for lodgement of transfers for dividend entitlement	4 May 2017
Date of books closure	5 May 2017
Payment date	19 May 2017

IN RESPECT OF FINANCIAL YEAR ENDING 31 DECEMBER 2017

Tentative Dates for Announcement of 2017 Unaudited Results

First Quarter of 2017	27 April 2017
Second Quarter of 2017	27 July 2017
Third Quarter of 2017	26 October 2017
Financial Year 2017	2 February 2018

JOINT LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

The year ended 31 December 2016 was challenging. During the year, a variety of geopolitical and macroeconomic events such as the Brexit referendum, the US election, the collapse of oil prices, concerns over interest rate hikes by the US Federal Reserve and slowing growth in China brought about significant volatility in the global asset markets.

Singapore was further affected by the ongoing restructuring of the local economy and lower global growth and trade flows. The Singapore economy grew by approximately 1.8 per cent for 2016, largely attributable to 9.1 per cent growth in the fourth quarter of 2016[1]. This fourth quarter growth was led primarily by increased output in the electronic and biomedical engineering industries, as growth in other industries remained subdued. The real estate market remained lacklustre.

It has also been a volatile, challenging year for the United Kingdom in general and for its property market. Uncertainties over Brexit in the 1st half of 2016 and the eventual Brexit referendum outcome in June made it a difficult investment and operating climate in 2016.

Amidst this backdrop, Hwa Hong achieved a net profit after tax of S$6.5 million. In the context of stable, to declining property values, we sold fewer assets in 2016, resulting in a decline in revenue in FY2016 of 14.3 per cent from S$13.1 million in FY2015 to S$11.2 million in FY2016. Our net asset value decreased from 31.57 cents per share in FY2015 to 29.77 cents per share in 2016, driven largely by our dividend payout rate last year of 100% of profit after tax. Our balance sheet remains strong with a net cash position of S$36.9 million, of which S$19.0 million is pledged as collateral.

During the year, we remained cautious in our investment approach in Singapore as we continued our strategy of optimising our balance sheet, retaining capacity for recycling capital for reinvestment and generating sufficient cash flow for dividends. We did seize 2 opportunities for new investment in the United Kingdom during the year.

[1] Source: Advanced estimates released by Ministry of Trade and Industry on 3 Jan 2017

JOINT LETTER TO SHAREHOLDERS

In our property business, we held to our strategy of investing in real estate opportunities where we believe there is potential for long term capital gains, strong rental cashflows and/or compelling long term redevelopment potential. We focus on a location's long term potential when assessing new investments and will seek to de-risk a transaction as quickly as possible. Two key tenets in our corporate strategy are to maintain a strong balance sheet and to focus on capital efficiency. We have been able to recycle capital into new investments when we exit our investments and achieve our goal of sustaining dividend payments to shareholders in 2016.

From a geographical perspective, we continue to focus our property investments on the two key geographical markets – Singapore and the United Kingdom – whilst exploring opportunities in new markets. In the interest of improving diversification, a medium-term strategic objective is to identify a third overseas market for Hwa Hong.

We continue to view London (and to an extent, the United Kingdom more broadly) as a key overseas market for us given our experience there, the market's depth, liquidity, transparency and the rule of law in the United Kingdom. As a result of our United Kingdom investments, we are exposed to fluctuations in the GBP/SGD exchange rate and United Kingdom interest rates. In the light of current political uncertainties relating to Brexit, we have worked to limit our GBP/SGD foreign exchange risk, especially for our new investments in 2016. Notwithstanding this, there will remain an exposure to foreign exchange risk owing to our investments in the United Kingdom. Furthermore, as we continue to look for new overseas markets, our business will face similar exposure to currency and interest rate risks, which may be balanced by some element of diversification.

Our accounting policy for our investment properties records their values at historical cost, less depreciation. Whilst this reduces volatility in our balance sheet as compared to fair value reporting, this historical cost method means the Group charges depreciation in the income statement which would not have been charged to the accounts under fair value accounting. In 2016, the depreciation charge amounted to S$1.9 million. It is also important to recall that the reported historical cost valuations are currently lower than the fair value for Hwa Hong's investment properties. For 2016, fair value of our investment properties exceeded historical cost less depreciation by S$118 million (see note 15), excluding associates and joint ventures.

SINGAPORE PROPERTY

The Singapore property market remained subdued, affected primarily by cooling measures such as the total debt service ratio regulations and additional stamp duties and the weak economy.

Our Group has been highly cautious in investing in all segments of the Singapore property market for a number of years as concerns over, *inter alia*, the various property measures, total debt service restrictions, increased supply weighing negatively on sentiment and levels of demand in

JOINT LETTER TO SHAREHOLDERS

all segments of market. Since 2013, the URA Residential Property Price Index for private properties island wide has declined by c.10 per cent, with the largest declines coming from the core central areas[2]. Similarly, in the industrial property sector the JTC Industrial Property Price Index and JTC Industrial Property Rental Index have declined by c.9.5 per cent and c.6.5 per cent, respectively, between 2013 and 2016[3]. The office property segment has also seen declines in capital values with median prices in the central areas showing 5 consecutive quarters of decline since 3Q2015[1] as prime office rents declined by c.17 per cent between 1Q2015 and 4Q2016[2].

Our Singapore investment property portfolio continues to perform to expectations, notwithstanding the weak rental market in all sub-segments. We are fortunate that the long-term leases signed with the Telstra Group and the Prudential Group for OneTen Paya Lebar and Scotts Spazio (50 per cent owned), respectively, have insulated us from the weak rental market in the industrial and office segments.

Our portfolio of retail and residential properties at Rivergate remain fully tenanted, albeit at lower rents given the overall weakness in the Singapore residential rental market. We believe our decision over the past years to remain on the sidelines in Singapore has proven to be correct given the current weakness in the market.

Although we remain cautious on the Singapore property market, it remains a key market for us. With multi-year declines in values and rentals in all segments of the Singapore market and the possibility of higher interest rates in the US, we are actively seeking investment opportunities which we could entertain when the market has stabilised.

UK PROPERTY

The central London office market recorded a total investment volume of £15.9 billion in 2016[4]. While this was lower than 2014 and 2015, it was nonetheless above the 20-year average and significantly higher than investment demand recorded in 2009 following the global financial crisis. Investment demand post-Brexit was partially driven by the weak Sterling exchange rate, with investors from the Asia Pacific accounting for approximately one-third of investment demand[4]. It was also unsurprising that leasing demand was negatively impacted in the immediate aftermath of the Brexit vote, resulting in a rise in vacancy rates and lower rents. Notwithstanding this, leasing activity picked up in the final two quarters of 2016[4]. We expect continued uncertainty in the commercial property market in the UK over the next few years as Brexit negotiations unfold. We will continue to focus on maximising income from our existing properties and on promising new investment opportunities should they arise.

In 2016, the London residential property remained subdued, caused mainly by the recent introduction of higher stamp duties, capital gains tax and various ownership taxes. Brexit further contributed to the weak market after June 2016. Based on the Knight Frank Prime Central London Index, residential properties in prime central London declined by c.6.3 per cent for the year to December 2016. Notwithstanding this, Knight Frank[5] have noted that transaction volume had appeared to stabilise after Brexit and showed some signs of recovery in 4Q2016[5]. We continue to progressively upgrade our residential holdings and have been successful to date in achieving sales of refurbished properties at attractive prices.

[2] Source: Urban Redevelopment Authority of Singapore
[3] Source: JTC Corporation
[4] Source: Savills World Research, UK Offices, Feb 2017
[5] Source: Knight Frank Residential Research, Prime Central London Index, Dec 2016 & Jan 2017

JOINT LETTER TO SHAREHOLDERS

Our project pipeline in the United Kingdom remains robust. We have been focusing on enhancing the value of our existing assets. We have only deployed capital to new projects when there is a strong case for long-term capital gains and solid returns.

During the year, we invested into 2 new projects, namely a 50 per cent interest in Capital Herbal Limited ("Herbal Hill") and a 50 per cent interest in Clan Kilmuir (Jersey) Limited, which has a 50 per cent investment in Kilmuir House (Jersey) Limited ("Kilmuir House"). Both investments were made with a long-term strategy (including exit) in mind. Notwithstanding Brexit, management believes that these two investments offer compelling risk-adjusted returns in the longer term.

Herbal Hill is an office property located in Clerkenwell, an area in London where Hwa Hong has previously invested. It is popular with the technology, media and creative industries, and is located within a short walk of Farrington London Underground Station and Farringdon Crossrail Station. Given its location and lease structure, this building suits our investment criteria of being strategically well located with potential for value enhancement.

Kilmuir House is a 9 storey residential property situated on 0.44 acres of land in Belgravia, one of London's most prestigious residential districts. The property is a short walk from both Victoria London Underground Station and Sloan Square London Underground Station. It was purchased in an off-market transaction and is undergoing a comprehensive refurbishment. Together with our business partners, we are currently exploring various longer term options for the property. This property suits our criteria of a longer-term value-add and/or development opportunity given its location, leasehold tenure and site configuration.

In addition to these 2 new investments, we have also focused on delivering enhanced value for our existing portfolio of assets. 20 Midtown, our property in Holborn, has undergone an extensive refurbishment and, as at the date of this report, is in the process of being leased.

Our mixed-used student accommodation and academic facility development site in Fitzalan Square, Sheffield, has progressed as planned. We have now completed and fully delivered the first phase of the project to Sheffield Hallam University and we are in the process of assessing the feasibility of the development of a 240 bed student accommodation facility. Transactions for early stages of this project have already paid back our initial investment in Sheffield.

In Manchester, we are in the early stages of an application for a change of use from commercial to residential of our office property located at New Mount Street, Manchester. We believe that the location is well suited to a residential development given its close proximity to the NOMA regeneration scheme (see: www.noma-manchester.com) located at 1 Angel Square. Our longer-term strategy for this site will depend on the outcome of our planning application and residential property market conditions in Manchester.

Our London retail and commercial property investments at Neo Bankside in the South Bank area continue to perform as planned. The retail properties are now fully let to a range of lifestyle tenants which include the Italian cafe Carluccio's, the supermarket group Coop Food and artisanal bakery Gail's.

CONCLUSION

The board and management of Hwa Hong are focused on maintaining and improving returns, identifying and executing attractive new investments, being good stewards of the Group's financial strength, and continuous improvement in transparency and disclosure.

On behalf of the Board, we would like to recognise our diligent and dedicated staff. Faced with the challenges present in complex and volatile political and economic spheres, we are encouraged by management's perseverance and conviction to strengthen and grow the business of Hwa Hong.

The Board thanks our loyal shareholders, tenants, bankers and business associates for their support in 2016 and through the years.

Very sincerely,

Hans Hugh Miller
Chairman

Ong Choo Eng
Group Managing Director

INVESTMENT PROPERTIES PORTFOLIO

LONDON RESIDENTIAL PROPERTY INVESTMENTS

58/115B QUEEN'S GATE, SOUTH KENSINGTON, LONDON SW7

- **Approximate 7,561 square feet floor area**
- **£14.2m Market Value**
- **8 High End Residential Apartments**
- **100% Effective Group Interest**
- **Freehold**

This freehold residential properties are located in the prestigious Royal Borough of Kensington and Chelsea, within walking distance from key destinations such as the Natural History Museum, Harrods and Hyde Park. The properties were refurbished in 2013/2014 and includes a duplex penthouse with a roof garden. The properties are fully let for recurring rental income.

15/17 HORNTON STREET, LONDON W8

- **Approximate 5,391 square feet floor area**
- **£6.7m Market Value**
- **7 High End Residential Apartments**
- **100% Effective Group Interest**
- **Freehold**

This freehold residential property is located in the prestigious Royal Borough of Kensington and Chelsea, off High Street Kensington and within walking distance from Hyde Park. The property is fully let for recurring rental income and we are currently carrying out phased asset enhancement works of units as tenant leases expire.

INVESTMENT PROPERTIES PORTFOLIO

LONDON RESIDENTIAL PROPERTY INVESTMENTS

ALLEN HOUSE, KENSINGTON, LONDON W8

- **Approximate 35,600 square feet floor area**
- **45 Residential Apartments**
- **19.05% Effective Group Interest (£5.3m invested)**
- **Freehold**

This freehold residential property is located in the prestigious Royal Borough of Kensington and Chelsea, within walking distance from Kensington High Street and Hyde Park. The property is close to major transport links such as High Street Kensington London Underground Station and major bus routes. The property is fully let for recurring rental income and planning permission has been obtained for it's redevelopment into 45 apartments.

KILMUIR HOUSE, EBURY STREET, LONDON SW1W 9JL

- **Approximate 35,231 square feet floor area**
- **49 Residential Apartments**
- **25% Effective Group Interest (The Group has an interest in this property via its 50% investment in Clan Kilmuir (Jersey) Limited, which in turn holds 50% interests in Kilmuir House (Jersey) Limited. The property was purchased and held by Kilmuir House (Jersey) Limited.**
- **Leasehold**

This 9 storey leasehold residential property is located at Ebury Street in Belgravia. It is within walking distance of the prestigious residential neighbourhoods of Sloane Square and Eaton Square and key shopping and lifestyle areas such as Sloane Street, Kings Road and Knightsbridge. It is also located within walking distance of London Victoria Station and Sloane Square London Underground Station. The property was purchased in 2016 and is presently under refurbishment, after which it will be leased out for recurring rental income.

INVESTMENT PROPERTIES PORTFOLIO

LONDON COMMERCIAL AND RETAIL PROPERTY INVESTMENTS

20 MIDTOWN, PROCTER STREET, HOLBORN, LONDON WC1

- **Approximate 30,533 square feet floor area**
- **£34.4m Market Value**
- **Office and retail**
- **70% Effective Group Interest**
- **Freehold**

This freehold commercial property is located in Holborn, an area popular with firms in the legal services. It is located within walking distance from the legal institutions such as the Inns of Courts and key transport links such as the Chancery Lane Cross rail station and Holborn London Underground Station. The property was purchased in 2014 and has undergone a thorough refurbishment. It is currently being leased out for recurring rental income.

3 – 7 HERBAL HILL, CLERKENWELL, LONDON EC1

- **Approximate 33,773 square feet floor area**
- **£28.5m Market Value**
- **Office**
- **50% Effective Group Interest**
- **Freehold**

This freehold commercial property is located in the Clerkenwell area of London and is within walking distance of established office locations such as the City of London and Holborn. It is close to the Old Street roundabout, a location commonly known as Silicon Roundabout due to its popularity with established and startup technology-related companies. Clerkenwell is a location popular with office occupiers in the architecture, interior design, furniture, technology and media sectors. The property was purchased in 2016 and is fully let for recurring income.

INVESTMENT PROPERTIES PORTFOLIO

LONDON COMMERCIAL AND RETAIL PROPERTY INVESTMENTS

THE PAVILLION, NEO BANKSIDE, SOUTHWARK, LONDON SE1

- **Approximate 7,300 square feet floor area**
- **£7.2m Market Value**
- **Office**
- **50% Effective Group Interest**
- **Leasehold**

This leasehold commercial property is located on the South Bank close to landmarks such as the Tate Modern museum, the Shard, Borough Market and is close to key transport links such as Blackfriar's station, Southwark and London Bridge London Underground Stations. The property was purchased in 2013 and is fully let to a single tenant for recurring income.

RETAIL UNITS AT NEO BANKSIDE, SOUTHWARK, LONDON SE1

- **Approximate 14,399 square feet floor area**
- **£13.4m Market Value**
- **5 Ground Floor and Basement Retail Units**
- **50% Effective Group Interest**
- **Leasehold**

This leasehold retail portfolio is located within Neo Bankside, a luxury condominium development located on the South Bank. The development is next to the Tate Modern and we believe that our ground retail units will benefit from footfall to and from the Tate Modern Museum. Neo Bankside is also close to other key tourist destinations such as the Globe Theatre, the Shard and Borough Market. The units have been let to a variety of lifestyle tenants, including Carluccio's, Gail's Bakery and Albion.

INVESTMENT PROPERTIES PORTFOLIO

REGIONAL UK COMMERCIAL PROPERTY INVESTMENTS

NEW MOUNT STREET, MANCHESTER, M3

- **Approximate 34,963 square feet floor area**
- **Office**
- **£2.5m market value**
- **82% Effective Group Interest**
- **Freehold**

This freehold commercial property is located in Manchester within walking distance from Manchester Victoria station and close to the NOMA/Angle Square regeneration area. The property is leased out as a serviced office and an application has been made to convert redevelop it into residential apartments for sale.

FORMER HEAD POST OFFICE SITE, SHEFFIELD, UK

- **Approximate 73,662 square feet floor area & land**
- **Mixed use scheme comprising academic facilities, retail and student accommodation**
- **£4.6m market value**
- **50% Effective Group Interest**
- **Freehold (partially under development)**

This freehold site is located in Sheffield. It is located within walking distance from Sheffield railway station and the city centre. The site is mixed used comprising teaching facilities for Sheffield Hallam University and land for the construction of a 240 bed student accommodation facility. The 1st phase of redevelopment involving the teaching facilities has been completed and delivered to Sheffield Hallam University who are in occupation. The 2nd phase involving the development of a student accommodation facility is being evaluated.

INVESTMENT PROPERTIES PORTFOLIO

SINGAPORE PROPERTY INVESTMENTS

RIVERGATE, SINGAPORE

- **Approximate 15,114 square feet floor area**
- **7 residential apartments and 4 retail units**
- **S$33.1m Market Value**
- **100% Effective Group Interest**
- **Freehold**

This freehold portfolio of strata titled retail properties and residential apartments is located in the River Valley area. The project was jointly developed with Capitaland and the apartments and retail units is currently leased out for recurring rental income.

110 PAYA LEBAR, SINGAPORE

- **Approximate 157,109 square feet floor area**
- **S$90m Market Value**
- **B1 industrial property**
- **100% Effective Group Interest**
- **Freehold**

This freehold commercial property is located in Paya Lebar within walking distance from MacPherson MRT station and key transport links such as the Pan Island Expressway. The property underwent asset enhancement works in 2009 and is currently leased to the Telstra Group as a data centre for recurring rental income.

ORCHARD MEDICAL, SINGAPORE

- **Approximate 32,959 square feet floor area**
- **Office**
- **30% Effective Group Interest**
- **Freehold**

This freehold property is located in Lucky Plaza on Orchard Road. The property comprises 38 strata-titled medical office units and is partially leased out for recurring income.

SCOTTS SPAZIO, SINGAPORE

- **Approximate 168,628 square feet floor area**
- **S$45.5 m Market Value**
- **Office**
- **50% Effective Group Interest**
- **Leasehold**

This leasehold commercial property is located on Scotts Road within walking distance from Newton MRT station and Orchard Road. The property was developed in 2002 and is currently leased to the Prudential Group for recurring rental income.

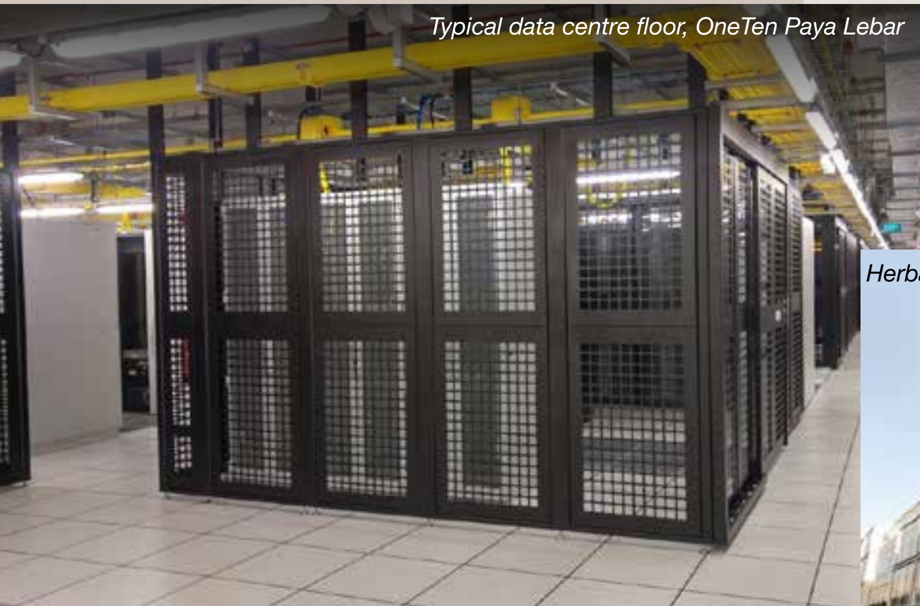
INVESTMENT PROPERTIES PORTFOLIO

High security entrance, OneTen Paya Lebar


Views from roof terrace, 15/17 Hornton Street

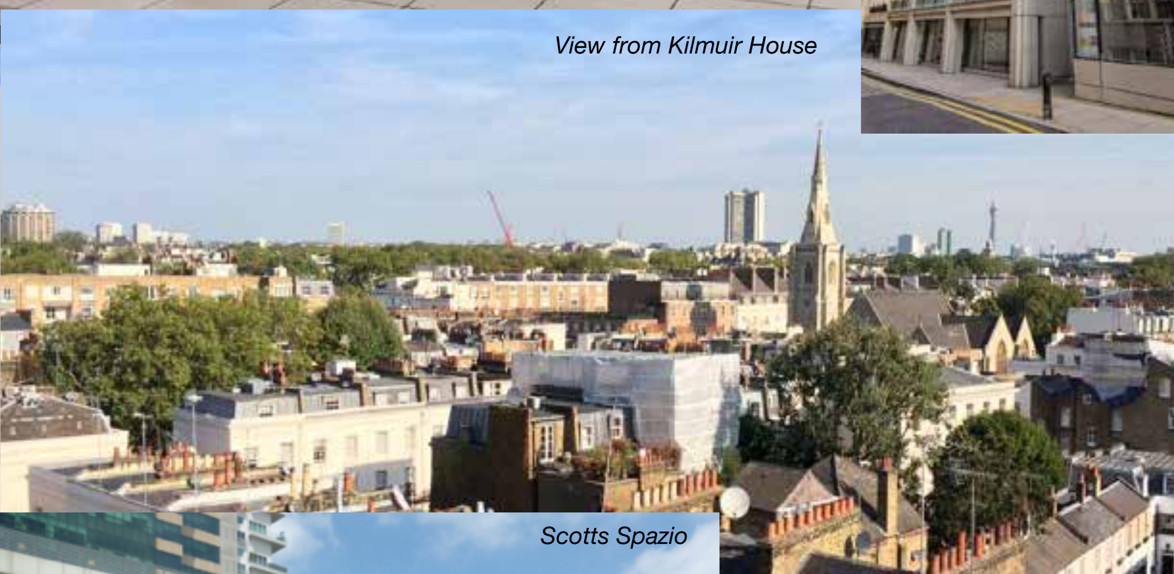

Fifth floor, 20 Midtown


Refurbished penthouse, 15/17 Hornton Street



Typical data centre floor, OneTen Paya Lebar

Herbal Hill



View from Kilmuir House

Scotts Spazio

FINANCIAL HIGHLIGHTS

	FY2016 $'000	FY2015 $'000	+/(-) %
Revenue	11,202	13,077	**(14.3)**
Profit before taxation	6,791	6,629	**2.4**
Profit after taxation	6,549	6,781	**(3.4)**
Assets			
Non-current assets	186,929	161,415	**15.8**
Current assets	87,430	95,356	**(8.3)**
Total assets	**274,359**	**256,771**	**6.8**
Liabilities			
Current liabilities	64,238	46,217	**39.0**
Non-current liabilities	15,702	4,231	**n.m**
Total liabilities	**79,940**	**50,448**	**58.5**
Per share data			
Share price (cents)	30.00	30.00	**0.0**
Net assets (cents)	29.77	31.57	**(5.7)**
Earnings per share (cents)	1.00	1.04	**(3.8)**
Interim dividend declared & paid (cents)	0	0	0.0
Final dividend recommended/declared (cents)	1.00*	1.00	0.0
Ratios			
Current ratio (times)	1.36	2.06	
Gearing ratio (%)	41%	24%	
Total debt to total asset ratio (%)	29%	20%	
Return on equity (%)	3.27%	3.25%	

n.m- denotes not meaningful

* *Subject to shareholders' approval at the Annual General Meeting on 27 April 2017.*

PERFORMANCE REVIEW

PROFIT AFTER TAXATION

Profit after taxation, which is in large part a reflection of assets sales effected in a given year, decreased by approximately 3.4%, from S$6.8 million in FY2015 to S$6.5 million in FY2016. The decrease was attributable mainly to (i) lower revenue (as discussed in the Revenue section below); (ii) lower gains from the disposal of investment properties; (iii) higher finance costs resulting from increased gearing (i.e. not primarily from higher rates); (iv) impairment losses in current and non-current investment securities; and (v) lower share of results from associates and joint ventures.

Gains from the disposal of investment properties amounted to S$2.2 million in FY2016 as compared to S$4.8 million in FY2015, attributable to the disposal of 1 residential apartment in London and 1 commercial property in Liverpool whereas in 2015 the Group disposed of 3 residential apartments in London.

Finance cost increased by 67.4% to S$1.4 million mainly due to higher average bank borrowings in FY2016.

Other operating expenses increased by S$3.0 million to S$5.0 million, attributable mainly to higher impairment losses in 2016. The Group recorded impairment losses of S$2.8 million and S$1.9 million respectively on non-current investment securities and current investment securities as these investment securities suffered significant or prolonged decline in the market value below the acquisition cost of investments. The non-current investments relate to an investment in a 6 storey prime freehold residential building located in London, United Kingdom. The charge relates primarily to carrying costs incurred due to unexpected delays in obtaining planning permission for the redevelopment of the property and also included the effect of unrealised foreign exchange losses. Following the receipt of planning approval, the investment security is accounted for on a fair value basis vis-à-vis the cost method prior to obtaining planning approval.

Share of after tax results of associates and joint ventures decreased by approximately 50.5% to S$0.8 million in FY2016 as compared to FY2015, attributable mainly to share of loss from a newly acquired associated company, Clan Kilmuir (Jersey) Limited in 2Q2016. A portion of the losses resulted from the need to depreciate the investment property arising from realignment of Group accounting policy. The share of loss was offset by higher contributions from our associated company, Scotts Spazio Pte Ltd ("Scotts") and our joint ventures, Neo Bankside Retail LLP and Neo Pav E Investments LLP.

The decrease in profit after taxation was partially mitigated by (i) a reduction in general and administrative expenses; (ii) refund of property tax; and (iii) foreign currency gains.

General and administrative expenses decreased by 15.9% to S$5.5 million, of which S$0.9 million of foreign currency loss was recorded in FY2015 general and administrative expenses. Excluding this foreign currency loss impact, the reduction in general and administrative expenses was approximately 3.4%. The Group is mindful of being cost efficient and has been successful in progressively reducing the resulting expenses.

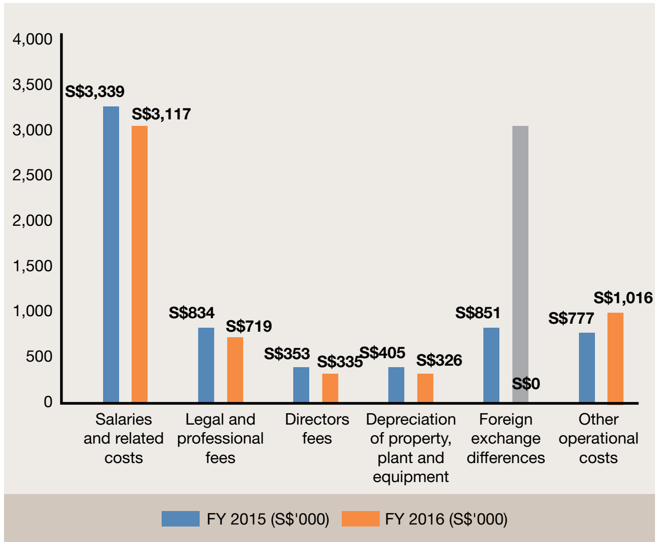
PERFORMANCE REVIEW

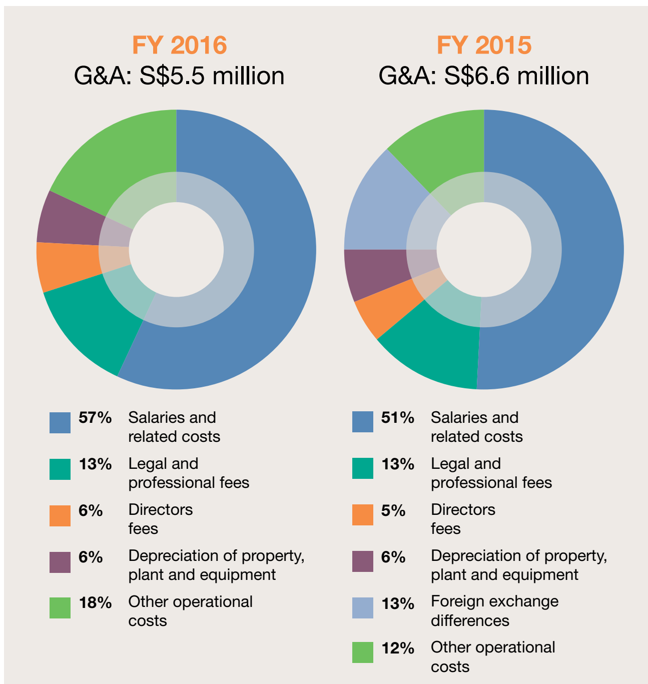
The Group amicably settled the property tax matter with Comptroller of Property Tax ("CPT") relating to the annual value matters on one of its commercial buildings in Singapore. The property tax refund of S$1.0 million was received and recorded in Other Income.

The weakening of the Sterling Pound against Singapore Dollars had resulted in foreign currency gains mainly attributable to our Sterling Pound loans in the income statement, although there are larger losses in the consolidated statement of comprehensive income due to the same factors.

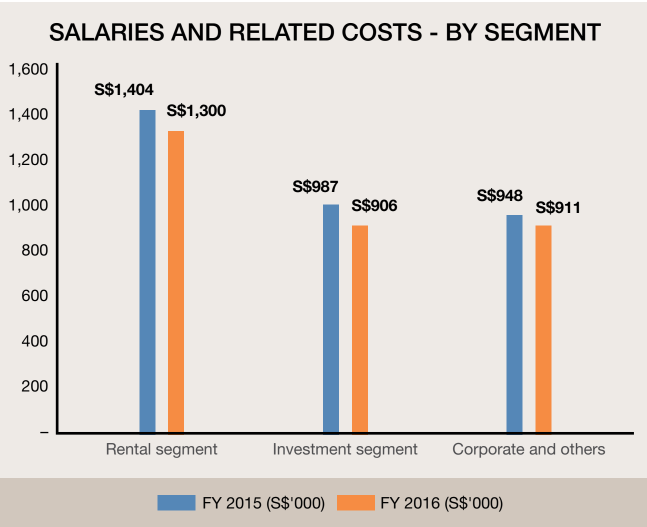
The effective tax rate for FY2016 was 3.6%. The lower effective tax rate in FY2016 was attributable mainly to certain gains being capital in nature and the absence of tax effect on the share of results of associates and joint ventures, offset by certain non-deductible expenses and losses incurred by foreign subsidiaries which are not available for setoff against profits of local subsidiaries.

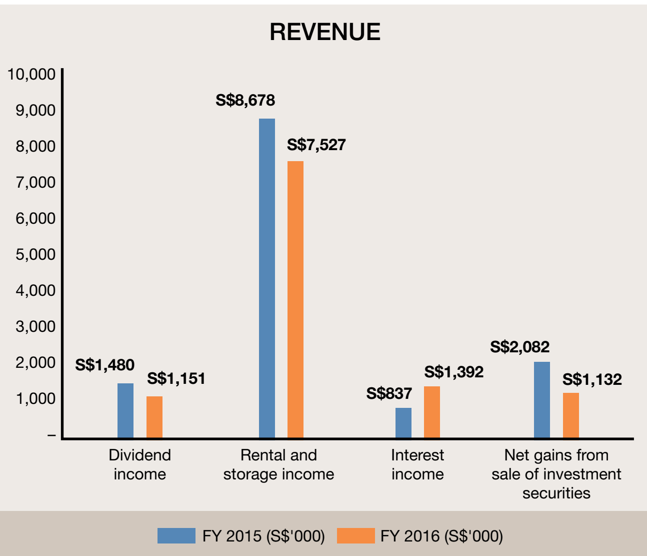
General and Administrative costs





PERFORMANCE REVIEW





The Group has two distinct business segments, namely the property segment and the investment segment. We derive our revenue from 2 main geographical regions, namely Singapore and the UK. Singapore and the UK contributed approximately 79.3% and 20.7% to the Group's total revenue, respectively. Revenue for the UK is attributable mainly to the rental of our UK properties.

Property business segment

We focus on value creation for shareholders over the medium to long term through 2 main principles. First, we strive to maintain a value oriented approach to new investments while holding to conservative financial standards. Second, we are focused on building a balanced portfolio of investments comprising (i) core assets with recurrent rental income; and (ii) higher risk projects such as value-add or opportunistic investments which allow us to generate higher returns whilst recycling our capital.

The decrease in rental income of S$1.2 million was primarily attributable to a decrease in rental income of S$1.5 million from 20 Midtown property in London as the property was undergoing asset enhancement work and a reduction of S$0.2 million due to absence of rental income from certain UK properties subsequent to their disposals in 2015 and 2016. The reduction was offset by an increase in rental income from Herbal Hill by S$0.6 million arising from the acquisition of the property in May 2016. Rental income from our UK and Singapore properties contributed approximately 19.6% and 47.6% to our total revenue, respectively.

Investment business segment

In relation to our investment segment, the Group evaluates investment opportunities in the public and private markets for capital growth, interest income and dividend yield. The investment portfolios are closely monitored and carefully assessed for both risks and returns. The decrease in investment segment of S$0.7 million was primarily attributable to decrease in dividend income by S$0.3 million and a decrease in net gains from the sale of investment securities of S$1 million. Lower share trading activities in FY2016 resulted in a decrease in the net gain from sale of investment securities. The reduction was offset by an increase in interest income of S$0.6 million mainly from interest from a loan provided to a joint venture partner in June 2016 at an interest rate of 8% p.a..

Net gains from the sale of investment securities, dividend income and interest income contributed approximately 10.1%, 10.3% and 12.4% respectively to the Group's total revenue in FY2016.

BALANCE SHEET

As at 31 December 2016, the Group remained in a sound financial position with shareholders' equity of S$194.4 million, cash and bank balances of S$36.9 million and S$68.9 million of outstanding bank borrowings. Of the S$36.9 million in cash and bank balances, S$19.0 million is held as collateral for our bank facilities.

Total assets increased by S$17.6 million or approximately 6.8%. Total liabilities increased by S$29.5 million or approximately 58.5%. Net assets decreased by S$11.9

million or 5.8%. Net assets value per share declined by approximately 5.7% from 31.57 cents as at 31 December 2015 to 29.77 cents as at 31 December 2016.

During the year, we acquired an interest in a commercial property in London and disposed 1 residential unit and 1 commercial property in London and Liverpool respectively. This resulted in a net increase of S$18.4 million in investment properties and properties classified as held for sale. Investment in associates increased by S$10.0 million mainly due to a S$12.7 million new investment in an associated company, Clan Kilmuir (Jersey) Limited.

Investment securities declined by S$2.3 million mainly due to fair value changes and the net effect of additions and disposals of investment securities during the year. Other receivables declined by S$2.6 million mainly due to repayment of loans of S$11.8 million from a third party and UK joint ventures, offset by a loan of S$9.8 million to a joint venture partner. Cash and bank balances decreased by S$3.7 million mainly due to payment of dividends offset by receipts from the disposal of investment properties and property tax refund from CPT.

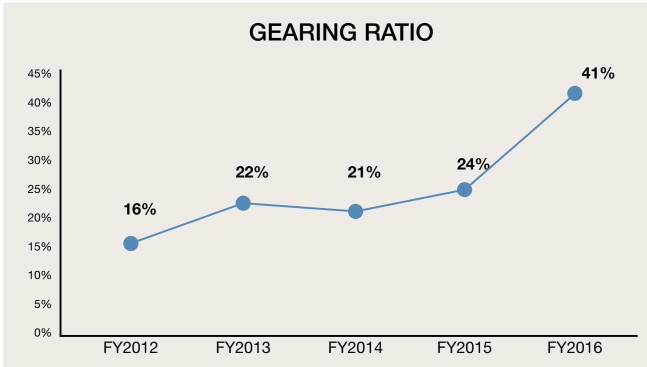
Total liabilities increased by S$29.5 million mainly due to an increase in bank borrowings of S$29.7 million. The bank borrowings have been used to finance the acquisitions of Herbal Hill, Clan Kilmuir (Jersey) Limited and loan to one of our UK joint partners.

DEBT MANAGEMENT

The Group aims to uphold a strong reputation and a strong balance sheet with sufficient liquidity to meet its liabilities irrespective of market conditions.

To ensure that the Group has adequate overall liquidity for its operations and new investment opportunities, the Group has built up strong cash reserves of S$36.9 million (S$17.9 million net of collateral commitments) and has unutilised credit facilities for future investments. We monitor our cash flow position, debt maturity profile, cost of debt and overall liquidity position on a regular basis. In managing our debt levels and interest rate risks, we take into account the interest rate outlook, expected cash flow generated from our operations, our investment horizon for our investments and our acquisition and divestment plans.

During the year, we obtained new bank loans of S$29.7 million mainly for the financing of our acquisitions in Herbal Hill, Clan Kilmuir (Jersey) Limited and loan to one of our UK joint partners. The gearing ratio increased from 24% as at 31 December 2015 to 41% as at 31 December 2016.



Gearing ratio – (Long term debt + short term debt)/shareholders' equity

At 31 December 2016, the maturity profile of our outstanding bank borrowings, including bank overdrafts, was as follows:

	S$'000	% of debt
Due in 2016	57,705	84%
Due after 2016	11,212	16%
	68,917	

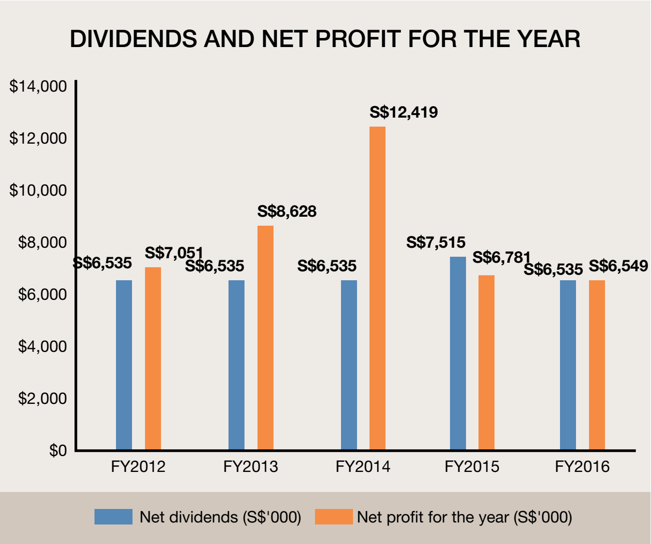
The Group currently has sufficient resources to repay all outstanding loans and under current market conditions is confident of the capacity to refinance at acceptable terms and secure additional loan facilities should the need arise.

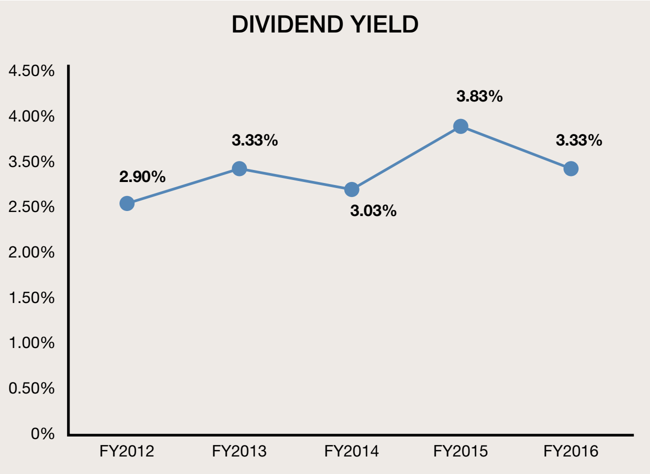
INVESTORS' RETURN

Dividend payout

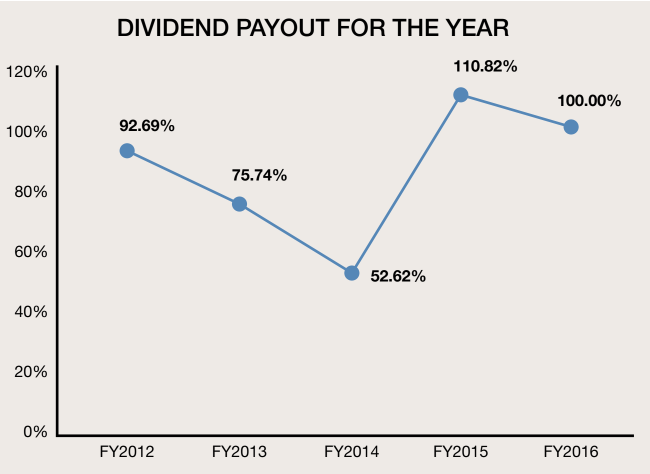
The Group has a track record of paying consistent dividends to shareholders. The decision on whether to recommend a dividend is at the discretion of the Board of Directors. In determining the dividend payout for a given year, the Board of Directors take into account, *inter alia*, the Group's balance sheet position, operating results, capital requirements and such other factors as the Board of Directors deems relevant. The Group strives to continue declaring dividends to shareholders while maintaining the ability to pursue future investment opportunities.

PERFORMANCE REVIEW





Dividend yield (based on year end share price) – current year dividend per share/year end share price



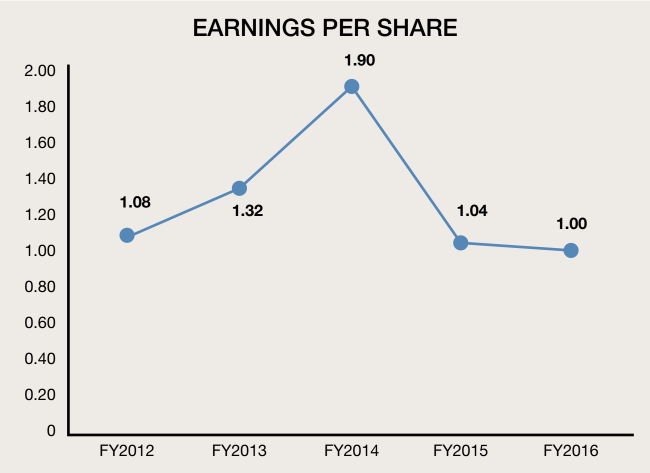
Dividend payout – dividend per share/EPS

For the five financial years ended 31 December 2016, we paid over S$33.7 million in dividends to our shareholders. Owing to our cash position and sufficient revenue reserves as at 31 December 2015, we were able to pay dividends of S$6.5 million, equivalent to approximately 100.0% of our net profit after tax attributable to shareholders in May 2016. For the upcoming AGM, the directors have recommended a final dividend for FY2016 of 1.0 cent per share, totaling S$6.5 million for the financial year ended 31 December 2016. Based upon a recommended dividend of 1.00 cents and our share price of 30 cents as at 31 December 2016, our annualised dividend yield is approximately 3.3%.

SHAREHOLDER RETURN

The Group is focused on maximising shareholder value over the medium to long term. The Group will continue to focus both on investment opportunities which enhance recurrent revenues and cash flow and which contribute to growth in shareholder value.

Total earnings per share decreased to 1.00 cents in FY2016 from 1.04 cents in FY2015, representing a decrease of approximately 3.8%.



EPS (cents) – net profit for the year/number of shares X 100

BOARD OF DIRECTORS

HANS HUGH MILLER

Chairman; Independent and Non-Executive
B.A. ECONOMICS

Mr Hans Hugh Miller was appointed a Director and the Chairman of the Board of Directors on 3 January 2005 and 20 April 2005 respectively. He was last re-elected on 24 April 2015. He is also the Chairman of the Audit and Risk Committee and a member of the Nominating Committee, Remuneration Committee and Divestment and Investment Committee of the Company.

Mr Miller holds a BA degree in economics, Carleton College (Minnesota, USA). He is a trustee of the US investment group, Buffalo Funds, and a member of its audit and nominating committees. From 2009 until the sale of the company in 2015, Mr Miller was a director of publicly traded, Protective Life Corporation in the United States, and a member of that company's audit and finance and risk committees. He is also a former board and audit committee member of publicly traded Tawa PLC in the UK. He is an advisor and consultant to financial and non-financial institutions particularly in the area of mergers, acquisitions and strategy. Mr Miller formerly was Managing Director and Senior Advisor with the investment bank of Bank of America in New York City. Previously he was President and CEO of the Hartford International Financial Services Group, LLC (CT, USA), and Senior Vice President of The Hartford Financial Services Group, Inc, for Planning, Development and Investor Relations. He is a fellow of the National Association of Corporate Directors (USA) and the Institute of Directors (UK). Among other industry and board roles, Mr Miller was formerly active in leadership roles with several other industry associations and active with non-profit organisations working in the areas of youth development, social justice and historic preservation.

ONG CHOO ENG

Group Managing Director; Non-Independent
M. SC. (ENG.), M.I.C.E., M.I.E.S.

Mr Ong Choo Eng was appointed a Director on 15 June 1982 and has served as Group Managing Director since 10 February 1989.

Mr Ong obtained a Bachelor of Science (Honours) Degree in Civil Engineering and a Master of Science Degree in Advanced Structural Engineering from Queen Mary College, University of London in 1966. He was elected a Fellow of Queen Mary College, University of London in 1990. Mr Ong is a member of Institution of Engineers (Singapore).

Mr Ong was a director of MTQ Corporation Limited from September 1997 to October 2016 and a director of Singapore Reinsurance Corporation Limited from June 2002 to December 2015.

ONG MUI ENG

Executive Director; Non-Independent

Mr Ong Mui Eng was appointed a Director on 1 February 1983. Mr Ong will be subject to retirement and will be seeking re-election at the forthcoming Annual General Meeting of the Company scheduled to be held on 27 April 2017. He was last re-appointed on 24 April 2015.

Mr Ong is overseeing the finance and administration matters of the Group. Prior to joining the Company, he was a Regional Officer in The Hongkong and Shanghai Banking Corporation Limited.

ONG HIAN ENG (DR)

Non-Executive Director; Non-Independent
B. SC., D.I.C., PH. D., C. ENG., F.I. CHEM.E.

Dr Ong Hian Eng was appointed a Director on 24 February 1981. He was last re-elected on 27 April 2016.

Dr Ong is a CEO and Executive Director of AsiaPhos Limited, a public listed company listed in Singapore. He graduated with an Upper Second Class Degree in Chemical Engineering from the University of Surrey in 1969 and completed Doctor of Philosophy (PhD) as a Biochemical Engineer at Imperial College, London in 1972. He is a Corporate Member in the class of fellows of Institution of Chemical Engineers, London since November 1986 and was a member of the Trade Development Board from January 1995 to December 1996.

BOARD OF DIRECTORS

He is also a member of the Singapore Sichuan Trade & Investment Committee and honorary council member of the Singapore Chinese Chamber of Commerce & Industry.

GUAN MENG KUAN

Non-Executive Director; Non-Independent
B. SC. (ENG.), M.I.E.S., M.I.E.M.

Mr Guan Meng Kuan was appointed a Director on 1 February 1983. Mr Guan will be subject to retirement and will be seeking re-election at the forthcoming Annual General Meeting of the Company scheduled to be held on 27 April 2017. He was last re-appointed on 24 April 2015. He is also a member of the Nominating Committee and Remuneration Committee of the Company.

Mr Guan was the Managing Director of Singapore Piling & Civil Engineering Private Limited ("SPACE") from November 1971 to December 1999, after which, he remained as a Director and acted as a consultant to SPACE until this wholly owned subsidiary of the Company was disposed off on 2 July 2001. Prior to this, he held several head posts of Executive Engineer, Deputy Director and Acting Director of Development Division of Jurong Town Corporation.

Mr Guan holds a Bachelor of Science (Engineering) from the University of London, and is a member of the Institution of Engineers (Singapore) and Institution of Engineers (Malaysia).

ONG WUI LENG, LINDA

Non-Executive Director; Independent
BSc (Economics) in Management Studies (HONS)
Master of Practising Accounting

Ms Ong was appointed a Director on 19 April 2013. Ms Ong was last re-elected on 24 April 2015. She is the Chairman of the Nominating Committee and a member of the Audit and Risk Committee and Divestment and Investment Committee of the Company.

Ms Ong also sits on the board of SiS International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited and is the chairperson of the Audit Committee and Remuneration Committee and a member of the Nomination Committee. She is appointed to the board of QAF Limited in January 2017 and chairs the Audit Committee. Ms Ong is also a member of the Nominating Committee of QAF Limited.

She is the director of BlackInk Corporate Partners Pte Ltd having spent more than 10 years in corporate banking. She also has many years of experience in corporate finance and management.

Ms Ong graduated from the University of London, United Kingdom with a Bachelor of Science (Economics) in Management Studies in 1990 and has since completed her Master of Practising Accounting from the Monash University, Australia.

HUANG YUAN CHIANG

Non-Executive Director; Independent
Bachelor of Economics (B.Ec)
Bachelor of Laws (LL.B)

Mr Huang was appointed a Director on 19 April 2013. Mr Huang was last re-elected on 27 April 2016. He is also the Chairman of the Remuneration Committee and Divestment and Investment Committee and a member of the Audit and Risk Committee of the Company.

Mr Huang is a lawyer by training and was an investment banker by vocation. During his banking career he held senior managerial positions with various banking institutions including HSBC, Bankers Trust and Deutsche Bank.

His areas of specialisation were in mergers and acquisitions and equity capital markets. In addition to our board, Mr Huang also serves on the boards of several other companies including MTQ Corporation Limited.

Mr Huang has degrees in Economics and Laws.

KEY EXECUTIVES

CHEN CHEE KIEW (MRS)

General Manager
Singapore Warehouse Company (Private) Ltd.

Mrs Chen Chee Kiew joined Singapore Warehouse Company (Private) Ltd. as an Executive in April 1977. In 1983, she was promoted to Business Development Manager, to be in charge of leasing, marketing and managing the whole warehouse for the company. In 1989, she was promoted to the post of General Manager and is responsible for leasing/marketing and management of residential and commercial properties in the company. In addition, she assists the Managing Director in management of funds.

Mrs Chen graduated with a Bachelor of Social Science (Honours) from the University of Singapore in 1975. She also holds a Diploma in Marketing Management.

ONG ENG YAW

Manager, Investments
Singapore Warehouse Company (Private) Ltd.

Mr Ong Eng Yaw joined the Company as Manager for Investments on 1 August 2008. He is responsible for the Group's business development and investment activities. Prior to joining the Company, he has worked in OCBC Bank, Vickers Ballas, DBS Bank, CIMB Group and Parkway Life Real Estate Investment Trust. Mr Ong's career has been in corporate finance and in real estate investment and management in Singapore and the United Kingdom. Mr Ong is also an independent director of Singapore Reinsurance Corporation Limited and MTQ Corporation Limited.

Mr Ong graduated with a Bachelor of Laws (second class upper division) from University College London, an MSc (Investment Management) from Cass Business School and an MBA from INSEAD.

ONG ENG LOKE

Business Development Manager
Hwa Hong Edible Oil Industries Pte. Ltd.

Mr Ong Eng Loke joined the Company in August 2004 as manager for business development. Prior to the appointment, he was a fund manager in Tokio Marine Asset Management International Pte Ltd, UOB Asset Management and OUB Asset Management. He is currently responsible for investment opportunities in Asia particularly in the North Asian region of China, Hong Kong and Korea.

Mr Ong graduated with a BComm and Honours BSc (Distinction) in Finance, Actuarial Science and Statistics from the University of Toronto, Canada, and a Master of Arts in Statistics at the York University, Canada, and a Master of Social Science in Applied Economics at the National University of Singapore.

LEE SOO WEI

Chief Financial Officer
Hwa Hong Corporation Limited

Ms Lee Soo Wei joined the Company as Chief Financial Officer on 16 July 2012. She oversees the financial management of the Group, which covers accounting, tax, financial control and reporting.

Ms Lee is a non-practising member of the Institute of Singapore Chartered Accountants.

Prior to joining the Group, Ms Lee was a senior audit manager in the Singapore office of a big four accounting firm where she was involved in various audit and special engagements of local and multi-national companies in various industries.

CORPORATE GOVERNANCE REPORT

Hwa Hong Corporation Limited (the "Company") recognises the importance of good corporate governance practices. The Company is committed to align its governance framework with the recommendations under the revised Code of Corporate Governance which was issued on 2 May 2012 (the "2012 Code").

This report describes the Company's corporate governance practices with reference to the principles of the 2012 Code.

(A) BOARD MATTERS

The Board's Conduct Of Its Affairs

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

The board of directors of the Company (the "Board") is entrusted to lead and oversee the Company, with the fundamental principle to act in the interests of the Company. The Board oversees the corporate policy and overall strategy for the Company and its subsidiaries (the "Group"). The Board also seeks to align the interests of the Board and management with that of shareholders and balance the interests of all stakeholders. In addition to its statutory duties, the principal roles and responsibilities of the Board include:-

- overseeing the overall strategic plans, overall policies and financial objectives of the Group;
- reviewing the operational and financial performance of the Group;
- overseeing the business and affairs of the Group, including reviewing the performance of management;
- approving quarterly financial results announcements, circulars (if any), and audited financial statements and annual reports;
- dealing with matters such as conflict of interest relating to directors (the "Directors") and/or controlling shareholders (where applicable), major acquisitions and disposals of assets, dividend and other distributions to shareholders, and those transactions or matters which require the Board's approval under the provisions of the listing manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST") or any applicable regulations;
- approving changes in the composition of the Board and board committees (the "Board Committees");
- overseeing the Group's system of internal controls, risk management, financial reporting and compliance; and
- overseeing and enhancing corporate governance practices and ethical standards within the Group.

The Board has adopted a set of written internal guidelines which sets out authorisation and approval limits for capital expenditure, investments and divestments, bank borrowings and cheque signatories at the Board and management levels.

Management seeks the Board's approval on matters required under the Companies Act, Chapter 50 of Singapore (the "Companies Act") and the Listing Manual.

The functions of the Board are either carried out by the Board or delegated to various Board Committees established by the Board, namely, the Audit and Risk Committee (the "ARC"), the Nominating Committee (the "NC"), the Remuneration Committee (the "RC") and the Divestment and Investment Committee (the "DAIC"). Each committee has the authority to examine issues relevant to their respective terms of reference and to make recommendations to the Board for the Board's consideration and approval.

CORPORATE GOVERNANCE REPORT

The Board conducts regularly scheduled meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The constitution of the Company allows Board meetings to be conducted via any form of audio or audio-visual communication. The Directors are free to discuss any information or views presented by any member of the Board and management.

The Company has adopted a policy which welcomes Directors to request further explanations, briefings or informal discussions on any aspect of the Group's operations or business from the management of the Company.

Board members may on occasion exchange views outside the formal environment of Board meetings.

The attendance record of each Director at meetings of the Board and Board Committees for the financial year ended 31 December 2016 ("FY2016") is disclosed below:

Name of Director	Board of Directors	ARC	NC	RC	DAIC
Hans Hugh Miller#	4	4	3	2	3
Ong Choo Eng	4	Not applicable	Not applicable	Not applicable	Not applicable
Ong Mui Eng	4	Not applicable	Not applicable	Not applicable	Not applicable
Ong Hian Eng	4	Not applicable	Not applicable	Not applicable	Not applicable
Guan Meng Kuan	4	Not applicable	3	3	Not applicable
Goh Kian Hwee##	2	2	Not applicable	1	Not applicable
Ong Wui Leng, Linda	4	4	3	Not applicable	3
Huang Yuan Chiang	4	4	Not applicable	3	3
Number of meetings held in 2016	**4**	**4**	**3**	**3**	**3**

 # Mr Hans Hugh Miller was appointed as a member of the RC on 27 April 2016
Mr Goh Kian Hwee retired as a Director of the Company on 27 April 2016

It is the Company's policy that newly appointed Directors be provided with briefings and orientation by the Executive Directors and management to familiarise them with the businesses and operations of the Group. The orientation also allows newly appointed Directors to get acquainted with Executive Directors and management, thereby facilitating Board interaction and independent access to management. For a newly appointed Director who has no prior experience as a director of a listed company, in addition to the orientation, he or she will be encouraged to also attend the relevant programme conducted by the Singapore Institute of Directors ("SID") in order to acquire knowledge of what is expected of a listed company director. It is the Company's practice that newly appointed Directors are also given a copy of the Company's Directors' manual, setting out their duties and obligations. For FY2016, no new Directors were appointed.

The Directors may join institutes and group associations of interests related to the affairs of the Group, and attend relevant training seminars or informative talks from time to time. As part of their continuing education, Directors may attend courses in areas of Directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act and industry-related matters, to keep themselves apprised and updated on the latest corporate, regulatory, legal and other requirements. The Directors are regularly kept informed by the in-house corporate secretarial department of the availability of appropriate courses, conferences and seminars such as those run by the SID. The registration process is facilitated by the Company with course fees borne by the Company. During FY2016, as part of the training and professional development of the Board, the Company had arranged for the Directors to be briefed on several occasions, on sustainability reporting requirements.

CORPORATE GOVERNANCE REPORT

Board Composition And Guidance

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

The Board comprises seven Directors, three of whom (including the Chairman of the Board) are Independent Directors, thereby satisfying that at least one-third of the Board comprised Independent Directors. Of the seven Directors, two are full-time Executive Directors, and therefore, non-independent. As Non-Executive Directors make up 71% of the Board, no individual or small group of individuals dominate the Board's decision making. The composition of the Board is as follows:

Mr Hans Hugh Miller, Independent Non-Executive Chairman
Mr Ong Choo Eng, Group Managing Director
Mr Ong Mui Eng, Executive Director
Dr Ong Hian Eng, Non-Executive Director, Non-Independent
Mr Guan Meng Kuan, Non-Executive Director, Non-Independent
Ms Ong Wui Leng, Linda, Independent Director
Mr Huang Yuan Chiang, Independent Director

The profiles of the Board members, including information on their appointments and re-appointments, are set out on pages 22 to 23.

The NC has reviewed and considered and is of the view that, the size and composition of the Board remained appropriate for effective decision making, taking into account factors such as the scope and nature of the operations of the Group and the core competencies of Board members who are in the fields of civil engineering, accounting, chemical engineering, insurance, finance and banking. The Board, in concurrence with the NC, confirms that the Board size of seven members is appropriate having regard to the core competence diversity of the Board members. The Board comprises one female Director in recognition of the importance and value of gender diversity. The Board would also strive for cultural and nationality diversity and currently has one member of the Board from the United States of America. The other six members of the Board are from Singapore and Malaysia. Nationality diversity is considered important for the Company given the geographic diversity of the Group's businesses.

The Non-Executive Directors are encouraged to participate actively at Board meetings, provide constructive feedback and challenge management's decisions. They also provide oversight on issues deliberated and in reviewing the performance of the Company. In encouraging open communication and providing effective oversight on management, the Non-Executive Directors meet separately after each scheduled quarterly Board meeting, without the presence of management.

The Company conducts annual performance evaluations on (i) each Director on an individual basis; and (ii) collectively as a group, to assist the NC in the assessment of the contributions and commitment of each Director to the Company and the effectiveness of the Board as a whole. The Company also conducts Board Committees performance evaluations as well as Independent Director self-assessment annually. The Company's outsourced company secretaries assist the Company with the evaluation process and confirmed to the Company's that the Company's performance evaluation (including the rigorous review and assessment of Independent Directors who has been with the Company for more than nine years) is not less informative. As with previous years, the results of the evaluations for FY2016 clearly indicated that the Directors remain committed and stand ready to contribute to the Company.

The independence of each Independent Director is assessed and reviewed annually by the NC. In its deliberation on the independence of an Independent Director, the NC took into account the 2012 Code's definition of relationships, considered whether such Independent Director had business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere with the exercise of such Independent Director's objective judgements. There were no business relationships between the Group and the respective Independent Directors for FY2016.

Each Independent Director is required to complete a Director's independence form annually, to confirm his/her independence based on the guidelines as set out in the 2012 Code.

Since 2015, in addition to peer assessment, all three Independent Directors subjected themselves to self-assessment evaluation in respect of their respective independence. For FY2016, the Board accepted the NC's recommendation to include Mr Guan Meng Kuan, who is Non-Executive and Non-Independent, to the same rigorous review assessment of his independence. Accordingly in respect of the review of the independence of each Independent Director and Mr Guan Meng Kuan for FY2016, the NC having assessed the independence of each Independent Director and Mr Guan Meng Kuan, had considered Mr Hans Hugh Miller, Mr Huang Yuan Chiang, Ms Ong Wui Leng, Linda and Mr Guan Meng Kuan to be independent. Each member of the NC had abstained from deliberations in respect of assessment of his/her own independence.

In considering whether an Independent Director who has served on the Board beyond nine years from the date of his appointment is still independent, the NC takes into consideration the following factors: –

(i) the findings of the annual performance evaluation of each individual Independent Director and Mr Guan Meng Kuan (i.e. peer and individual self-assessment);
(ii) his/her ability to continue exercising independent judgement in the best interests of the Company;
(iii) the attendance and active participation in the proceedings and decision making process of the Board and Board Committees meetings; and
(iv) the level of commitment, equity and integrity in discharging his/her respective responsibilities as an Independent Director of the Company.

Mr Hans Hugh Miller (First appointed on 3 January 2005)
The Board supported the NC's recommendation that Mr Miller continues to be considered independent. This is based on the NC's rigorous review of Mr Miller and the NC's observations of Mr Miller's conduct to continue exercising independent and objective judgement in the interest of the Company despite his extended tenure in office. The NC was of the view that Mr Miller through his years of involvement with the Group, gained valuable insights and deep understanding of the Group's business and together with his diverse experience and expertise, has contributed and will continue to contribute effectively by providing his impartial and autonomous views as an Independent Director.

In addition Mr Miller continues to bring new and constructive initiatives to the Group and is an important link between the Company and its shareholders. He continues to reach out to management and Board members, meeting them on a regular basis to hear and resolve issues (if any), as well as to brainstorm and implement good corporate practices, having spent several days annually on governance and best practices training at his own time and expenses. Mr Miller is highly regarded by fellow Board members and management.

Mr Guan Meng Kuan (First appointed on 1 February 1983)
Mr Guan was first appointed to the Board as a full time Executive Director in 1983. He retired in 2003 and became the Non-Executive and Non-Independent Director. Thereafter in 2004, Mr Guan was appointed as Independent Director. Since 2006, Mr Guan has been a Non-Executive and Non-Independent Director as a result of a family member who was employed by the Group from 2006 to 2009.

Despite Mr Guan continuing to be a Non-Executive and Non-Independent Director, the NC had also submitted Mr Guan to a rigorous review in 2016, arising from his long tenure in the Company. Based on the NC's review, Mr Guan had satisfied the criteria of being independent in substance, in accordance with the 2012 Code (however, in form, Mr Guan is a Non-Independent Director). Some of the Board members have known Mr Guan for more than 30 years and they continue to hold high regards for Mr Guan's professionalism and integrity. The NC also noted that Mr Guan had no hesitation to put the interest of the Company first and the Board supported the NC's recommendation to continue to designate Mr Guan as a Non-Independent Director of the Company, notwithstanding his independence in accordance with the 2012 Code. It is however the NC's intention to rigorously review the independence of Mr Guan with a view to possibly reclassify Mr Guan as an Independent Director at some point in the future.

Both Mr Miller and Mr Guan had abstained from all discussions and deliberations in respect of their own independence.

The NC is cognizant of the importance of Board renewal and refreshment. The Company has instituted the practice of maintaining a ready-pool of Independent Directors which the Company may tap into, as and when required.

Chairman And Group Managing Director

Principle 3: 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.

The roles of the Chairman and the Group Managing Director in the Company are separate. Mr Hans Hugh Miller is the Chairman of the Board and is an Independent Non-Executive Director. Mr Ong Choo Eng is the Group Managing Director. The Chairman and the Group Managing Director are not related.

The Group Managing Director has the executive responsibility for the day-to-day operations of the Group whilst the Chairman provides leadership to the Board, setting the tone of Board meetings, to encourage proactive participation and constructive discussions between Board members, to improve Board, Board Committees and individual Director effectiveness. The Chairman ensures that Board meetings are held as and when necessary and sets the meeting agenda in consultation with the Group Managing Director and fellow Directors and management, and if warranted, with professional advisors. He also ensures that information and materials to be discussed at Board meetings are circulated on a timely basis to Directors so as to enable them to be updated and prepared, thereby enhancing the effectiveness of the Non-Executive Directors and the Board as a whole. He engages and promotes constructive discussions among the Directors and engages with members of the management regularly. At annual general meetings ("AGM"), the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management.

The Company has not appointed a lead independent director as the Chairman and the Group Managing Director is not the same person and the Chairman and the Group Managing Director are not related to each other.

Board Membership

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

Nominating Committee

The NC comprises entirely of three Non-Executive Directors, a majority of whom, including the Chairman, are independent. The Chairman is not a substantial shareholder or directly associated with a substantial shareholder. The NC Chairman assumes the lead role in promoting corporate governance processes. The NC members are:

Ong Wui Leng, Linda	Chairman
Guan Meng Kuan	
Hans Hugh Miller	

The key duties and responsibilities of the NC under its terms of reference include the following:

- making recommendations to the Board on new appointments to the Board (including alternate director, if applicable);
- making recommendations to the Board on the re-nomination of retiring Directors standing for re-election at the Company's AGM, having regard to the Director's contribution and performance;
- determining annually whether or not each Independent Director is independent;
- reviewing the Board structure, size and composition;
- reviewing whether or not a Director has adequately carried out and is able to carry out his/her duties as a Director, particularly when he/she has multiple board representations;

- reviewing Board succession plans for Directors, in particular, the Chairman and the Group Managing Director;
- reviewing training and professional development programs for the Board;
- deciding how the Board's performance may be evaluated;
- recommending for the Board's implementation, a process for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board; and
- exercising general oversight in respect of governance matters, including the review and recommendation of any corporate governance principles and practices that may be applicable to the Company and proposing changes to such principles and/or practices, as appropriate.

In assessing and recommending a candidate for appointment to the Board, the NC takes into consideration the background, experience and knowledge that the candidate brings which could benefit the Board. The selection for suitable candidates is conducted through contacts and network of the Board and where necessary, external recruitment companies may be engaged at the Company's expense. For FY2016, the NC recommended and the Board has instituted the practice of maintaining a ready-pool of Independent Directors which the Company may tap into, as and when required. Recommendations to the Board are made based on the NC's review of these candidates' suitability. New Directors are appointed by way of a Board resolution after the NC recommends the appointment for approval of the Board or at an AGM.

The Company does not have any alternate director.

At each AGM of the Company, the constitution of the Company requires one-third of the Board (excluding the Group Managing Director) to retire from office by rotation, being one-third of those who have been longest in office since their last re-election. The retiring Directors are at liberty to submit themselves for re-nomination and re-election. A newly appointed Director must also subject himself for retirement and re-election at the AGM immediately following his appointment. In addition, in accordance with the amendments to the Companies Act, the Company no longer requires Directors who are age 70 and above to retire annually.

In accordance with the Company's constitution, Mr Ong Mui Eng and Mr Guan Meng Kuan would retire by rotation at the Company's forthcoming AGM.

In assessing and recommending retiring Directors for re-election, the NC takes into account the Director's attendance at meetings and his contribution and performance at such meetings.

In cases where a Director has multiple board representations, the NC also assesses on an annual basis, whether such Director has adequately carried out his/her duties as a Director. In this regard, the NC has considered, and is of the opinion, that the multiple board representations held by Directors do not impede their performance in carrying out their duties to the Company given the prompt and active participation and attendance of the Directors whether at Board meetings or by way of other forms of communication including e-mails.

In anticipation of competing time commitments where Directors serve on multiple boards, the Board had set a maximum limit of six directorships in listed companies for Independent Directors.

Further information regarding Directors can be found in the section "**Board of Directors**" on pages 22 to 23. Details of Directors' shareholdings in the Company and related corporations are set out in the "**Directors' Statement**" on pages 43 to 45.

Board Performance

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

The NC meets at least once a year, and as warranted by circumstances, to discharge its functions. For FY2016, the NC met three times, of which, two were physical meetings and one being a meeting held via teleconference.

The NC has in place an annual performance evaluation for the Board as a whole, each individual Director, Board Committees and Independent Director self-assessment. The Board and Board Committees members completed the respective questionnaires covering mainly the following areas of assessment -

(i) Board size, composition, mix of expertise and level of independence;
(ii) Promptness, availability and clarity of Board information;
(iii) Robustness of Board discussions and timely resolution of issues and Board accountability;
(iv) Board Committees performance in relation to discharging their responsibilities set out in the respective terms of reference; and
(v) Standards of conduct and conflict of interest.

The Director's individual performance criterion was assessed mainly on the following –

(i) Interactive skills;
(ii) Knowledge including professional expertise, specialist and technical skills;
(iii) Duties including attendance at meetings, meeting preparation, participation and performance of specific assignments; and
(iv) Conduct including maintenance of independence and compliance with Company policies.

The Independent Directors self-assessment covers mainly the following areas:

(i) Commitment and contributions to the Group;
(ii) Relationship with the Company and its related corporations;
(iii) Independent in character and objective judgement; and
(iv) Financial independency.

The NC reviews and assesses Board, Board Committees, individual Directors and Independent Director performance, self-assessment evaluation process and procedures and recommends any changes (where applicable) annually to ensure that the same remained effective, robust and updated.

The Company's outsourced company secretaries were engaged to collate the performance evaluations and provide summary of findings for the NC Chairman and the Board Chairman. The NC, in consultation with the Board Chairman, takes appropriate actions to address the findings of the performance evaluation.

Access To Information

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

Management, including the Executive Directors, keeps the Board apprised of the Group's operations and performance through quarterly updates and reports as well as through informal discussions. Management is expected to provide the Board with key information that is complete, adequate and timely. Management also provides any additional material or information, including management accounts, potential acquisition and disposal of assets, that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. Prior to any meetings of the Board and Board Committees, Directors are provided, where appropriate, with management information to enable them to be prepared for the meetings. It is the Company's practice for the Board papers to be given to the Directors at least seven days before the Board and Board Committees meetings so that the Board and committee members have better understanding of the agenda matters and to facilitate discussion among themselves during the meeting. Key management personnel are invited to attend the Board and Board Committees meetings to make the appropriate presentations and to answer any queries from the Directors, whenever needed. On an ongoing basis, all Board members have separate and independent access to management should they have any queries or require additional information on the affairs of the Company and the Group.

The Board members also have separate and independent access to the outsourced company secretaries. The outsourced company secretaries attend all Board and Board Committees meetings. The outsourced company secretaries, together with management, assist the Board in ensuring that the Company complies with all applicable statutory and regulatory rules, including the Companies Act, Securities and Futures Act, Chapter 289 of Singapore (the "SFA") and the Listing Manual of the SGX-ST. The appointment and removal of outsourced company secretaries rests with the Board.

Where the Directors either individually or as a group, in the furtherance of their duties, require independent professional advice, they are empowered to them in obtaining such advice at the Company's expense.

(B) REMUNERATION MATTERS

Procedures For Developing Remuneration Policies

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

Remuneration Committee

The RC comprises entirely of Non-Executive Directors, the majority of whom, including the Chairman are independent. The RC members are:

Huang Yuan Chiang	Chairman
Hans Hugh Miller	
Guan Meng Kuan	

The key duties and responsibilities of the RC under its terms of reference include the following:

- recommending to the Board on the general framework of remuneration for Directors and key management personnel;
- reviewing and approving specific remuneration packages for Directors and the Group Managing Director, including Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind; and
- reviewing the remuneration of key management personnel.

The roles, duties and responsibilities of the RC cover the functions described in the 2012 Code including but not limited to, ensuring a fair and transparent procedure for developing policy on executive remuneration and fixing the remuneration packages of Directors and key management personnel. As and when deemed appropriate by the RC, expert advice is or will be sought. During the financial year, the RC did not require the service of an external remuneration consultant.

The RC reviews the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses. The Company has a claw back policy for the annual incentive and other performance based compensation.

The RC also administers the Share Option Scheme of the Company.

Level And Mix Of Remuneration

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

The RC recommends to the Board the quantum of Directors' fees and the Board in turn determines the recommendation for shareholders' approval at AGM. Directors' fees are payable to the non-executive Directors and take into account the non-executive Director's attendance and responsibilities on the respective Committees of the Board. Non-executive Directors who cease to be a director during any part of the financial year, are paid pro-rated fees for the term of his office. For Executive Directors and key executives, each of their service contracts and compensation packages is reviewed privately by the RC.

The Company had put in place a share option scheme known as the "Hwa Hong Corporation Limited (2001) Share Option Scheme" (the "2001 Scheme"), approved by shareholders on 29 May 2001. The extension of the 2001 Scheme for a further period of 10 years from 29 May 2011 to 28 May 2021 was approved by shareholders at the AGM held on 27 April 2011. Under the 2001 Scheme, the number of shares in respect of which options may be granted shall be determined by the RC who shall take into account, *inter alia*, the seniority, level of responsibility, years of service, performance evaluation and potential for development of the employee. More information on the 2001 Scheme can be found in the Rules of the 2001 Scheme as set out in Appendix 1 of the Circular to Shareholders dated 4 May 2001.

No options were granted under the 2001 Scheme in 2016 and the Company has no long term scheme involving the offer of shares or options in place.

Disclosure On Remuneration

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

The RC makes recommendations on an appropriate framework of remuneration taking into account employment conditions within the industry and the Group's performance to ensure that the package is competitive and sufficient to attract, retain and motivate Directors and key executives. On the other hand, the Company avoids paying more than it is necessary for this purpose. Elements of the Group's relative performance and the performance of the individual Directors form part of the Executive Directors' remuneration packages so as to align their interests with those of shareholders and promote long-term success of the Company.

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The breakdown (in percentage terms) of the remuneration of Directors of the Company FY2016 is set out below:

Remuneration Band & Name of Director	Based/ Fixed salary* %	Variable or performance related income/ Bonus* %	Fees ** %	Benefits in kind %	Other long term incentives %	Total %
(i) S$500,001 to S$750,000						
Ong Choo Eng[1]	76.4	21.8	–	1.8	–	100
(ii) S$250,000 and below						
Ong Mui Eng[1]	82.1	13.1	-	4.8	–	100
Hans Hugh Miller	–	–	100	–	–	100
Guan Meng Kuan	–	–	100	–	–	100
Goh Kian Hwee[2]	–	–	100	–	–	100
Ong Wui Leng, Linda	–	–	100	–	–	100
Huang Yuan Chiang	–	–	100	–	–	100
Ong Hian Eng	–	–	100	–	–	100

* Inclusive of employer's central provident fund contributions.

** The fees payable by the Company to the non-executive Directors for FY 2016 were approved by shareholders at the AGM held on 24 April 2016.

1 Mr Ong Choo Eng and Mr Ong Mui Eng are brothers and also Executive Directors of the Group, and each of their all-in remuneration exceeded S$50,000 for FY2016.

2 Mr Goh Kian Hwee retired on 27 April 2016, fees paid to him were pro-rated accordingly.

The remuneration of top four key executives (who are not Directors) of the Group is categorised into the respective remuneration bands as follows:

Top 4 Key Executives in Remuneration Bands	Number
(i) S$250,001 to S$500,000	3
(ii) S$250,000 and below	1
Total	4

The remuneration packages of the Directors and key executives of the Group generally comprise two components. One component is fixed in the form of a base salary. The other component is variable consisting of AWS and performance bonus. The variable portion is largely dependent on the Group and individual performance, both in terms of financial and non-financial performance and creation of shareholder wealth. For FY2016, the RC reviewed the mix of fix and variable components and considered it appropriate for the Group and key executives.

One of the employees, Mr Ong Eng Yaw whose all-in remuneration exceeded S$50,000 is an immediate family member of Mr Ong Choo Eng, the Group Managing Director. Another employee, Mr Ong Eng Loke whose all-in remuneration exceeded S$50,000 is an immediate family member of Mr Ong Mui Eng, an Executive Director of the Company. Due to the sensitivity and confidentiality attached to remuneration pertaining to these employees, the disclosures are not made in incremental bands of S$50,000. Save as disclosed, none of the employees of the Company and its subsidiaries is an immediate family of any Director or the Group Managing Director, and whose remuneration exceeded S$50,000 in the year 2016.

Given the highly competitive industry conditions and the sensitivity and confidentiality of remuneration matters, the Company believes that the disclosure of the details of the remuneration of the Executive Directors, Non-Executive Directors and key executives (including the aggregate total remuneration paid to the key executives) as recommended by the Code, would be disadvantageous to the Group's interests. The Company has, however, disclosed the aggregate remuneration of the Executive Directors, Non-Executive Directors and key executives (on an unnamed basis) in bands.

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

The Board is responsible for providing a balanced and objective assessment of the Group's performance, position and prospects, including interim and other price sensitive public reports and reports to regulators (if required). Notwithstanding that the 2012 Code recommended that Board members be provided with management accounts and such explanation and information on a monthly basis, the Board is of the view that the provision of the same on a quarterly basis is sufficient for the moment. These reports are being reviewed by the Board at quarterly Board meetings, along with inquiry and discussion at Board meetings. The Company also adopts a practice whereby Directors are welcome to request further explanations, briefings or informal discussions on any aspect of the Group's operations or business from management.

Shareholders are informed of the financial performance of the Group through quarterly results announcements and the various disclosures and announcements made to the SGX-ST via SGXNet. The Company provides a platform in its website containing recent information which has been disseminated via SGXNet to the SGX-ST and the public.

In line with the Listing Manual of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. The Board's statement is provided after receipt of letters of representation from the Group's senior executives.

Risk Management and Internal Controls

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

The ARC reviews the Group's system of internal controls, including financial, operational, compliance and information technology controls, and risk management policies and systems established by management. Management maintains a system of risk management and internal controls which the Board believes is adequate to provide reasonable assurance of the integrity, effectiveness and efficiency in safeguarding shareholders' interests and the Group's assets.

A formalised risk management process has been established since 2006 whereby key risks, control measures, risk tolerance level or limits and management actions are identified and monitored by management and reported to the Board for review and evaluation. The Risk Management Report can be found on page 42.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by management and written representations from the Group Managing Director and Chief Financial Officer on internal controls, the Board, with the concurrence of the ARC, is of the opinion that the Group's internal controls addressing financial, operational, compliance risks and information technology controls, and risk management systems are adequate and effective as at 31 December 2016.

The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

The Board has received assurances from the Group Managing Director and the Chief Financial Officer that for the period under review that:

(i) The Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
(ii) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the financial, operational, compliance and information technology risks.

The Group Managing Director and Chief Financial Officer obtained similar assurance from the respective managers of the various business units in the Group.

Audit and Risk Committee

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

The ARC comprises three members, all of whom are Independent Directors. The members of the ARC are:

Hans Hugh Miller	Chairman
Ong Wui Leng, Linda	
Huang Yuan Chiang	

The Board confirms that the ARC is appropriately qualified to discharge its duties and responsibilities. At least two members of the ARC (including the Chairman) have recent and relevant accounting or related financial management expertise or experience. Neither the Chairman of the ARC nor any of its members is a former partner nor a director of the Company's existing auditing firm.

The ARC has explicit authority to investigate any matter within its terms of reference. It has full access to management and full discretion to invite any Director or executive officer to attend its meetings, and to be provided with reasonable resources to enable it to discharge its functions properly.

The key duties and functions of the ARC include, amongst other things, nominating external auditors for appointment, re-appointment, or removal, and approving their remuneration and terms of engagement as well as reviewing:

- the overall scope of the internal and external audit and its cost effectiveness;

- the assistance given by management to the internal and external auditors;

- the Group's periodic financial results announcements, the financial statements of the Company and the consolidated financial statements of the Group including the significant financial reporting issues and judgments and auditors' report prior to submission to the Board for approval and release;

- along with the internal and external auditors, the results of their examination of the Group's system of internal controls;

- non-audit services provided by the external auditors;

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- the independence and objectivity of the external auditors;

- the adequacy and effectiveness of the internal audit function;

- the effectiveness and adequacy of the Group's internal financial controls, operational, compliance and information technology controls and risk management processes; and

- interested person transactions.

The ARC met with the external and internal auditors without the presence of management for the FY2016 audit.

The Group Managing Director and the Chief Financial Officer were invited to be present at the ARC meetings to report and brief ARC members on the financial and operating performance of the Group and to answer any queries from the ARC members on any aspect of the operations of the Group. The external auditors were also invited to be present at all ARC meetings held during the year to, *inter alia*, deliberate on accounting and auditing matters.

During FY2016, the ARC carried out the functions enumerated above and reviewed the annual audit plans of the external and internal auditors and the results and findings of the audits performed by them and the re-appointment of the external auditors and their remuneration.

The ARC is kept abreast by management and the external auditors of changes to accounting standards, Listing Manual of the SGX-ST and other regulations which could have an impact on the Group's business and financial statements.

In the review of the financial statements, the ARC has discussed with management the accounting principles that were applied and their judgment that might affect the integrity of the financial statements. The following significant matters relating to the financial statements were discussed with management and the external auditor and were reviewed by the ARC:

Significant matters	How the ARC reviewed these matters and what decisions were made
Valuation of investment properties	The ARC considered the approach and methodology applied on the accounting of investment properties. The Group accounted the investment properties using cost model. The ARC reviewed the valuations (external and Directors' valuations) of investment properties to consider whether there were any impairments in the carrying value of the investment properties and the appropriateness of fair values of investment properties disclosed. The valuation of investment properties was also an area of focus for the external auditor. The external auditor has included this item as key audit matter in its audit report for FY2016. Refer to pages 46 to 47 of this annual report.
Impairment assessment of investment securities	The ARC considered the approach and methodology applied to the accounting of investment securities as well as the assessment for impairment. The impairment assessment of investment securities was also an area of focus for the external auditor. The external auditor has included this item as key audit matter in its audit report for FY2016. Refer to page 47 of this annual report.

Following review and discussions, the ARC recommend to the Board to approve the full year financial statements.

For the year in review, the ARC had reviewed the audit and non-audit services provided by external auditors and was satisfied that the independence and objectivity of the external auditors have not been compromised.

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The financial statements of the Company and significant subsidiaries and associated companies, are audited by Ernst & Young LLP, an auditing firm registered with the Accounting and Corporate Regulatory Authority. The Group's joint operations in United Kingdom ("UK") are audited by BDO LLP, UK who are also the Group's tax advisors for the UK. The ARC and the Board are satisfied that the appointment of different auditors for the overseas joint operations does not compromise the standard and effectiveness of the audit of the Company and does not increase overall costs to the Group. The Group's overseas subsidiaries, joint ventures and associated companies whose contributions to the Group are not significant, are audited by other auditors. The Company has complied with Rule 712 and Rule 715 together with Rule 716 of the Listing Manual of the SGX-ST.

The Company has a whistle-blowing policy whereby staff of the Group and relevant external parties may, in confidence, raise concerns about possible irregularities in financial reporting or other matters. The policy defines the processes clearly to ensure independent investigation of such matters and permits whistle blowers to communicate directly with the ARC Chairman. There were no whistle blowing reports received during FY2016.

The ARC activities during the year, amongst other things, included (i) the review by ARC on the impact of Brexit to the Group's business; (ii) the review by ARC on stress tests carried out by management and sensitivity analysis on the Group's foreign currency risks; and (iii) the review by ARC on the impairment loss of non-current investment securities made in FY2016.

Internal Audit

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

The Board is of the view that given the size and range of activities within the Group, outsourcing of the internal audit function provides a broader range of capabilities and lower cost than would staffing the function internally. The internal audit function is outsourced to KPMG Services Pte Ltd ("IA") who reports directly to the ARC. The IA conducts independent reviews, assessment and follow-up procedures on the Group's financial, operational and compliance controls and the IA's findings and recommendations are presented to and reviewed by the ARC. The IA reports primarily to the Chairman of the ARC and has unrestricted access to the documents, records, properties and personnel of the Company and the Group.

The ARC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience. The IA is a member of the Institute of Internal Auditors ("IIA") and has adopted the Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA.

The ARC met with the IA thrice during the financial year, for audit plan, and later to consider the findings and review the adequacy and effectiveness of the internal audit function.

The ARC approves the appointment, removal, evaluation and compensation of the IA.

(D) INVESTMENT AND DIVESTMENT

Divestment and Investment Committee

The DAIC, one of the Board Committees established by the Board, comprises three members, all of whom are Independent Directors. The members of the DAIC are:

Huang Yuan Chiang	Chairman
Ong Wui Leng, Linda	
Hans Hugh Miller	

The Board believes that the DAIC members are appropriately qualified to discharge their duties and responsibilities.

The key duties and responsibilities of the DAIC under its terms of reference include the following:

- assist the Board in the review of the investment goals and objectives of the Group;
- oversee and review the investment policies and strategies of the Group to ensure that they are consistent with the goals and objectives of the Group;
- promote an effective investment process and investment procedures;
- review and recommend to the Board on proposed investments, acquisitions and disposals of assets of the Group which are above the Group Managing Director's limits; and
- review and recommend to the Board appropriate investment authority level delegated to management.

The DAIC meets three times a year, and as warranted by the circumstances, to discharge its functions. The DAIC has adopted a set of internal investment approval processes which set out the appropriate investment authority levels and this is being reviewed regularly.

The management keeps the DAIC apprised of the Group's major developments, proposed acquisitions and disposal of assets during the DAIC meetings as well as through informal discussions. The DAIC reviews the Group's property and investment portfolios, strategies and the actions that management is taking to enhance the returns to ensure that these are consistent with the strategies of the Group. For investment decisions that are above the Group Managing Director's limits, the DAIC takes on an advisory role of reviewing, assessing, evaluating and recommending proposals for the consideration of the Board.

During the financial year, other than the regular updates and discussions with management, the DAIC spent significant time discussing and reviewing the status of:

1. Impact of Brexit on the Group's UK investments;
2. 20 Midtown leasing update;
3. Sheffield student accommodation update and feasibility study; and
4. Change of use update and feasibility in Manchester's property.

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(E) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

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

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

The Company's corporate governance practices promote a fair and equitable treatment to all shareholders. The Company strives to disclose information on a timely basis to shareholders and ensure any disclosure of price sensitive information is not made to a selective group. To facilitate shareholders' ownership rights, management ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNet. All shareholders of the Company receive the full annual report with the notice of AGM. Recent annual reports of the Company are available on the Company's website at www.hwahongcorp.com. The notice of AGM is also advertised in newspapers and made available on the SGXNet. AGM and/or other general meetings of shareholders are the principal forum for dialogue and interaction with shareholders. During these meetings, shareholders are given the opportunity to air their views and ask Directors and/or management questions regarding the Company and the Group. All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducted poll voting for all resolutions tabled at general meetings.

Presently, the Company does not have a formal dividend policy. The Company has been fairly consistent in its dividend payouts to shareholders. Any payouts are clearly communicated to shareholders in public announcements via SGXNet. In determining the dividend payouts for a given year, the Board takes into account, *inter alia*, the Group's balance sheet position, operating results, capital requirements and such other factors as the Board deems relevant.

<u>Conduct of Shareholder Meetings</u>

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

Under the existing constitution of the Company, a shareholder may vote in person or appoint not more than two proxies to attend and vote in his stead. Such proxy to be appointed need not be a shareholder. Voting in absentia by mail, electronic mail or facsimile has not been implemented due to concerns relating to issues of authentication of shareholder identity and other related security issues.

The Company ensures that shareholders are given the opportunity to effectively participate and vote at all general meetings. Each distinct issue is tabled for shareholders' approval via separate resolutions at the general meetings. All resolutions are each put to vote by poll with the poll voting procedures being briefed to shareholders prior to voting, and the results of each resolution put to vote by poll are announced in the meeting and subsequently via SGXNET after the conclusion of the meeting. Minutes of general meetings are taken and are available to shareholders upon request.

The Chairman of the ARC, NC, RC, DAIC and the external auditors are also present to assist the Directors in addressing any relevant queries by shareholders.

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DEALINGS IN SECURITIES

The Company has adopted an internal code on dealings in securities, which has been disseminated to all employees within the Group (the "Code").

Directors and employees of the Company are reminded not to deal (whether directly or indirectly) in the Company's securities on short-term considerations and be mindful of the law on insider trading as prescribed by the SFA.

The Code also makes clear that it is an offence to deal in the Company's securities, while in possession of unpublished price-sensitive information and prohibits trading as well as in the following periods:

i) the period commencing two weeks before the announcement of the Company's financial statements for the first, second and third quarters of its financial year; and
ii) the period commencing one month before the announcement of the Company's financial statements for its full financial year.

Each of the above periods will end on the date of the announcement of the relevant results of the Company.

The Company has complied with its Code.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the ARC and that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Transactions entered into with interested persons during FY2016 were as follows:

Name of interested person	**Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)**	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)**
Hong Leong Investment Holdings Pte. Ltd. Group - Interest charged on shareholder loan to Hong Property Investment Pte Ltd	$148,229	Nil**

** There is no subsisting shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual of the SGX-ST.

RISK MANAGEMENT AND CONTROL ENVIRONMENT

RISK MANAGEMENT

The main objective of risk management in Hwa Hong Group is to protect the Group against material losses that may result from taking on unnecessary risks for which it has not been adequately compensated. The Board determines acceptable levels of risk tolerance and policies. Its philosophy on risk management is that all material risks should be identified, understood, managed and monitored. Furthermore, risk management processes must be closely aligned to the Group's vision and strategy. Since 2006, the Group has implemented a formalised Risk Management Framework for the identification, monitoring and reporting of risks.

The Group believes that effective risk management is the responsibility of all directors and managers, with the Board of Directors providing general oversight. The ARC supports the Board in the oversight of financial and other operational risks.

A sound system of internal control is essential, and in this regard, the responsibilities of managers are designed such that there is adequate segregation of duties so that there is a system of checks and balances in the key areas of operations.

The Group's financial risk management objectives and policies are discussed further in Note 36 to the financial statements.

RISK PROCESSES AND ACTIVITIES

During the year, Management carried out a review of the Group's Risk Journals to update and identify new risks that may adversely affect the Group's operations. Based on the reviews, the Board of Directors is not aware of any matter which suggests that key risks are not being satisfactorily managed.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Hwa Hong Corporation Limited (the Company) and its subsidiaries (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

DIRECTORS

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

Hans Hugh Miller	(Chairman)
Ong Choo Eng	(Group Managing Director)
Ong Mui Eng	
Ong Hian Eng	
Guan Meng Kuan	
Ong Wui Leng, Linda	
Huang Yuan Chiang	
Goh Kian Hwee	(Resigned on 27 April 2016)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

At an extraordinary general meeting of the Company held on 7 November 2003, shareholders of the Company approved, *inter alia*, a scrip dividend scheme known as Hwa Hong Corporation Limited Scrip Dividend Scheme (the "Scrip Dividend Scheme"), which, if applied, provides an opportunity for shareholders of the Company to make an election to receive dividends in the form of ordinary shares in the Company, instead of cash. Pursuant to the Scrip Dividend Scheme, directors who are also shareholders of the Company may elect to receive their dividend entitlements in the form of ordinary shares in the Company if the directors of the Company have determined that the Scrip Dividend Scheme is to apply to a particular dividend.

Except as disclosed aforesaid and under "Share Options" in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company as stated below:

	Shares beneficially held by director		Shareholdings in which director is deemed to have an interest	
	At 1.1.2016	At 31.12.2016	At 1.1.2016	At 31.12.2016
Ong Choo Eng	903,000	903,000	68,875,000	80,986,000
Ong Mui Eng	11,505,664	11,505,664	321,748	321,748
Ong Hian Eng	9,898,463	9,898,463	32,385,000	20,385,000
Guan Meng Kuan	1,034,860	1,034,860	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

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

SHARE OPTIONS

Hwa Hong Corporation Limited (2001) Share Option Scheme

At an Extraordinary General Meeting held on 29 May 2001, shareholders approved the Hwa Hong Corporation Limited (2001) Share Option Scheme (the "Scheme"). The Scheme will continue in operation for a maximum period of 10 years from 29 May 2001, unless otherwise extended and subject to relevant approvals. At the 58th Annual General Meeting held on 27 April 2012, shareholders approved the extension of the Scheme for another ten years to 28 May 2021.

The principal features of the Scheme had been set out in previous years' Directors' Reports.

The Scheme is administered by the Remuneration Committee, comprising the following directors who are ineligible for the Scheme:

Huang Yuan Chiang (Chairman)
Hans Hugh Miller
Guan Meng Kuan

Since the commencement of the Scheme till the end of the financial year, no options have been granted to directors and employees of the Company and its subsidiaries.

DIRECTORS' STATEMENT

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee performed, *inter alia*, the functions specified in the Singapore Companies Act, Chapter 50. The functions performed are set out in the Corporate Governance Report.

The Audit and Risk Committee has nominated Ernst & Young LLP for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

MATERIAL CONTRACTS INVOLVING THE INTERESTS OF CHIEF EXECUTIVE OFFICER, EACH DIRECTOR OR CONTROLLING SHAREHOLDER

Since the end of the previous financial year, the Company and its subsidiaries did not enter into any material contracts involving the interests of the Chief Executive Officer, each director or controlling shareholder (as defined under the Listing Manual of the Singapore Exchange Securities Trading Limited) of the Company and no such material contracts subsist at the end of the financial year, except as disclosed in the accompanying notes and that Singapore Warehouse Company (Private) Ltd. ("SWC"), a wholly owned subsidiary, has entered into property joint ventures and related transactions with certain related corporations of Hong Leong Investment Holdings Pte. Ltd., a controlling shareholder of the Company. The joint ventures are Hong Property Investments Pte Ltd and a residential development known as *The Pier at Robertson* in which SWC has an interest of 30% and 20% respectively.

AUDITORS

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the board of directors,

Ong Choo Eng
Director

Ong Mui Eng
Director

Singapore
15 March 2017

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HWA HONG CORPORATION LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hwa Hong Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the 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 Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Valuation of investment properties

The Group's investment properties represent 44% of the Group's total assets as at 31 December 2016. These investment properties are accounted using the cost model. The carrying value of the investment properties is significant to our audit due to the judgmental nature of their impairment assessment. This assessment is complex and highly dependent on a range of estimates made by directors as well as the external valuation experts engaged by directors. The most significant judgements and estimates affecting the valuations are comparable market transactions, net rental income, rate of return which reflects the tenure and quality of the investment.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2016

Key audit matters (cont'd)

Valuation of investment properties (cont'd)

The Group uses external valuation experts to support its determination of the individual fair value of the investment properties once every three years while directors' valuations are carried out annually. Amongst others, we have considered the objectivity, independence and expertise of the external valuation experts. We assessed the appropriateness of the valuation model, property related data, including estimates used by the external valuation experts and directors. In addition, we involved our internal real estate and valuation experts to assist us in reviewing the management and the external valuation experts about the appropriateness of the data used in the estimation process. We researched the market for data to compare to assumptions used in the valuation and assessed whether the assumptions used are supported by observable market data. Furthermore, we discussed with the external valuation experts about their valuation methodology and techniques and assessed whether the valuation methodology and techniques used were complete, adequate and consistent with appraisal methodology given the circumstances of the investment properties in. We also assessed the appropriateness of impairment loss recognised or reversed by management. The management's conclusion on the impairment test and the related disclosures are included in Note 15 and Note 35.

Impairment of investment securities

The Group's investment securities classified as available-for-sale represent 18% of the Group's total assets as at 31 December 2016. These instruments are measured at fair value with the corresponding fair value changes recognised in other comprehensive income. The impact of impairment of investment securities is significant to our audit due to their magnitude and judgment requires in the determination of what is considered "significant" or "prolonged" decline in fair value below cost.

The Group has treated "significant" generally as 30% decline in fair value below cost and "prolonged" as decline greater than 12 months. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

Our audit procedures comprised of, amongst others, an assessment of the appropriateness of the Group's determination of what is considered "significant" or "prolonged" decline in fair value below cost by evaluating the share price movements, the duration and extent to which the fair value of investment securities are lesser than their costs during the last 12 months. We also assessed the accuracy of key inputs used in the assessment of "prolonged" decline in fair value below cost and computation of "significant" such as the duration of the decline, fair value and cost of investment securities. The management's conclusion on the impairment test and the related disclosures are included in Note 19 and Note 35.

Other Information

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

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2016

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2016

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Philip Ng Weng Kwai.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
15 March 2017

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2016

	Note	Group 2016 $	Group 2015 $
Revenue	4	11,202,176	13,077,094
Cost of sales	5	(4,209,348)	(4,543,703)
Gross profit		6,992,828	8,533,391
Other income	6	10,866,935	5,809,327
General and administrative costs	7	(5,512,266)	(6,558,936)
Other operating costs	8	(5,020,320)	(2,015,753)
Finance costs	9	(1,366,181)	(816,164)
Share of results of associates and joint ventures		830,035	1,677,241
Profit before tax		6,791,031	6,629,106
Income tax (expense)/credit	10	(242,272)	152,181
Profit for the year		6,548,759	6,781,287
Attributable to:			
Owners of the Company			
Profit for the year		6,548,759	6,781,287
Profit for the year attributable to owners of the Company		6,548,759	6,781,287
Earnings per share (cents):			
Basic and fully diluted	11	1.00	1.04

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Group 2016 $	Group 2015 $
Profit for the year	6,548,759	6,781,287
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Available-for-sale investments		
Net losses on fair value	(2,449,663)	(6,216,860)
Reclassification adjustments included in profit or loss for:		
– gains on disposal	(1,118,399)	(1,961,382)
– impairment losses	4,651,021	2,015,753
Income tax effect	68,146	976,313
Net gains/(losses) on available-for-sale investments (net of tax)	1,151,105	(5,186,176)
Foreign currency translation	(12,971,427)	1,755,849
Other comprehensive income for the year, net of tax	(11,820,322)	(3,430,327)
Total comprehensive income for the year	(5,271,563)	3,350,960
Attributable to:		
Owners of the Company		
Total comprehensive income for the year	(5,271,563)	3,350,960

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

BALANCE SHEETS

As at 31 December 2016

	Note	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Equity attributable to owners of the Company					
Share capital	12(a)	172,153,626	172,153,626	172,153,626	172,153,626
Treasury shares	12(b)	(98,002)	–	(98,002)	–
Reserves	13	22,362,763	34,169,366	7,555,140	10,451,228
Total equity		**194,418,387**	**206,322,992**	**179,610,764**	**182,604,854**
Non-current assets					
Property, plant and equipment	14	4,672,394	4,882,832	–	–
Investment properties	15	120,254,292	100,300,285	–	–
Investment in subsidiaries	16	–	–	169,687,153	170,164,403
Investment in associates	17	26,549,780	16,526,952	745,800	745,800
Investment in joint ventures	18	7,310,519	8,375,423	–	–
Investment securities	19	20,779,553	22,186,958	–	–
Amounts due from associates	17	2,000,000	2,000,000	–	–
Other receivables	20	5,361,766	7,142,834	–	–
		186,928,304	161,415,284	170,432,953	170,910,203
Current assets					
Trade receivables	21	595,113	153,778	–	–
Tax recoverable		–	18,347	–	–
Prepayments and deposits		222,729	230,472	52,785	49,333
Other receivables	20	13,518,672	14,329,427	475	2,822
Amounts due from subsidiaries	16	–	–	8,674,000	8,200,000
Amounts due from associates	17	7,355,294	8,814,222	–	–
Investment securities	19	28,872,625	29,747,573	–	–
Cash and bank balances	22	36,866,008	40,538,168	1,380,696	4,340,482
		87,430,441	93,831,987	10,107,956	12,592,637
Property classified as held for sale	23	–	1,523,448	–	–
		87,430,441	95,355,435	10,107,956	12,592,637
Total assets		274,358,745	256,770,719	180,540,909	183,502,840

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

BALANCE SHEETS

As at 31 December 2016

	Note	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Current liabilities					
Bank overdrafts (secured)	24	–	228,668	–	–
Trade payables	25	682,639	350,656	–	–
Other payables	26	1,924,420	2,010,959	349,556	318,900
Accrued operating expenses		1,944,091	2,345,320	199,186	203,319
Amounts due to associates	17	562,608	570,956	381,403	375,767
Bank loans (secured)	27	57,705,428	39,253,178	–	–
Income tax payable		1,419,266	1,456,819	–	–
		64,238,452	46,216,556	930,145	897,986
Net current assets		23,191,989	49,138,879	9,177,811	11,694,651
Non-current liabilities					
Deferred tax liabilities	28	4,033,506	3,803,257	–	–
Other payables	26	456,349	427,914	–	–
Bank loans (secured)	27	11,212,051	–	–	–
		15,701,906	4,231,171	–	–
Total liabilities		79,940,358	50,447,727	930,145	897,986
Net assets		**194,418,387**	**206,322,992**	**179,610,764**	**182,604,854**

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Attributable to owners of the Company						
2016 Group	**Share capital $**	**Treasury shares $**	**Revenue reserve $**	**Capital reserve $**	**Fair value reserve $**	**Currency translation reserve $**	**Total equity $**
At 1 January 2016	172,153,626	–	37,577,728	1,202,081	5,175,127	(9,785,570)	206,322,992
Profit for the year	–	–	6,548,759	–	–	–	6,548,759
Other comprehensive income							
Net loss on available-for-sale investments	–	–	–	–	1,151,105	–	1,151,105
Foreign currency translation	–	–	–	–	–	(12,971,427)	(12,971,427)
Other comprehensive income for the year, net of tax	–	–	–	–	1,151,105	(12,971,427)	(11,820,322)
Total comprehensive income for the year	–	–	6,548,759	–	1,151,105	(12,971,427)	(5,271,563)
<u>Distributions to owners</u>							
Purchase of treasury shares (Note 12b)	–	(98,002)	–	–	–	–	(98,002)
Dividends on ordinary shares (Note 29)	–	–	(6,535,040)	–	–	–	(6,535,040)
Total distributions to owners	–	(98,002)	(6,535,040)	–	–	–	(6,633,042)
At 31 December 2016	172,153,626	(98,002)	37,591,447	1,202,081	6,326,232	(22,756,997)	194,418,387

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

2015 Group	Share capital $	Revenue reserve $	Capital reserve $	Fair value reserve $	Currency translation reserve $	Total equity $
At 1 January 2015	172,153,626	38,311,737	1,202,081	10,361,303	(11,541,419)	210,487,328
Profit for the year	–	6,781,287	–	–	–	6,781,287
Other comprehensive income						
Net loss on available-for-sale investments	–	–	–	(5,186,176)	–	(5,186,176)
Foreign currency translation	–	–	–	–	1,755,849	1,755,849
Other comprehensive income for the year, net of tax	–	–	–	(5,186,176)	1,755,849	(3,430,327)
Total comprehensive income for the year	–	6,781,287	–	(5,186,176)	1,755,849	3,350,960
Distributions to owners						
Dividends on ordinary shares (Note 29)	–	(7,515,296)	–	–	–	(7,515,296)
At 31 December 2015	172,153,626	37,577,728	1,202,081	5,175,127	(9,785,570)	206,322,992

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

2016 Company	Share capital $	Treasury shares $	Revenue reserve $	Total equity $
At 1 January 2016	172,153,626	–	10,451,228	182,604,854
Profit for the year, representing total comprehensive income for the year	–	–	3,638,952	3,638,952
Distributions to owners				
Purchase of treasury shares (Note 12b)	–	(98,002)	–	(98,002)
Dividends on ordinary shares (Note 29)	–	–	(6,535,040)	(6,535,040)
Total distributions to owners	–	(98,002)	(6,535,040)	(6,633,042)
At 31 December 2016	172,153,626	(98,002)	7,555,140	179,610,764

2015 Company	Share capital $	Revenue reserve $	Total equity $
At 1 January 2015	172,153,626	8,349,921	180,503,547
Profit for the year, representing total comprehensive income for the year	–	9,616,603	9,616,603
Distributions to owners			
Dividends on ordinary shares (Note 29)	–	(7,515,296)	(7,515,296)
At 31 December 2015	172,153,626	10,451,228	182,604,854

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2016

	Note	Group 2016 $	Group 2015 $
Cash flows from operating activities			
Profit before tax		6,791,031	6,629,106
Adjustments for:			
Depreciation of investment properties	5	1,906,088	1,931,709
Depreciation of property, plant and equipment	7	326,049	405,202
Dividend income from investment securities	4,6	(1,150,704)	(1,607,381)
Gain on disposal of an associate	6	2	–
Gain on disposal of investment properties	6	(2,181,594)	(4,785,471)
Loss on disposal of property, plant and equipment	7	–	4,122
Impairment loss on quoted equity investments (current)	8	1,880,619	2,015,753
Impairment loss on unquoted equity investments (non-current)	8	2,770,402	–
Impairment loss on investment properties written back	6	(605,206)	(354,745)
Impairment loss on other receivables	8	19,906	–
Impairment loss on amounts due from an associate	8	349,393	–
Interest expenses	9	1,366,181	816,164
Interest income	4,6	(1,411,766)	(910,780)
Share of results of associates and joint ventures		(830,035)	(1,677,241)
Unrealised exchange differences		(908,492)	(11,346)
Operating cash flows before changes in working capital		8,321,874	2,455,092
Increase in receivables and current investment securities		(729,575)	(1,791,643)
Increase/(decrease) in payables		129,470	(726,773)
Cash flows from/(used in) operations		7,721,769	(63,324)
Dividend income from investment securities		1,150,704	1,607,381
Interest received		922,284	255,164
Interest paid	9	(1,366,181)	(816,164)
Income tax paid		(219,903)	(150,940)
Net cash flows from operating activities		8,208,673	832,117

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2016

	Note	Group 2016 $	Group 2015 $
Cash flows from investing activities			
Additions to investment properties	15	(30,375,450)	(2,754,151)
Decrease in amounts due from associates		1,249,416	349,781
Decrease/(increase) in non-current other receivables		1,953,327	(10,997,992)
Dividends received from an associate		2,535,000	1,650,000
Increase in amounts due from joint ventures		–	(2,237,851)
Increase in investment securities, net		(977,118)	(5,003,630)
Increase in investment in associates		(12,718,426)	–
Proceeds from disposal of investment properties		4,138,809	5,662,980
Proceeds from disposal of property, plant and equipment		24,065	94
Purchase of property, plant and equipment	14	(169,352)	(3,166)
Net cash flows used in investing activities		(34,339,729)	(13,333,935)
Cash flows from financing activities			
Dividends paid on ordinary shares	29	(6,535,040)	(7,515,296)
Purchase of treasury shares	12(b)	(98,002)	–
Proceeds from bank loans		29,664,301	7,994,395
Net cash flows from financing activities		23,031,259	479,099
Net decrease in cash and cash equivalents		(3,099,797)	(12,022,719)
Cash and cash equivalents at the beginning of year		21,309,500	33,156,168
Effects of exchange rate changes on cash and cash equivalents		(343,695)	176,051
Cash and cash equivalents at the end of the year		17,866,008	21,309,500

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Note	2016 $	2015 $
Cash and bank balances	22	36,866,008	40,538,168
Less: fixed deposits, pledged	22	(19,000,000)	(19,000,000)
Less: bank overdrafts		–	(228,668)
Cash and cash equivalents		17,866,008	21,309,500

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. CORPORATE INFORMATION

Hwa Hong Corporation Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 38 South Bridge Road, Singapore 058672.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associates are disclosed below. The Group operates in Singapore and United Kingdom.

The subsidiaries, associates and joint ventures as at 31 December 2016 and 2015 are:

Name of company	Percentage of interest held		Place of incorporation	Cost of investment		Principal activities
	2016	2015		2016	2015	
	%	%		$	$	
(a) *Subsidiaries*						
Held by the Company						
Singapore Warehouse Company (Private) Ltd.[(1)]	100.0	100.0	Singapore	154,425,000	154,425,000	Owner of warehouse for rental and storage and investment holding.
Hwa Hong Edible Oil Industries Pte. Ltd.[(1)]	100.0	100.0	Singapore	27,740,002	27,740,002	Investment holding.
Paco Industries Pte. Ltd.[(1)]	100.0	100.0	Singapore	5,970,001	5,970,001	Provision of management services.
				188,135,003	188,135,003	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. CORPORATE INFORMATION (CONT'D)

Name of company	Percentage of interest held 2016 %	2015 %	Place of incorporation	Principal activities
(a) *Subsidiaries (cont'd)*				
Held by Singapore Warehouse Company (Private) Ltd.				
Thackeray Properties Limited(2)	100.0	100.0	Hong Kong	Owner of investment properties for rental and development.
Pumbledon Limited(2)	100.0	100.0	Hong Kong	Owner of investment properties for rental and development.
Global Trade Investment Management Pte Ltd(1)	100.0	100.0	Singapore	Leasing of residential and commercial properties, business management, consultancy and investment holding.
Vantagepro Investment Limited(7)	100.0	100.0	British Virgin Islands	Investment holding.
Capital Herbal Limited(4)(14)	50.0	–	United Kingdom	Acting as nominee company for investment holding.
Held by Hwa Hong Edible Oil Industries Pte. Ltd.				
Jining Ningfeng Chemical Industry Co., Limited(8)	100.0	100.0	People's Republic of China	Dormant.
Held by Paco Industries Pte. Ltd.				
Jining Paco Chemical Industry Co., Ltd(8)	100.0	100.0	People's Republic of China	Dormant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. CORPORATE INFORMATION (CONT'D)

Name of company	Percentage of interest held 2016 %	2015 %	Place of incorporation	Principal activities
(a) *Subsidiaries (cont'd)*				
Held by Vantagepro Investment Limited				
Capital East Limited(4)(11)	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital Liverpool Limited(4)(11)	60.0	60.0	United Kingdom	Acting as nominee company for investment holding.
Capital Hatton Limited(4)(11)	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital 18 Vestry Limited(4)(11)	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital 20 Vestry Limited(4)(11)	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital New Mount Limited(4)(11)	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital Fitzalan Limited(4)(11)	50.0	50.0	United Kingdom	Acting as nominee company for investment holding.
Capital Eagle Limited(4)(11)	70.0	70.0	United Kingdom	Acting as nominee company for investment holding.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. CORPORATE INFORMATION (CONT'D)

	Name of company	Percentage of interest held 2016 %	2015 %	Place of incorporation	Principal activities
(b)	*Associates*				
	Held by the Company				
	Singamet Trading Pte. Ltd.[1]	20.0	20.0	Singapore	Property investment.
	Held by Singapore Warehouse Company (Private) Ltd.				
	Clan Kilmuir (Jersey) Limited[6]	50.0[13]	–	Jersey	Property investment.
	Riverwalk Promenade Pte Ltd[3]	50.0	50.0	Singapore	Property development.
	Hong Property Investments Pte Ltd[3]	30.0	30.0	Singapore	Property investment.
	Scotts Spazio Pte. Ltd.[1]	50.0	50.0	Singapore	Property investment.
	The Pier at Robertson[3][10]	20.0	20.0	Singapore	Property development.
	Held by Thackeray Properties Limited				
	Matahari 461 Ltd[8]	50.0	50.0	United Kingdom	Dormant.
	Capital Willenhall Limited[12]	–	50.0	United Kingdom	Property investment.
	Held by Hwa Hong Edible Oil Industries Pte. Ltd.				
	Norwest Holdings Pte Ltd[9]	49.5	49.5	Singapore	In liquidation.
(c)	*Joint ventures*				
	Held by Singapore Warehouse Company (Private) Ltd.				
	Neo Pav E Investments LLP[5]	50.0	50.0	United Kingdom	Owner of investment properties for rental and development.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. CORPORATE INFORMATION (CONT'D)

Name of company	Percentage of interest held 2016 %	2015 %	Place of incorporation	Principal activities
(c) *Joint ventures (cont'd)*				
Held by Singapore Warehouse Company (Private) Ltd.				
Neo Bankside Retail LLP[5]	50.0	50.0	United Kingdom	Owner of investment properties for rental and development.

(1) Audited by Ernst & Young LLP, Singapore
(2) Audited by member firms of EY Global in the respective countries
(3) Audited by KPMG LLP, Singapore
(4) Audited by BDO Stoy Hayward LLP, London
(5) Audited by Grant Thornton UK LLP
(6) Audited by Deloitte LLP, UK
(7) Not required to be audited in the country of incorporation/registration
(8) Not required to be audited as the company is dormant
(9) Not required to be audited as the company is in liquidation
(10) The Group has a 20% interest in a residential development known as *The Pier at Robertson*, which is a residential development with a related company of a substantial shareholder of the Company, Hong Leong Investment Holdings Pte. Ltd.
(11) Collectively known as Capital Group. The Capital Group are nominee companies which hold the Group's United Kingdom properties in trust for a subsidiary, under a joint arrangement with an external party in respect of the United Kingdom properties.
(12) Not required to be audited as the company was disposed during the year.
(13) The Group has 50% equity interest in the company which represents 49.9% voting rights.
(14) Capital Herbal is a nominee company which hold the Group's United Kingdom property in trust for a subsidiary, under a joint arrangement with two external parties in respect of the United Kingdom property.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

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

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

The financial statements are presented in Singapore Dollars (SGD or $), unless otherwise stated.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.3 *Standards issued but not yet effective*

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 115: *Clarifications* to FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 102: *Classification and Measurement of Share based Payment Transaction*	1 January 2018
FRS 116 Leases	1 January 2019
Amendments to FRS 110 & FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

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

<u>FRS 109 Financial Instruments</u>

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

(a) ***Classification and measurement***

The Group currently measures its available-for sale equity securities at fair value through comprehensive income (FVOCI). Under FRS 109, the Group tentatively elect to measure its currently held available-for sale equity securities at fair value through profit or loss (FVTPL). Changes in fair value accumulated in fair value reserve would be recognised in the opening retained earnings when the Group applies FRS 109.

(b) ***Impairment***

FRS 109 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect a significant impact on its equity due to nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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

FRS 109 Financial Instruments (cont'd)

Transition

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

2.4 *Basis of consolidation and business combinations*

(a) ***Basis of consolidation***

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

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

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

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

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

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

(b) ***Business combinations and goodwill***

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.4 *Basis of consolidation and business combinations (cont'd)*

(b) *Business combinations and goodwill (cont'd)*

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

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

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

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

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

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

2.5 *Transactions with non-controlling interests*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.6 *Foreign currency*

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

(a) ***Transactions and balances***

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

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

(b) ***Consolidated financial statements***

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

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

2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost also includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.19. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.7 *Property, plant and equipment (cont'd)*

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold office property	–	50 years
Leasehold land and buildings	–	43 to 50 years
Furniture, motor vehicles, computers and other equipment	–	3 to 15 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

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

2.8 *Investment properties*

Investment properties are properties that are owned by the Group to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses.

Investment properties are subject to renovations or improvements at regular intervals. Its cost is recognised in the carrying amount of the investment property as a replacement if the recognition criteria are satisfied. Components that are replaced are derecognised and included in profit or loss. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line method over the investment properties' estimated useful lives of 50 years. Freehold land has an unlimited useful life and therefore the freehold land component of investment properties is not depreciated.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recovered. The residual value, useful life and depreciation method are reviewed, and adjusted prospectively, if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.8 *Investment properties (cont'd)*

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

2.9 *Impairment of non-financial assets*

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

Impairment losses of continuing operations are recognised in profit or loss.

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

2.10 *Subsidiaries*

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

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

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

2.11 *Joint arrangements*

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

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

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

(a) Joint operations

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

(i) its assets, including its share of any assets held jointly;

(ii) its liabilities, including its share of any liabilities incurred jointly;

(iii) its revenue from the sale of its share of the output arising from the joint operation;

(iv) its share of the revenue from the sale of the output by the joint operation; and

(v) its expenses, including its share of any expenses incurred jointly.

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

(b) Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.12.

2.12 *Joint ventures and associates*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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

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

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

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

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

2.13 *Financial instruments*

(a) *Financial assets*

<u>Initial recognition and measurement</u>

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial assets within the scope of FRS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition.

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

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

2.13 *Financial instruments (cont'd)*

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

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

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

Derecognition

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

Regular way purchase or sale of a financial asset

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.13 *Financial instruments (cont'd)*

(b) ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities within the scope of FRS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designed as hedging instruments in an effective hedge. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

(c) ***Offsetting of financial instruments***

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

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

2.14 *Impairment of financial assets*

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

(a) ***Financial assets carried at amortised cost***

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

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

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

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

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

(b) ***Financial assets carried at cost***

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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

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

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

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

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

2.15 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, fixed deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.16 *Non-current assets held for sale and discontinued operations*

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.16 *Non-current assets held for sale and discontinued operations (cont'd)*

In profit or loss of the current reporting period, and of the comparative period of the previous year, all income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss.

Property, plant and equipment and investment properties once classified as held for sale are not depreciated or amortised.

2.17 *Provisions*

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

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

2.18 *Transfers between levels of the fair value hierarchy*

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

2.19 *Borrowing costs*

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

2.20 *Employee benefits*

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.20 *Employee benefits (cont'd)*

(b) ***Employee leave entitlement***

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.21 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(d). Contingent rents are recognised as revenue in the period in which they are earned.

2.22 *Financial guarantee*

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

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

2.23 *Revenue*

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

(a) ***Sale of goods***

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) ***Interest income***

Interest income is recognised using the effective interest method.

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

2.23 *Revenue (cont'd)*

(c) ***Dividend income***

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

(d) ***Rental income***

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

(e) ***Sale/redemption of investment securities***

Revenue from sale/redemption of investment securities is recognised on trade date.

2.24 *Taxes*

(a) ***Current income tax***

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

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

(b) ***Deferred tax***

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.24 *Taxes (cont'd)*

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

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

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

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

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

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

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

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

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

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

2.24 *Taxes (cont'd)*

(c) ***Sales tax***

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

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

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

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

2.25 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 *Share capital and share issuance expenses*

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

2.27 *Treasury shares*

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost (including directly attributable expenses) and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.28 *Contingencies*

A contingent liability is:

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.28 *Contingencies (cont'd)*

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

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

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

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

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

2.29 *Related parties*

A related party is defined as follows:

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

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

(ii) Has significant influence over the Company; or

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

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 *Judgments made in applying accounting policies*

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

Impairment of available-for-sale investments

The Group records impairment charges on available-for-sale investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. For the financial year ended 31 December 2016, the amount of impairment loss recognised for available-for-sale investments was $4,651,021 (2015: $2,015,753). The carrying amount of available-for-sale investments as at 31 December 2016 was $49,652,178 (2015: $51,934,531).

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of investment properties

The Group carries its investment properties at cost less accumulated depreciation and any accumulated impairment losses, with excess of carrying value over fair values being recognised as impairment in profit or loss. The Group has a policy to obtain external, independent valuations for its properties once every three years. Directors' valuations are carried out annually.

As at 31 December 2016, the fair value of the investment properties at the end of the reporting period are disclosed in Note 35 to the financial statements. The valuations applied in the determination of the fair value of investment properties are disclosed and further explained in Note 15. For the financial year ended 31 December 2016, allowance written back for impairment loss amounted $605,206 (2015: $354,745) was recognised for investment properties. The carrying amount of investment properties as at 31 December 2016 was $120,254,292 (2015: $100,300,285).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

4. REVENUE

	Group 2016 $	Group 2015 $
Dividend income from investment securities	1,150,704	1,479,504
Rental and storage income	7,527,414	8,678,219
Interest income from		
- Associates	248,229	251,633
- Deposits with financial institutions	267,258	181,704
- Others	876,630	403,983
	1,392,117	837,320
Net gains from sale of investment securities	1,131,941	2,082,051
	11,202,176	13,077,094

5. COST OF SALES

Included in cost of sales are:

	Group 2016 $	Group 2015 $
Direct operating expenses arising from rental generating properties	(2,303,260)	(2,611,994)
Depreciation of investment properties	(1,906,088)	(1,931,709)

6. OTHER INCOME

	Group 2016 $	Group 2015 $
Interest income from:		
- Deposits with financial institutions	19,649	73,460
Dividend income from quoted equity investments	–	127,877
Gain on disposal of investment properties	2,181,594	4,785,471
Impairment loss on investment properties written back	605,206	354,745
Gain on disposal of an associate	2	–
Other investment income	699,773	130,618
Foreign currency gain (net)	6,095,576	–
Refund of property tax	957,486	–
Sundry income	307,649	337,156
	10,866,935	5,809,327

6. OTHER INCOME (CONT'D)

Refund of property tax

The Group received assessment notices on 20, 30 December 2014 and 23 November 2015 from Comptroller of Property Tax ("CPT") relating to the property tax payable for a commercial building in Singapore. In the notices, the annual value was revised by CPT to include installation and fitting out works carried out by a single tenant for its business activities as a data centre provider. Letters were submitted by the Group to the CPT in 2015, objecting to the assessed property tax and the revised annual value, on the basis that the fitting out works did not increase the gross rental of the leased premises. Moreover, it included network and data equipment installed in the leased premises, which should not be taken into consideration in evaluating the annual value of the leased property. In 2015, the Group recognised property tax paid of approximately $1,299,000 based on IRAS's assessments as IRAS rejected the objection. Of this amount, $855,000 was the amount which the Group is objecting to. In 2016, CPT and the Group amicably settled the property tax matter and the Group received a tax refund of $957,000 relating to this matter.

Other investment income

In 2016, other investment income relates to income received from redevelopment of a former post office (the "Site") by lessee of the Site (Note 31(c)).

In 2015, other investment income related to receipt of carried interest payment from an investment classified as available-for-sale.

7. GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs include the following:

	Group	
	2016	**2015**
	$	**$**
Directors' fees		
- Directors of the Company	(335,375)	(353,000)
Directors' remuneration		
- Directors of the Company	(837,869)	(862,875)
- Other directors of subsidiaries	(663,400)	(675,734)
- CPF contributions	(49,658)	(43,677)
	(1,550,927)	(1,582,286)
Audit fees paid to:		
- Auditors of the Company	(163,000)	(163,000)
- Other auditors	(97,649)	(142,512)
	(260,649)	(305,512)
Foreign currency loss (net)	–	(851,315)
Loss on disposal of property, plant and equipment	–	(4,122)
Depreciation of property, plant and equipment	(326,049)	(405,202)
Fees paid to firm and associated firm related to a director	(36,000)	(47,500)
Staff costs (including executive directors)	(2,947,892)	(3,185,131)
CPF contribution (including executive directors)	(168,925)	(153,754)
Non-audit fees paid to auditors of the Company	(13,500)	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

7. GENERAL AND ADMINISTRATIVE COSTS (CONT'D)

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The executive directors are key management personnel of the Group.

8. OTHER OPERATING COSTS

	Group	
	2016 $	2015 $
Impairment loss on:		
- Quoted equity investments (current)	(1,880,619)	(2,015,753)
- Unquoted equity investments (non-current)	(2,770,402)	–
- Other receivables	(19,906)	–
- Amounts due from an associate	(349,393)	–
	(5,020,320)	(2,015,753)

9. FINANCE COSTS

	Group	
	2016 $	2015 $
Interest expenses on bank loans and overdrafts	(1,366,181)	(816,164)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

10. INCOME TAX (EXPENSE)/CREDIT

Major components of income tax (expense)/credit

Major components of income tax (expense)/credit for the years ended 31 December 2016 and 2015 are:

	Group	
	2016 $	2015 $
Consolidated income statement:		
Current income tax		
- Current income taxation	(357,034)	(389,066)
- Over provision in respect of previous years	567,498	640,264
	210,464	251,198
Deferred income tax		
- Origination and reversal of temporary differences	(298,395)	(52,823)
Withholding tax	(154,341)	(46,194)
Income tax (expense)/credit recognised in profit or loss	(242,272)	152,181
Consolidated statement of comprehensive income:		
Deferred tax credit related to other comprehensive income:		
- Net loss on fair value changes of available-for-sale financial assets	68,146	976,313

Relationship between income tax (expense)/credit and accounting profit

A reconciliation of the applicable statutory tax rate to the Group's effective tax rate for the years ended 31 December 2016 and 2015 is as follows:

	Group	
	2016 $	2015 $
Accounting profit before tax	6,791,031	6,629,106
Domestic statutory tax rate	17.00	17.00
Adjustments:		
Non-deductible expenses	22.63	10.04
Income not subject to taxation	(31.01)	(19.50)
Over provision in respect of previous years	(8.36)	(9.66)
Withholding tax expense	2.27	0.70
Deferred tax assets not recognised	4.39	2.13
Benefits from previously unrecognised tax losses	(0.26)	(0.18)
Effect of tax due to different jurisdiction	0.07	1.87
Effect of partial tax exemption and tax relief	(1.10)	(0.54)
Share of results of associates and joint ventures	(2.08)	(4.30)
Others	0.02	0.14
Effective tax rate	3.57	(2.30)

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For the financial year ended 31 December 2016

11. EARNINGS PER SHARE

(a) *Earnings per share*

Basic earnings per share are calculated by dividing the profit for the year, attributable to owners of the Company by the weighted average number of ordinary shares (excluding treasury shares) outstanding during the year. There is no dilution to earnings per share from conversion of dilutive potential ordinary shares into ordinary shares as no options have been granted under the Hwa Hong Corporation Limited (2001) Share Option Scheme.

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

	Group	
	2016	**2015**
	$	**$**
Profit for the year attributable to owners of the Company	6,548,759	6,781,287
Weighted average number of ordinary shares for basic and diluted earnings per share computation *	653,435,250	653,504,000

* The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year.

(b) *Earnings per share computation*

Basic and diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares (excluding treasury shares) outstanding during the year. These profit and share data are presented in the tables in Note 11(a) above.

12. SHARE CAPITAL AND TREASURY SHARES

(a) *Share capital*

	Group and Company 2016 and 2015	
	No. of shares	**$**
Issued and fully paid ordinary shares		
Balance at the beginning and end of the year	653,504,000	172,153,626

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

12. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

(b) ***Treasury shares***

	Group and Company			
	2016		2015	
	No. of shares	$	No. of shares	$
At 1 January	–	–	–	–
Acquired during the year	(330,000)	(98,002)	–	–
At 31 December	(330,000)	(98,002)	–	–

Treasury shares relate to ordinary shares of the Company that is being held by the Company.

Share repurchase

At the Extraordinary General Meeting held on 7 November 2003, shareholders approved the grant of a general mandate to enable the Company to purchase or otherwise acquire its issued ordinary shares (the "Share Purchase Mandate"). The terms of the Share Purchase Mandate were set out in the Company's Circular to Shareholders dated 15 October 2003. The Share Purchase Mandate was renewed on 24 April 2015.

The Company acquired 330,000 (2015: nil) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $98,002 (2015: $Nil) and this was presented as a component within the shareholders' equity.

13. RESERVES

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Revenue reserve	37,591,447	37,577,728	7,555,140	10,451,228
Capital reserve	1,202,081	1,202,081	–	–
Fair value reserve	6,326,232	5,175,127	–	–
Currency translation reserve	(22,756,997)	(9,785,570)	–	–
	22,362,763	34,169,366	7,555,140	10,451,228

Capital reserve represents unrealised revaluation gain pertaining to certain properties purchased from an associate.

Fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

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

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14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold office property $	Leasehold land and buildings $	Furniture, motor vehicles, computers and other equipment $	Total $
Cost				
At 1 January 2015	2,299,292	5,187,456	2,448,355	9,935,103
Additions	–	–	3,166	3,166
Disposals	–	–	(15,456)	(15,456)
Currency realignment	–	–	19,988	19,988
At 31 December 2015 and 1 January 2016	2,299,292	5,187,456	2,456,053	9,942,801
Additions	–	–	169,352	169,352
Disposals	–	–	(363,248)	(363,248)
Written off	–	–	(286,918)	(286,918)
Currency realignment	–	–	(104,931)	(104,931)
At 31 December 2016	2,299,292	5,187,456	1,870,308	9,357,056
Accumulated depreciation and impairment loss				
At 1 January 2015	643,802	2,237,838	1,771,442	4,653,082
Depreciation for the year	45,986	120,836	238,380	405,202
Disposals	–	–	(11,240)	(11,240)
Currency realignment	–	–	12,925	12,925
At 31 December 2015 and 1 January 2016	689,788	2,358,674	2,011,507	5,059,969
Depreciation for the year	45,986	120,836	159,227	326,049
Disposals	–	–	(339,183)	(339,183)
Written off	–	–	(286,918)	(286,918)
Currency realignment	–	–	(75,255)	(75,255)
At 31 December 2016	735,774	2,479,510	1,469,378	4,684,662
Net carrying amount				
At 31 December 2015	1,609,504	2,828,782	444,546	4,882,832
At 31 December 2016	1,563,518	2,707,946	400,930	4,672,394

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	**Furniture, motor vehicles, computers and other equipment $**
Cost	
Balance at 1 January 2015, 31 December 2015, 1 January 2016	283,101
Disposal	(283,101)
Balance at 31 December 2016	–
Accumulated depreciation and impairment loss	
At 1 January 2015, 31 December 2015, 1 January 2016	283,101
Disposal	(283,101)
Balance at 31 December 2016	–
Net carrying amount	
At 31 December 2015	–
At 31 December 2016	–

The Group's leasehold land and buildings are mortgaged to secure the Group's banking facilities, which have not been utilised as at 31 December 2016 and 2015.

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15. INVESTMENT PROPERTIES

Group	Freehold land $	Buildings $	Construction in-progress $	Total $
Cost				
At 1 January 2015	40,696,588	86,592,807	361,969	127,651,364
Additions (subsequent expenditure)	–	1,030,707	1,723,444	2,754,151
Disposal	(409,673)	(1,076,730)	–	(1,486,403)
Reclassification	10,400,565	(10,400,565)	–	–
Reclassification to property held for sale (Note 23)	(2,199,260)	(5,131,608)	–	(7,330,868)
Currency realignment	549,326	1,224,545	17,710	1,791,581
At 31 December 2015 and 1 January 2016	49,037,546	72,239,156	2,103,123	123,379,825
Additions (subsequent expenditure)	–	4,741,642	925,700	5,667,342
Acquisition of investment properties	17,344,843	7,363,265	–	24,708,108
Disposal	(132,604)	(399,289)	–	(531,893)
Currency realignment	(4,551,241)	(5,392,292)	(334,906)	(10,278,439)
At 31 December 2016	61,698,544	78,552,482	2,693,917	142,944,943
Accumulated depreciation and impairment loss				
At 1 January 2015	3,407,556	23,777,231	–	27,184,787
Depreciation for the year	–	1,931,709	–	1,931,709
Disposal	–	(294,820)	–	(294,820)
Reversal of impairment loss	–	(354,745)	–	(354,745)
Reclassification to property held for sale (Note 23)	–	(5,807,420)	–	(5,807,420)
Currency realignment	88,903	331,126	–	420,029
At 31 December 2015 and 1 January 2016	3,496,459	19,583,081	–	23,079,540
Depreciation for the year	–	1,906,088	–	1,906,088
Reversal of impairment loss	(181,562)	(423,644)		(605,206)
Disposal	–	(98,126)	–	(98,126)
Currency realignment	(501,728)	(1,089,917)	–	(1,591,645)
At 31 December 2016	2,813,169	19,877,482	–	22,690,651
Net carrying amount				
At 31 December 2015	45,541,087	52,656,075	2,103,123	100,300,285
At 31 December 2016	58,885,375	58,675,000	2,693,917	120,254,292

15. INVESTMENT PROPERTIES (CONT'D)

	Group	
	2016	**2015**
	$	**$**
Rental income from investment properties	7,527,414	8,678,219
Direct operating expenses (including depreciation, repairs and maintenance) arising from rental generating properties	4,209,348	4,543,703
Market value of investment properties	238,033,671	216,623,966

The investment properties held by the Group, which are all rental generating, are disclosed in Note 34 to the financial statements. During the year, the Group made additions and alterations to its existing investment properties. The remaining capital expenditure commitments are disclosed in Note 31(b) to the financial statements.

Valuation of the investment properties

Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Valuation of investment properties is performed for disclosure purposes and impairment assessments. The Group has a policy to obtain external, independent valuations for its properties once every three years. Directors' valuations are carried out annually.

Fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

For valuations performed by external valuation experts, the Group reviews the appropriateness of the valuation methodologies and assumptions adopted. The Group also evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

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

The CFO documents and reports its analysis and results of the valuation to the Audit Committee on a quarterly basis, in line with the Group's quarterly reporting dates.

During the year, valuations were performed by Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("Colliers"), Farebrother Limited ("Farebrother"), GVA Grimley Limited, DTZ Debenham Tie Leung Limited and Lambert Smith Hampton Group Limited for a property in Singapore and four properties in United Kingdom (2015: Colliers, Allied Appraisal Consultants Pte Ltd and Farebrother for two properties in Singapore and a property in United Kingdom). These independent valuers have recognised and relevant professional qualification with relevant experience in the location and category of the properties being valued.

The valuation for one of the Singapore properties was based on income capitalisation method, which involves the conversion of the estimated annual net rental income of the property after deducting all necessary outgoings and expenses such as property tax, costs of repairs and maintenance and insurance into a capital sum at a suitable rate of return which reflects the tenure and quality of the investment.

15. INVESTMENT PROPERTIES (CONT'D)

Valuation of the investment properties (cont'd)

The valuations for United Kingdom properties were derived using two methods, which were investment method and residual method. For the office and commercial properties, the fair value was derived on investment method, taking into consideration of the rental and capital transactions in the vicinity of the investment properties, the passing rents and the estimated rental values of the properties which have been capitalised using investment yields. The fair value, after deducting purchaser's costs, was compared to other capital transactions on a capital value per square foot basis. For the office space under development, the fair value was derived using residual method. The residual valuation of property under development can be expressed as the value of the fully completed development (the Gross Development Value, or "GDV") deducts the estimated costs to complete and respective developers' profit to reflect the value of the partially completed development. The GDV is derived based on income capitalisation, after taking consideration the quantity surveyor's report on construction costs, lease terms, operating costs and capitalisation rates and other key inputs.

Valuation for the remaining properties was performed by directors as at year end, using recent transacted prices.

An impairment loss of $605,206 (2015: $354,745) was written back and included as part of "Other income" (Note 6) in the consolidated income statement to reflect the excess of the market value over the carrying value of one (2015: two) property in United Kingdom.

Properties pledged as security

Investment properties in Singapore amounting to $13,846,405 (2015: $13,967,437) are mortgaged and their rental income assigned to a bank to secure bank loans and banking facilities. The bank loans were fully repaid in 2011.

Another investment property in Singapore amounting to $33,205,795 (2015: $34,110,511) is mortgaged and its rental income is assigned to a bank to secure bank loans.

An investment property in United Kingdom amounting to $23,834,302 (2015: $Nil) is mortgaged to secure bank loans.

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	2015
	$	$
Unquoted shares, at cost	188,135,003	188,135,003
Impairment losses		
Balance at 1 January	(17,970,600)	(16,695,689)
Charge to profit or loss	(477,250)	(1,274,911)
Written off	–	–
Balance at 31 December	(18,447,850)	(17,970,600)
	169,687,153	170,164,403
Amounts due from subsidiaries	8,674,000	8,200,000

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Amounts due from subsidiaries are non-trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

During the financial year, the Company recognised an impairment loss of $477,250 (2015: $1,274,911) for the investment in Hwa Hong Edible Oil Industries Pte Ltd ("HHEO") as there was a decline in the recoverable amount of this subsidiary. The recoverable amount has been determined based on fair value less costs to sell of the underlying assets of the subsidiary, which largely comprises quoted equity securities. In the current year, there was a significant decline in the quoted prices of its equity securities, mainly due to unfavourable market conditions, which has led to the recognition of the impairment loss.

17. INVESTMENT IN ASSOCIATES

The Group's and the Company's material investments in associates are summarised below:

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Scotts Spazio Pte. Ltd.	8,747,520	8,026,700	–	–
Hong Property Investments Pte Ltd	6,107,272	5,946,362	–	–
Clan Kilmuir (Jersey) Limited	10,750,692	–	–	–
Other associates	944,296	2,553,890	800,000	800,000
	26,549,780	16,526,952	800,000	800,000
Less: Impairment losses	–	–	(54,200)	(54,200)
	26,549,780	16,526,952	745,800	745,800

Aggregate information about the Group's investment in associates that are not individually material are as follows:

	Group	
	2016	2015
	$	$
Profit or loss after tax representing total comprehensive income	25,402	12,807

On 11 March 2016, the Group's subsidiary company, Singapore Warehouse Company (Private) Ltd ("SWC") entered into a subscription and shareholders agreement with NL Kilmuir (Jersey) Limited ("NLKJ") ("CKJL SSA") to subscribe for new ordinary shares in Clan Kilmur (Jersey) Limited ("CKJL"), a company newly incorporated in Jersey on 15 December 2015. Pursuant to CKJL SSA, SWC and NLKJ subscribed to 1,900,000 B ordinary shares of GBP1 each (equivalent to approximately $3,742,000) and 1,900,000 A ordinary shares of GBP1 each respectively. Consequently, SWC has 50% equity interest in CKJL with 49.9% voting rights based on 1,900,000 B ordinary shares while NKJL has 50% equity interest in CKJL with 50.1% voting rights based on 1,900,000 A ordinary shares. Upon completion of the subscription, CKJL became an associate company of the Group. Subsequently, SWC injected additional investments of GBP4,650,000 (equivalent to approximately $8,976,000) into the associate, in proportion to its ownership interest.

17. INVESTMENT IN ASSOCIATES (CONT'D)

During the financial year, the Group disposed of its entire interest in Capital Willenhall Limited for a cash consideration of GBP1 (equivalent to approximately $2) resulting in a gain on disposal of $2 being recognised in profit or loss account. In the past, the Group has not recognised losses relating to Capital Willenhall Limited where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of 2015 was $4,216,000 of which $51,000 was the share of year 2015 losses. The Group had no obligation in respect of these losses.

The summarised financial information in respect of Scotts Spazio Pte. Ltd., Hong Property Investments Pte Ltd and Clan Kilmuir (Jersey) Limited, based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Scotts Spazio Pte. Ltd.		Hong Property Investments Pte Ltd		Clan Kilmuir (Jersey) Limited
	As at 31 December 2016 $	As at 31 December 2015 $	As at 31 December 2016 $	As at 31 December 2015 $	As at 31 December 2016 $
Current assets	8,327,807	7,156,165	45,345,137	45,132,510	97,143
Non-current assets	28,830,648	33,849,861	6,407	11,409	23,513,880
Total assets	37,158,455	41,006,026	45,351,544	45,143,919	23,611,023
Current liabilities	7,951,661	11,672,611	476,324	549,163	7,099
Non-current liabilities	11,711,755	13,280,014	24,517,648	24,773,550	–
Total liabilities	19,663,416	24,952,625	24,993,972	25,322,713	7,099
Net assets	17,495,039	16,053,401	20,357,572	19,821,206	23,603,924
Proportion of the Group's ownership	50%	50%	30%	30%	50%
Group's share of net assets	8,747,520	8,026,700	6,107,272	5,946,362	11,801,962
Other adjustments[(1)]	–	–	–	–	(1,051,000)
Carrying amount of the investment, representing Group's share of net assets	8,747,520	8,026,700	6,107,272	5,946,362	10,750,692

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17. INVESTMENT IN ASSOCIATES (CONT'D)

Summarised statement of comprehensive income

	Scotts Spazio Pte. Ltd.		Hong Property Investments Pte Ltd		Clan Kilmuir (Jersey) Limited
	As at 31 December 2016 $	As at 31 December 2015 $	As at 31 December 2016 $	As at 31 December 2015 $	As at 31 December 2016 $
Revenue	12,341,827	12,323,937	–	–	–
Profit after tax from continuing operations, representing total comprehensive income before adjustments	3,241,638	2,934,402	536,127	572,765	(1,312,195)
Other adjustments[(1)]	–	–	–	–	(953,706)
Profit after tax from continuing operations, representing total comprehensive income	3,241,638	2,934,402	536,127	572,765	(2,265,901)

(1) Other adjustments mainly relate to adjustments made to the carrying value of the associate's investment property in order to align their accounting treatment with the accounting policy of the Group.

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Amounts due from associates:				
- Loan 1	7,355,294	7,432,065	–	–
- Loan 2	2,000,000	2,000,000	–	–
- Loan 3	–	1,762,122	–	–
- Allowance for doubtful debts	–	(1,762,122)	–	–
	–	–	–	–
Total loans	9,355,294	9,432,065	–	–
- Non-trade	–	4,106,803	–	–
- Allowance for doubtful debts	–	(2,724,646)	–	–
	–	1,382,157	–	–
	9,355,294	10,814,222	–	–
Amounts due within one year	7,355,294	8,814,222	–	–
Amount due between one and five years	2,000,000	2,000,000	–	–
	9,355,294	10,814,222	–	–
Amounts due to associates:				
Amounts due within one year	(562,608)	(570,956)	(381,403)	(375,767)

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17. INVESTMENT IN ASSOCIATES (CONT'D)

Loan 1 is due from an associate that is related to Hong Leong Investment Holdings Pte. Ltd., a substantial shareholder of the Company. The amount is unsecured, repayable upon demand, bears interest at 2% (2015: 2%) per annum and is to be settled in cash.

Loan 2 is unsecured, bears interest at 5% (2015: 5%) per annum and is not expected to be repaid within the next twelve months.

Loan 3 was unsecured, bore interest at 3.5% per annum.

Other amounts due from/(to) associates are non-trade related, unsecured, non-interest bearing, repayment upon demand and are to be settled in cash.

Movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Balance at 1 January	(4,486,768)	(4,372,685)	–	–
Currency realignment	651,291	(114,083)	–	–
Charge for the year	(349,343)	–	–	–
Written off	4,184,820	–	–	–
Balance at 31 December	–	(4,486,768)	–	–

18. INVESTMENT IN JOINT VENTURES

The Group's investment in joint ventures is summarised below:

	Group	
	2016 $	2015 $
Neo Pav E Investments LLP	2,565,974	3,018,046
Neo Bankside Retail LLP	4,744,545	5,357,377
	7,310,519	8,375,423

The Group has a 50% (2015: 50%) interest in the ownership and voting rights in two limited liability partnership joint ventures, Neo Pav E Investments LLP and Neo Bankside Retail LLP that are held through a subsidiary. The Group jointly controls the ventures with the other partner under the contractual agreement which requires unanimous consent for all major decisions over the relevant activities.

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18. INVESTMENT IN JOINT VENTURES (CONT'D)

Summarised financial information in respect of Neo Pav E Investments LLP and Neo Bankside Retail LLP based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Neo Pav E Investments LLP		Neo Bankside Retail LLP	
	As at 31 December 2016 $	As at 31 December 2015 $	As at 31 December 2016 $	As at 31 December 2015 $
Current assets	754,509	874,427	1,492,685	1,091,200
Non-current assets	13,023,072	14,441,018	24,237,384	26,237,160
Total assets	13,777,581	15,315,445	25,730,069	27,328,360
Current liabilities	258,413	265,860	550,393	399,384
Non-current liabilities	4,980,531	5,998,756	10,319,077	12,299,004
Total liabilities	5,238,944	6,264,616	10,869,470	12,698,388
Net assets	8,538,637	9,050,829	14,860,599	14,629,972
Proportion of the Group's ownership	50%	50%	50%	50%
Group's share of net assets	4,269,319	4,525,415	7,430,300	7,314,986
Other adjustments [(1)]	(1,703,345)	(1,507,369)	(2,685,755)	(1,957,609)
Carrying amount of the investment	2,565,974	3,018,046	4,744,545	5,357,377

Summarised statement of comprehensive income

	Neo Pav E Investments LLP 2016	Neo Pav E Investments LLP 2015	Neo Bankside Retail LLP 2016	Neo Bankside Retail LLP 2015
Revenue	464,334	517,379	990,447	870,471
Operating expenses	(119,071)	(99,890)	(188,613)	(349,632)
Interest expense	(195,779)	(229,195)	(285,594)	(326,492)
	149,484	188,294	516,240	194,347
Other adjustments[(1)]	(178,366)	(250,609)	(175,670)	(89,888)
(Loss)/profit before tax, representing total comprehensive income	(28,882)	(62,315)	340,570	104,459

(1) Other adjustments mainly relate to adjustments made to the carrying values of the joint ventures' investment properties in order to align their accounting treatment with the accounting policies of the Group.

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19. INVESTMENT SECURITIES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Non-current				
Available-for-sale:				
- Quoted non-equity, at fair value	3,690,936	4,214,692	–	–
- Unquoted equity, at fair value	17,088,617	8,452,056	–	–
- Unquoted equity, at cost	–	9,520,210	–	–
	20,779,553	22,186,958	–	–
Current				
Available-for-sale:				
- Quoted equity, at fair value	28,872,625	29,747,573	–	–

Included in the available-for-sale quoted non-equity investments and unquoted equity investments are amounts of $11,486,577 (2015: $4,214,692), $8,626,439 (2015: $7,754,698) and $5,570,954 (2015: $5,012,980) denominated in Sterling Pound, United States Dollar and Korean Won, respectively.

Unquoted equity investments, at cost

In 2015, the unquoted equity investments of $9,520,210 related to an investment in a Cayman Island exempt limited partnership, which holds a 6-storey prime freehold residential building located on Allen Street, London, United Kingdom. The fair value of the investment could not be measured reliably as at 31 December 2015 as management was awaiting for approval on the revised planning application submitted. Accordingly, the investment was carried at cost as at 31 December 2015.

In 2016, the investment has been reclassified from unquoted equity security carried at cost to unquoted equity security carried at fair value as fair value can be measured reliably subsequent to receipt of planning approval during the year.

Impairment losses

During the financial year, the Group recognised impairment loss of $1,880,619 (2015: $2,015,753) and $2,770,402 (2015: $Nil) for quoted equity investments and unquoted equity investments respectively as there were “significant” or “prolonged” decline in the fair value of these investments below their costs. The Group has treated “significant” generally as 30% and “prolonged” as greater than 12 months.

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20. OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Current				
Sundry receivables	516,758	366,186	–	–
Dividend receivable	118,449	138,660	–	–
Interest receivable	59,050	60,076	475	2,822
Deposits receivable	121,618	198,956	–	–
Loans to third party	–	10,997,992	–	–
Loan to joint venture partner	9,812,574	–	–	–
Amounts receivable from joint ventures	1,469,942	394,196	–	–
Amounts due from estate agents	1,420,281	2,173,361	–	–
	13,518,672	14,329,427	475	2,822
Non-current				
Interest receivable on loan to an associate	401,093	301,093	–	–
Deferred rental receivable	4,960,673	4,603,890	–	–
Amounts receivable from joint ventures	–	2,237,851	–	–
	5,361,766	7,142,834	–	–
Total other receivables	18,880,438	21,472,261	475	2,822

Deposits receivable

The amount pertains to tenants' deposits receivable from agents and is repayable on demand.

Amounts receivable from joint ventures

Amounts receivable from joint ventures of $1,469,942 (2015: $2,237,851) bear interest at 7% (2015: 7%) per annum and repayable on or before 16 April 2017. The amounts are secured by way of legal mortgage over an investment property of the joint ventures in United Kingdom, including the joint venture partner's share of the property. At 31 December 2016, the carrying amount of the property was $6,966,016 (2015: $6,052,418), including the joint venture partner's share of the property.

The remaining amounts receivables from joint ventures of $Nil (2015: $394,196) are unsecured, interest-free, repayable on demand and to be settled in cash.

Loans to third party

The loans to third party in 2015 bore interest at 7% per annum and were repaid in current year. The loan was secured by fixed and floating charge over all freehold and leasehold property, assets and rights of the third party.

Loan to joint venture partner

The loan to joint venture partner bears interest at 8% per annum and matures on 2 June 2017. The loan is secured by a charge over shares owned by the joint venture partner in two entities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

20. OTHER RECEIVABLES (CONT'D)

Interest receivable on loan to an associate

The amount relates to interest receivable on a shareholder's loan of $2,000,000 (2015: $2,000,000) given to an associate (Note 17).

Deferred rental receivable

Deferred rental receivable relates to lease income that remains to be amortised over the lease term on a straight line basis. Included in this amount is rental income from an investment property, for which a subsidiary has entered into a 15-year commercial property lease and granted the lessee a 7-month rent free period.

Receivables that are past due but not impaired

The Group has no other receivables that are past due but not impaired.

Receivables that are impaired

The Group's other receivables that are impaired at the end of the reporting period and the movement of the allowance account used to record the impairment are as follows:

	Group	
	2016	2015
	$	$
Other receivables, nominal amounts	485,182	485,182
Allowance for doubtful debts	(485,182)	(485,182)
	–	–
Movement of allowance for doubtful debts:		
At 1 January	485,182	485,182
Charge for the year	–	–
At 31 December	485,182	485,182

At the end of the reporting period, the Group determined an amount of $485,182 (2015: $485,182) to be impaired following an assessment to determine collectability of the debt. This receivable is not secured by any collateral or credit enhancements.

21. TRADE RECEIVABLES

	Group	
	2016	2015
	$	$
Trade receivables	797,584	390,630
Allowance for doubtful debts	(202,471)	(236,852)
	595,113	153,778

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

21. TRADE RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $26,492 (2015: $Nil) that are past due at the end of the reporting period but not impaired. These receivables were unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2016	**2015**
	$	**$**
Trade receivables past due but not impaired:		
Lesser than 30 days	5,812	–
30 – 60 days	5,812	–
61 – 90 days	5,812	–
91 – 120 days	5,778	–
More than 120 days	3,278	–
	26,492	–

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance account used to record the impairment are as follows:

	Group	
	2016	**2015**
	$	**$**
Trade receivables, nominal amounts	202,471	236,852
Allowance for doubtful debts	(202,471)	(236,852)
	–	–
Movement of allowance for doubtful debts:		
At 1 January	236,852	196,049
Exchange differences	(34,381)	40,803
At 31 December	202,471	236,852

At the end of the reporting period, the Group has determined a trade receivable of $202,471 (2015: $236,852) to be impaired as the debtor has ceased business operations and defaulted on payment. This receivable is not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

22. CASH AND BANK BALANCES

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Fixed deposits	29,400,000	35,688,796	900,000	4,188,796
Cash at bank and on hand	7,466,008	4,849,372	480,696	151,686
	36,866,008	40,538,168	1,380,696	4,340,482
Included in above are:				
Fixed deposits pledged for banking facilities	19,000,000	19,000,000	–	–

Fixed deposits are made for varying periods of between one month and three months, depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective fixed deposit rates. The effective interest rates at 31 December 2016 were in the range of 0.35% to 1.14% (2015: 0.26% to 0.95%) per annum.

23. PROPERTY CLASSIFIED AS HELD FOR SALE

On 10 November 2015, the Group entered into a non-binding Heads of Terms with a third party to dispose of its investment property at 7 Water Street Liverpool for a consideration of S$2,031,000.

Management had assessed the fair value less cost to sell approximates S$1,523,000. As the fair value less cost to sell of S$1,523,000 was higher than the carrying value of the investment property, net of impairment loss, an impairment loss of S$102,140 had been written back immediately before the investment property was reclassified as asset held for sale. The amount was included as part of "other income" in the consolidated income statement.

The net carrying amount of the above property had been reclassified to property held for sale as follows:

	Group	
	2016	2015
	$	$
Investment property (Note 15)	–	1,523,448

24. BANK OVERDRAFTS (SECURED)

The bank overdrafts were denominated in SGD, bore interest at 5.5% per annum and were secured by a corporate guarantee from the holding company.

25. TRADE PAYABLES

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Current				
Tenancy deposits	450,770	538,700	–	–
Unclaimed dividends	305,083	283,022	305,082	283,022
Deferred income	357,340	99,724	–	–
Other tax payables	86,232	361,420	–	–
Rental received in advance	30,642	61,833	–	–
Sundry payables	694,353	666,260	44,474	35,878
	1,924,420	2,010,959	349,556	318,900
Non-current				
Tenancy deposits	456,349	427,914	–	–

Sundry payables are non-interest bearing and have an average term of 60 days.

Other tax payables included capital gain tax provision of $21,171 (2015: $315,580) relating to disposal of certain properties in United Kingdom.

Other payables denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Chinese Renminbi	523,885	563,275	–	–

27. BANK LOANS (SECURED)

	Group	
	2016	2015
	$	$
Non-current		
Long-term Sterling Pound bank loan	11,212,051	–
Current		
Short-term Singapore Dollar bank loan	2,900,000	2,900,000
Short-term Sterling Pound bank loans	54,805,428	36,353,178
Total bank loans	57,705,428	39,253,178

Short-term Singapore Dollar bank loan comprises of:

(a) A revolving Singapore Dollar loan of $2,900,000 (2015: $2,900,000) granted to a subsidiary. The loan is secured by an existing corporate guarantee of $4,000,000 (2015: $4,000,000) from another subsidiary and bears interest at swap rate plus 1.375% (2015: 1.375%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27. BANK LOANS (SECURED) (CONT'D)

Short-term Sterling Pound bank loans comprise of:

(a) A revolving Sterling Pound loan of $5,426,280 (2015: $8,362,840) granted to a subsidiary. The loan is secured by a legal charge of $4,000,000 (2015: $4,000,000) over the subsidiary's fixed deposits and bears interest at swap rate plus 1.4% - 1.8% (2015: 1.8%) per annum.

(b) A revolving Sterling Pound loan of $25,322,640 (2015: $10,579,500) granted by the same bank to the same subsidiary as in (a) above. The loan is secured by a legal charge over the subsidiary's investment property and assignment of tenancy agreement in respect of the property. The loan bears interest at swap rate plus 1.4% (2015: 1.4%) per annum.

(c) A revolving Sterling Pound loan of $24,056,508 (2015: $17,410,838) granted by another bank to a subsidiary. The loan is secured by a corporate guarantee from the holding company and a legal charge of $15,000,000 (2015: $15,000,000) over the subsidiary's fixed deposits. The loan bears interest at swap rate plus 1.1% - 1.7% (2015: 1.1% - 1.7%) per annum.

Long-term Sterling Pound bank loan comprises of:

(a) A Sterling Pound bank loan of $11,212,051 (2015: $Nil) granted to a subsidiary. The loan is secured by a legal charge over the subsidiary's investment property and repayable on 2 June 2018. The loan of $5,607,156 bears interest at LIBOR rate plus 1.8% per annum, whereby the LIBOR is capped at a rate of 1.25% and has a floor rate of 0.49%. The remaining balance bears interest at LIBOR rate plus 1.8% per annum.

Under the terms and conditions of the respective loans, these subsidiaries are prohibited from lifting the fixed deposits or subjecting them to further charges without furnishing a replacement security of similar value.

28. DEFERRED TAX LIABILITIES

	Group			
Group	Consolidated balance sheet		Consolidated income statement	
	2016 $	2015 $	2016 $	2015 $
Deferred tax asset				
Unutilised tax losses	–	–	–	–
Deferred tax liabilities				
Revaluations to fair value of available-for-sale financial assets	(643,821)	(711,967)	–	–
Differences in depreciation and capital allowances	(1,543,558)	(1,468,370)	75,188	72,041
Accrued interest income	(1,846,127)	(1,622,920)	223,207	(19,218)
	(4,033,506)	(3,803,257)		
Net deferred tax liabilities	(4,033,506)	(3,803,257)		
Deferred tax expense			298,395	52,823

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28. DEFERRED TAX LIABILITIES (CONT'D)

Unrecognised tax losses

As the end of the reporting period, the Group has tax losses of approximately $15,569,000 (2015: $15,639,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequences of proposed dividends

There are no income tax consequences (2015: $Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 29).

29. DIVIDENDS

	Group	
	2016	**2015**
	$	**$**
In respect of financial year ended 31 December 2014:		
- Final exempt (one-tier) dividend of 1.15 cents per share	–	7,515,296
In respect of financial year ended 31 December 2015:		
- Final exempt (one-tier) dividend of 1.00 cent per share	6,535,040	–
	6,535,040	7,515,296

The directors of the Company have recommended a final tax exempt ordinary dividend of 1 cent per share totaling $6,531,740, to be paid in respect of the financial year ended 31 December 2016, subject to shareholders' approval at the annual general meeting of the Company.

30. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions are entered into by the Group and the Company with related parties at terms agreed between the parties:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Income statement				
Management fees paid and payable to a subsidiary	–	–	128,573	127,783
Interest income from an associate which is a related company of a substantial shareholder	(148,229)	(151,633)	–	–
Professional fee for services rendered by a firm and an associated firm related to a director	36,000	47,500	22,500	28,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

31. COMMITMENT AND CONTINGENCIES

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
(a) *Contingent liabilities*				
Financial guarantees given to financial institutions in connection with facilities given to its joint ventures and subsidiaries	8,247,946	9,648,504	15,000,000	30,000,000

The fair value of the financial guarantees provided for its joint ventures and subsidiaries is not expected to be material as a portion of the loans and borrowings are collateralised against the joint ventures' investment properties and a subsidiary's fixed deposits. Further, the probability of the joint ventures and the subsidiaries defaulting on the credit lines is remote. Accordingly, the financial guarantees have not been recognised.

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
(b) *Capital commitments*				
Investment property	–	184,097	–	–
Unquoted investment securities	6,201,257	6,392,480	–	–
Investment in an associate	6,240,222	–	–	–

(c) ***Contingent asset***

In April 2013, one of the Group's joint ventures (the "JV") was granted a 125 year lease on the site of the former post office building in Fitzalan Square, Sheffield, United Kingdom (the "Site") as part of the redevelopment of the Site.

Concurrently, the lessee of the Site, the JV and the development manager of the site ("DM") have entered into agreements for the redevelopment of the Site ("Agreements") and the Group opined that the Agreements were integral to the 125 year lease as the lease would not have been granted had the Agreements not been put in place.

Pursuant to the Agreements, the funds required for the redevelopment of the Site is to be provided by the lessee and the JV will be entitled to receive up to GBP2.16 million in the event the Site is refinanced or disposed of in the future following its redevelopment, including the Group's share of GBP1.08 million.

31. COMMITMENT AND CONTINGENCIES (CONT'D)

(c) ***Contingent asset (cont'd)***

During the current financial year, the JV has received GBP749,000 (equivalent to approximately $1,399,546), including the Group's share of GBP374,500 (equivalent to approximately $699,773) upon the completion of the Site refinancing and included as part of "Other income" (Note 6). The JV will be entitled to receive the remaining balance of GBP1,411,000 (equivalent to approximately $2,637,000), including the Group's share of GBP705,500 (equivalent to approximately $618,000), in the event the Site is disposed of in the future following its redevelopment.

Given the uncertainty in relation to (i) the future value of the Site post-development; and (ii) the possible sale of the redeveloped Site post-completion, the directors believe that it is not virtually certain that a profit will be realised. Hence, no contingent asset is recognised at the end of the reporting period in 2015 and 2016.

(d) ***Operating lease commitments - As lessor***

The Group has entered into residential and commercial property leases on its investment property portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 122 years (2015: 1 and 13 years). All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum lease payments receivable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2016 $	2015 $
Within one year	7,047,931	5,853,947
Between one year and five years	21,278,353	19,265,784
Later than 5 years	37,173,234	39,782,269
	65,499,518	64,902,000

32. DIRECTORS' REMUNERATION

The number of directors of the Company whose emoluments fall within the following bands is as follows:

	2016	2015
$500,000 to $749,999	1	1
Below $250,000	7	7
	8	8

33. GROUP SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Management has determined the operating segments based on the reports reviewed by the chief operating decision maker to make decisions about allocation of resources and assessment of performance.

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic units offer different products and services and are managed separately because they require different strategies.

The following summary describes the operations in each of the Group's reportable segments:

- Rental: rental of residential, commercial properties and warehouse
- Investments: investment holding (other than the Company's investment in subsidiaries)
- Corporate and others: packing and trading of edible oils as well as the Company's investment holding of subsidiaries

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. All assets and liabilities are allocated to reportable segments.

For purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors performance based on segment profit before income tax. Segment profit is measured as management believes information is useful in evaluating the results of certain segments relative to other entities that operate within these industries. The segment transactions are determined on an arm's length basis.

There are no asymmetrical allocations to reportable segments. Transfer prices between operating segments are on an arms' length basis in a manner similar to transactions with third parties.

Unallocated items such as cash at bank, bank overdrafts, bank loans, provision for tax, deferred taxation, group financing (including finance costs), income tax and certain foreign exchange differences are managed on a group basis and are not allocated to operating segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. GROUP SEGMENTAL INFORMATION (CONT'D)

	Rental		Investments	
	2016 $	2015 $	2016 $	2015 $
Revenue				
- External	7,527,414	8,678,219	3,674,762	4,398,875
- Inter-segment	–	–	3,535,000	2,000,000
Total revenue	7,527,414	8,678,219	7,209,762	6,398,875
Results:				
Interest income (in other income)	568	7,920	–	29,382
Depreciation of property, plant and equipment and investment properties	(2,037,929)	(2,154,671)	(37,080)	(50,819)
Gain on disposal of investment properties	2,181,594	4,785,471	–	–
Loss on disposal of property, plant and equipment	–	(2,886)	–	(1,236)
Gain on disposal of an associate	–	–	2	–
Impairment loss on other receivables	(19,906)	–	–	–
Impairment loss on amounts due from an associate	(349,393)	–	–	–
Impairment loss on quoted equity investment (current)	–	–	(1,880,619)	(2,015,753)
Impairment loss on unquoted equity investment (non-current)	–	–	(2,770,402)	–
Reversal of impairment loss on investment properties	605,206	354,745	–	–
Share of results of associates and joint ventures	–	–	830,035	1,677,241
Segment profit/(loss)	5,439,363	7,318,504	(1,462,772)	3,019,063
Assets				
Investment in joint ventures	–	–	7,310,519	8,375,423
Investment in associates	–	–	26,549,780	16,526,952
Additions to non-current assets	30,376,828	2,755,282	591	2,035
Segment assets	143,615,061	125,207,079	124,084,295	122,541,816
Segment liabilities	55,353,496	60,735,858	20,503,226	18,104,013

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For the financial year ended 31 December 2016

Corporate and others 2016 $	Corporate and others 2015 $		Adjustments and eliminations 2016 $	Adjustments and eliminations 2015 $	Per consolidated financial statements 2016 $	Per consolidated financial statements 2015 $
–	–		–	–	11,202,176	13,077,094
5,000,000	11,845,000	A	(8,535,000)	(13,845,000)	–	–
5,000,000	11,845,000		(8,535,000)	(13,845,000)	11,202,176	13,077,094
19,081	36,158		–	–	19,649	73,460
(157,128)	(131,421)		–	–	(2,232,137)	(2,336,911)
–	–		–	–	2,181,594	4,785,471
–	–		–	–	–	(4,122)
–	–		–	–	2	–
–	–		–	–	(19,906)	–
–	–		–	–	(349,393)	–
–	–		–	–	(1,880,619)	(2,015,753)
–	–		–	–	(2,770,402)	–
–	–		–	–	605,206	354,745
–	–		–	–	830,035	1,677,241
(1,987,091)	(2,053,575)	B	4,801,531	(1,654,886)	6,791,031	6,629,106
–	–		–	–	7,310,519	8,375,423
–	–		–	–	26,549,780	16,526,952
167,383	–	C	–	–	30,544,802	2,757,317
184,237,468	183,866,312	D	(177,578,079)	(174,844,488)	274,358,745	256,770,719
3,002,131	3,133,862	E	1,081,505	(31,526,006)	79,940,358	50,447,727

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. GROUP SEGMENTAL INFORMATION (CONT'D)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A. Inter-segment revenues are eliminated on consolidation.

B. The following items are added to/(deducted from) segment profit to arrive at "profit before tax from continuing operations" presented in the consolidated income statements:

	2016 $	2015 $
Finance costs	(1,366,181)	(816,164)
Unallocated income/(expenses)	6,167,712	(838,722)
	4,801,531	(1,654,886)

C. Additions to non-current assets consist of additions to property, plant and equipment and investment properties.

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

	2016 $	2015 $
Cash and bank balances	36,866,008	40,538,168
Inter-segment assets	(214,444,087)	(215,382,656)
	(177,578,079)	(174,844,488)

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

	2016 $	2015 $
Bank loans	68,917,479	39,253,178
Bank overdrafts	–	228,668
Income tax payable	1,419,266	1,456,819
Deferred tax liabilities	4,033,506	3,803,257
Inter-segment liabilities	(73,288,746)	(76,267,928)
	1,081,505	(31,526,006)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. GROUP SEGMENTAL INFORMATION (CONT'D)

Geographical information

	Revenue		Non-current assets	
	2016	2015	2016	2015
	$	$	$	$
Singapore	8,885,381	9,740,292	109,003,714	104,455,923
United Kingdom	2,316,795	3,336,802	77,924,590	56,959,361
	11,202,176	13,077,094	186,928,304	161,415,284

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

Information about a major customer

Revenue of $4,368,876 (2015: $4,368,876) was derived from a single external customer. This revenue was derived in Singapore and relates to rental income.

34. MAJOR PROPERTIES OWNED BY THE GROUP

Location	Company	Type/Usage	Area
Property, plant and equipment			
Leasehold land and building			
38 South Bridge Road Singapore 058672	Paco Industries Pte. Ltd.	Lot 160 – 99 years lease from 1941. Lot 164 – 99 years lease from 1947. Office	Lot 160 - land area of about 121 square metres. Lot 164 - land area of about 123 square metres. Gross floor area of about 1,022 square metres (10,989 sq feet)
Freehold office property			
400 Orchard Road #11-09/10 Orchard Towers Singapore 238875	Singapore Warehouse Company (Private) Ltd	Freehold. Office	Gross floor area of about 157 square metres (1,690 square feet)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

34. MAJOR PROPERTIES OWNED BY THE GROUP (CONT'D)

Location	Company	Type/Usage	Area
Investment properties			
Held by the Group			
93,95,97,99 Robertson Quay Singapore 239825/6/7/8	Global Trade Investment Management Pte Ltd	7 units of freehold residential apartments and 4 units of commercial shops	Gross floor area of 1,404.2 square metres (15,114 square feet)
110 Paya Lebar Road Singapore Warehouse Singapore 409009	Singapore Warehouse Company (Private) Ltd	Freehold. Factory, warehouse, ancillary office and showroom	Land area of about 5,480 square metres. Gross floor area of about 14,612 square metres (157,109 square feet)
58 Queensgate London SW7 United Kingdom	Thackeray Properties Limited	Freehold. 6 units of residential apartments	Gross floor area of 525.5 square metres (5,650 square feet)
115B Queensgate London SW7 United Kingdom	Thackeray Properties Limited	Freehold. 2 units of residential apartments	Gross floor area of 177.5 square metres (1,911 square feet)
15/17 Hornton Street London W8 United Kingdom	Pumbledon Limited	Freehold. 7 units of residential apartments	Gross floor area of 501 square metres (5,391 square feet)
82% interest in 23 New Mount Street Manchester United Kingdom	Vantagepro Investment Limited	Freehold. Office building	Floor area of 3,248.11 square metres (34,963 square feet)
70% interest in 20 Midtown, Procter Street, Holborn London WC1 6NX United Kingdom	Vantagepro Investment Limited	Freehold. Office building	Floor area of 2,836.58 square metres (30,533 square feet)
50% interest in Head Post Office Fitzalan Square, Sheffield S1 2AB United Kingdom	Vantagepro Investment Limited	Freehold Office building	Floor area of 6,843.36 square metres (73,662 square feet)
50% interest in 3 - 7 Herbal Hill, Clerkenwell, London EC 1 United Kingdom	Singapore Warehouse Company (Private) Ltd	Freehold. Commercial	Floor area of 3,137.5 square metres (33,773 square feet)

NOTES TO THE FINANCIAL STATEMENTS

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34. MAJOR PROPERTIES OWNED BY THE GROUP (CONT'D)

Location	Company	Type/Usage	Area
Investment properties (cont'd)			
Held by joint ventures			
Block E Bankside 4, London SE1 9RE United Kingdom	Neo Pav E Investments LLP	Leasehold. Office building	Gross floor area of 678.2 square metres (7,300 square feet)
Block A, B, C and D, Retail units located at Bankside 4, London SE1 0SW United Kingdom	Neo Bankside Retail LLP	Leasehold. retail units	Gross floor area of 1,337.70 square metres (14,399 square feet)
Held by associates			
304 Orchard Road #05-00 Lucky Plaza Singapore 238863	Hong Property Investments Pte Ltd	Freehold Commercial	Gross floor area of 3,062 square metres (32,959 square feet)
400 Orchard Road #20-05/05A/06 Orchard Towers Singapore 238875	Hong Property Investments Pte Ltd	Freehold Commercial	Gross floor area of 330.92 square metres (3,562 square feet)
Kilmuir House Ebury Street, London SW1W 9JL United Kingdom[1]	Clan Kilmuir (Jersey) Limited	Leasehold Residential	Gross floor area of 3,273 square metres (35,231 square feet)
51 Scotts Road	Scotts Spazio Pte. Ltd.	Leasehold 15 years from 15 August 2007 4-storey office block	Land area of 1.04 hectares. Maximum permissible gross floor area of 15,666 sq metres (168,628 sq feet)

(1) Clan Kilmuir (Jersey) Limited has a 50% investment in Kilmuir House (Jersey) Limited, which in turn holds the Kilmuir House property.

35. FAIR VALUES OF ASSETS AND LIABILITIES

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

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

(i) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

(ii) Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

(iii) Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) ***Assets and liabilities measured at fair value***

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group			
	Fair value measurements at the end of the period using			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	$	**$**	**$**	**$**
2016				
Recurring fair value measurements				
Assets:				
Financial assets:				
Available-for-sale financial assets				
- Quoted equity investments (current)	28,872,625	–	–	28,872,625
- Quoted non-equity investments (non-current)	3,690,936	–	–	3,690,936
- Unquoted equity investments, at fair value (non-current)	–	441,779	16,646,838	17,088,617
	32,563,561	441,779	16,646,838	49,652,178

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For the financial year ended 31 December 2016

35. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(b) ***Assets and liabilities measured at fair value (cont'd)***

	Group			
	Fair value measurements at the end of the period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	$	$	$	$
2015				
Recurring fair value measurements				
Assets:				
Financial assets:				
Available-for-sale financial assets				
- Quoted equity investments (current)	29,747,573	–	–	29,747,573
- Quoted non-equity investments (non-current)	4,214,692	–	–	4,214,692
- Unquoted equity investments, at fair value (non-current)	–	395,680	8,056,376	8,452,056
	33,962,265	395,680	8,056,376	42,414,321

(c) ***Level 2 fair value measurement***

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

<u>Unquoted equity investment (non-current)</u>

The investments relate to funds which invest primarily in equities that are publicly traded and listed in recognised stock exchanges. Fair values have been determined based on investor statements issued by the fund managers.

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For the financial year ended 31 December 2016

35. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(d) *Level 3 fair value measurements*

Information about significant unobservable inputs used in the Level 3 fair value measurements

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

Description	Fair value at 31 December 2016 $	Valuation techniques	Unobservable inputs
Recurring fair value measurements			
Available-for-sale financial assets - Unquoted equity investments, at fair value (non-current)	16,646,838	Quote from fund manager	Not applicable

Description	Fair value at 31 December 2015 $	Valuation techniques	Unobservable inputs
Recurring fair value measurements			
Available-for-sale financial assets - Unquoted equity investments, at fair value (non-current)	8,056,376	Quote from fund manager	Not applicable

The investments relate to funds which invest primarily in unquoted assets. Fair values have been determined based on investor statements issued by the fund managers.

Movements in level 3 assets and liabilities measured at fair value

	Group 2016 $	2015 $
Fair value measurements using significant unobservable inputs (Level 3)		
Available-for-sale financial assets:		
Unquoted equity investments (non-current)		
At 1 January	8,056,376	3,468,019
Total (losses)/gains included in other comprehensive income	(1,906,865)	614,969
Reclassification from cost to fair value (Note 19)	9,520,210	–
Disposed during the year	(153,717)	–
Purchased during the year	1,130,834	3,973,388
At 31 December	16,646,838	8,056,376

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

35. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(e) ***Assets and liabilities not carried at fair value but for which fair value is disclosed***

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at 31 December 2016 but for which fair value is disclosed:

	Group			
	Fair value measurements at the end of the period using			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	$	**$**	**$**	**$**
2016				
Assets:				
Non-financial assets:				
Investment properties				
- Commercial	–	10,150,000	167,184,311	177,334,311
- Residential	–	60,699,360	–	60,699,360
	–	70,849,360	167,184,311	238,033,671
2015				
Assets:				
Non-financial assets:				
Investment properties				
- Commercial	–	10,150,000	138,497,882	148,647,882
- Residential	–	67,976,084	–	67,976,084
	–	78,126,084	138,497,882	216,623,966
Property held for sale				
- Commercial	–	–	1,523,448	1,523,448
	–	78,126,084	140,021,330	218,147,414

35. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(e) ***Assets and liabilities not carried at fair value but for which fair value is disclosed***

Determination of fair value

Commercial investment properties

The valuation for one of the Singapore properties was based on income capitalisation method, which involves the conversion of the estimated annual net rental income of the property after deducting all necessary outgoings and expenses such as property tax, costs of repairs and maintenance and insurance into a capital sum at a suitable rate of return which reflects the tenure and quality of the investment.

The valuations for United Kingdom properties were derived using two methods, which were investment method and residual method. For the office and commercial properties, the fair value was derived on investment method, taking into consideration of the rental and capital transactions in the vicinity of the investment properties, the passing rents and the estimated rental values of the properties which have been capitalised using investment yields. The fair value, after deducting purchaser's costs, was compared to other capital transactions on a capital value per square foot basis.

For the office space under development, the fair value was derived using residual method. The residual valuation of property under development can be expressed as the value of the fully completed development (the Gross Development Value, or "GDV") deducts the estimated costs to complete and respective developers' profit to reflect the value of the partially completed development. The GDV is derived based on income capitalisation, after taking consideration the quantity surveyor's report on construction costs, lease terms, operating costs and capitalisation rates and other key inputs.

Residential investment properties

Valuations are based on comparable market transactions that consider the sale of similar properties that have been transacted in the open market.

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

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

	Group			
	2016		2015	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Financial assets:				
Unquoted equity, at cost (Note 19)	–	–	9,520,210	*
Amounts due from associates	2,000,000	#	2,000,000	#
Interest receivable on loan to an associate (Note 20)	401,093	#	301,093	#

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For the financial year ended 31 December 2016

35. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

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

* Unquoted equity, at cost

Fair value information has not been disclosed for the Group's investments in unquoted equity securities carried at cost because fair value cannot be measured reliably. These investments are not quoted in any market and do not have any comparable industry peers that are listed.

\# Amounts due from associates (non-current)

It is not practical to estimate the fair value of the non-current amounts due from associates and interest receivable on loan to an associate as the amounts are not repayable within a year and there are no fixed repayment terms. Hence, the timing of future cash flows cannot be estimated reliably.

(g) ***Carrying amounts of financial instruments by categories***

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

	Note	Group	
		2016 $	2015 $
Loans and receivables			
Other receivables (exclude deferred rental receivable)	20	13,919,765	16,868,371
Trade receivables	21	595,113	153,778
Amounts due from associates	17	9,355,294	10,814,222
Cash and bank balances	22	36,866,008	40,538,168
		60,736,180	68,374,539
Available-for-sale financial assets			
Quoted equity, at fair value	19	28,872,625	29,747,573
Quoted non-equity, at fair value	19	3,690,936	4,214,692
Unquoted equity, at fair value	19	17,088,617	8,452,056
Unquoted equity, at cost	19	–	9,520,210
		49,652,178	51,934,531
Financial liabilities measured at amortised cost			
Bank overdrafts (secured)	24	–	228,668
Trade payable	25	682,639	350,656
Other payables (exclude deferred income, rental received in advance and other tax payables)	26	1,906,555	1,915,896
Accrued operating expenses		1,944,091	2,345,320
Amounts due to associates	17	562,608	570,956
Bank loans (secured)	27	68,917,479	39,253,178
		74,013,372	44,664,674

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

35. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(g) ***Carrying amounts of financial instruments by categories (cont'd)***

	Note	Company	
		2016	2015
		$	$
Loans and receivables			
Other receivables	20	475	2,822
Amounts due from subsidiaries	16	8,674,000	8,200,000
Cash and bank balances	22	1,380,696	4,340,482
		10,055,171	12,543,304
Financial liabilities measured at amortised cost			
Other payables	26	349,556	318,900
Accrued operating expenses		199,186	203,319
Amounts due to associates	17	381,403	375,767
		930,145	897,986

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include equity price risk, interest rate risk, liquidity risk, credit risk and foreign currency risk. The directors review and agree policies and procedures for the management of these risks. 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 Audit and Risk Committee provides independent oversight to the effectiveness of the risk management policies, procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

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

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

(a) ***Equity price risk***

Equity price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity securities. These securities are quoted on stock exchanges in Singapore, Korea and London. The Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility. To manage its price risk arising from investments in quoted equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

(a) *Equity price risk (cont'd)*

The table below demonstrates the sensitivity to a reasonably possible change in equity price risk with all other variables held constant, of the Group's profit before tax and the Group's fair value reserve:

	Group		
2016	**Percentage point change in assumption**	**Effect on profit before tax $'000**	**Effect on fair value reserve $'000**
- Straits times Index	+10%	–	1,543
	-10%	(513)	(1,030)
- Korea Composite Stock Price Index	+10%	–	557
	-10%	–	(557)
- London Stock Exchange	+10%	–	370
	-10%	–	(370)
2015			
- Straits times Index	+10%	–	1,140
	-10%	(505)	(635)
- Korea Composite Stock Price Index	+10%	–	501
	-10%	(121)	(380)
- London Stock Exchange	+10%	–	421
	-10%	–	(421)

(b) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its placements in fixed deposits, investments in quoted, unquoted bonds and floating rate notes and debt obligations with financial institutions. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group uses a combination of fixed and floating rates facilities to allow the Group to benefit from the relative lower interest rate in short term loans and mitigate sudden hike in interest rates.

At the end of the reporting period, if interest rates had been 50 (2015: 50) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $371,000 (2015: $197,000) lower/higher.

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

(c) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's objective is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions if any, without incurring unacceptable losses or risking damage to the Group's reputation. This is achieved through monitoring the cash flow requirements closely and optimising its cash return on investments. In addition, the Group also maintains the availability of stand-by credit facilities.

Surplus funds are placed with reputable banks and/or financial institutions.

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

Group **2016**	**1 year or less** **$**	**2 to 5 years** **$**	**After 5 years** **$**	**Total** **$**
Financial assets				
Amounts due from associates	7,502,400	2,000,000	–	9,502,400
Investment securities	28,872,625	17,412,097	3,367,456	49,652,178
Trade and other receivables	14,465,425	901,093	–	15,366,518
Cash and bank balances	36,866,008	–	–	36,866,008
Total undiscounted financial assets	87,706,458	20,313,190	3,367,456	111,387,104
Financial liabilities				
Trade and other payables	2,132,845	102,649	353,700	2,589,194
Accrued operating expenses	1,944,091	–	–	1,944,091
Amounts due to associates	562,608	–	–	562,608
Bank loans	59,469,562	11,313,024	–	70,782,586
Total undiscounted financial liabilities	64,109,106	11,415,673	353,700	75,878,479
Total net undiscounted financial assets	23,597,352	8,897,517	3,013,756	35,508,625

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For the financial year ended 31 December 2016

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

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

Group 2015	**1 year or less $**	**2 to 5 years $**	**After 5 years $**	**Total $**
Financial assets				
Amounts due from associates	8,962,863	2,000,000	–	10,962,863
Investment securities	29,747,573	19,175,987	3,010,971	51,934,531
Trade and other receivables	14,739,825	3,241,283	–	17,981,108
Cash and bank balances	40,538,168	–	–	40,538,168
Total undiscounted financial assets	93,988,429	24,417,270	3,010,971	121,416,670
Financial liabilities				
Bank overdrafts	228,668	–	–	228,668
Trade and other payables	1,838,638	427,914	–	2,266,552
Accrued operating expenses	2,345,320	–	–	2,345,320
Amounts due to associates	570,956	–	–	570,956
Bank loans	40,414,940	–	–	40,414,940
Total undiscounted financial liabilities	45,398,522	427,914	–	45,826,436
Total net undiscounted financial assets	48,589,907	23,989,356	3,010,971	75,590,234

Company 2016	**1 year or less $**	**2 to 5 years $**	**Total $**
Financial assets			
Amounts due from subsidiaries	8,674,000	–	8,674,000
Other receivables	475	–	475
Cash and bank balances	1,380,696	–	1,380,696
Total undiscounted financial assets	10,055,171	–	10,055,171
Financial liabilities			
Trade and other payables	349,556	–	349,556
Amounts due to associates	381,403	–	381,403
Accrued operating expenses	199,186	–	199,186
Total undiscounted financial liabilities	930,145	–	930,145
Total net undiscounted financial assets	9,125,026	–	9,125,026

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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

	1 year or less $	2 to 5 years $	Total $
Company			
2015			
Financial assets			
Amounts due from subsidiaries	8,200,000	–	8,200,000
Other receivables	2,822	–	2,822
Cash and bank balances	4,340,482	–	4,340,482
		–	
Total undiscounted financial assets	12,543,304	–	12,543,304
Financial liabilities			
Trade and other payables	318,900	–	318,900
Amounts due to associates	375,767	–	375,767
Accrued operating expenses	203,319	–	203,319
		–	
Total undiscounted financial liabilities	897,986	–	897,986
Total net undiscounted financial assets	11,645,318	–	11,645,318

The table below shows the contractual expiry by maturity of the Group's and the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantees could be called.

	1 year or less $	2 to 5 years $	Total $
Group			
2016			
Financial guarantees provided to joint ventures	–	8,247,946	8,247,946
2015			
Financial guarantees provided to joint ventures	–	9,648,504	9,648,504
Company			
2016			
Financial guarantees provided to subsidiaries	15,000,000	–	15,000,000
2015			
Financial guarantees provided to subsidiaries	30,000,000	–	30,000,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

(d) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises mainly from amounts due from subsidiaries/associates, trade and other receivables. For other financial assets (including investment securities and cash and bank balances), the Group and the Company minimise credit risk by dealing with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

At the end of the reporting period, the carrying amount of amounts due from subsidiaries/associates, trade and other receivables and cash and bank balances represent the Group's and the Company' maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

At the end of the reporting period, there was no significant concentration of credit risks.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20 (Other receivables) and Note 21 (Trade receivables).

(e) ***Foreign currency risk***

Currency risk arises when transactions are denominated in currencies other than the functional currencies of the respective entities. In addition, the Group is exposed to currency translation gains/losses as a result of translating its overseas assets and liabilities held through its subsidiaries. Such translation gains/losses are unrealised in nature and do not impact current year profits unless the underlying assets or liabilities of the subsidiary are disposed of.

The Group does not generally use derivative foreign exchange contracts in managing its foreign currency risk arising from cash flows from anticipated transactions denominated in foreign currencies, primarily the Sterling Pound and Korean Won. Wherever possible, the Group manages its currency risks by financing its purchases using bank borrowings denominated in the currency of the country in which the asset is situated. Foreign currencies received are kept in foreign currencies accounts and are converted to the respective functional currency of the Group companies on a need-to basis so as to minimise foreign exchange exposure.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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

Sensitivity analysis for foreign currency risk

Entities in the Group regularly transact in currencies other than their respective functional currencies, such as Singapore Dollar, United States Dollar and Sterling Pound. The following table demonstrates the sensitivity to a reasonably possible change in the Singapore Dollar, United States Dollar, Sterling Pound and Korean Won, against the respective functional currencies of the Group's entities with all other variables held constant, on the Group's profit before tax and fair value reserve:

	Group			
	2016		2015	
	Profit before tax $'000	Fair value reserve $'000	Profit before tax $'000	Fair value reserve $'000
United States Dollar/Singapore Dollar				
- strengthened 10% (2015: 10%)	–	694	(15)	625
- weakened 10% (2015: 10%)	–	(694)	15	(625)
Sterling Pound/Singapore Dollar				
- strengthened 10% (2015: 10%)	(4,712)	975	(2,754)	223
- weakened 10% (2015: 10%)	3,933	(196)	2,754	(223)
United States Dollar/Sterling Pound				
- strengthened 10% (2015: 10%)	–	168	–	151
- weakened 10% (2015: 10%)	–	(168)	–	(151)
Korean Won/Singapore Dollar				
- strengthened 10% (2015: 10%)	–	557	–	501
- weakened 10% (2015: 10%)	–	(557)	(121)	(380)
Hong Kong Dollar/Singapore Dollar				
- strengthened 10% (2015: 10%)	–	233	–	–
- weakened 10% (2015: 10%)	–	(233)	–	–

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37. CAPITAL MANAGEMENT

Capital includes equity attributable to owners of the Company.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings. The Company may also purchase its own shares on the market; subject to the terms of the share purchase mandate as approved by the shareholders. Share purchase allows the Company greater flexibility over its share capital structure with a view to improving, *inter alia*, its return on equity. Share purchase in lieu of issuing new shares would also mitigate the dilution impact on existing shareholders. During the financial year, the Company acquired 330,000 (2015: nil) shares in the Company through purchases on the Singapore Exchange for cash consideration amounting to $98,002 and held these shares as treasury shares (Note 12(b)).

No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2015.

The Group monitors capital based on gearing ratio which is total liabilities divided by total equity. At 31 December 2016, total liabilities and total equity are $79,940,358 (2015: $50,447,727) and $194,418,387 (2015: $206,322,992) respectively. The Group also monitors dividends paid to shareholders. The Group seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. At 31 December 2016, the Group's gearing ratio was 0.41 (2015: 0.24).

38. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 10 March 2017, the Group disposed of one of its United Kingdom properties, which has a net carrying amount of GBP290,000 (equivalent to approximately $506,000) for a consideration of GBP1,380,000 (equivalent to approximately $2,405,000).

39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 15 March 2017.

SHAREHOLDING STATISTICS

As at 10 March 2017

No. of Issue Shares	: 653,504,000
No. of Issue Shares (excluding Treasury Shares)	: 653,174,000
No. of Treasury Shares Held	: 330,000
Class of Shares	: Ordinary Shares
Voting Rights	: 1 vote per ordinary share (no vote for treasury shares)

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	32	0.57	714	0.00
100 - 1,000	227	4.04	157,165	0.02
1,001 - 10,000	2,547	45.34	17,279,155	2.65
10,001 - 1,000,000	2,775	49.39	132,539,244	20.29
1,000,001 and above	37	0.66	503,197,722	77.04
Total	5,618	100.00	653,174,000	100.00

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1.	Ely Investments (Pte) Ltd.	80,986,000	12.40
2.	Ong Kay Eng	44,072,000	6.75
3.	United Overseas Bank Nominees (Private) Limited	38,625,000	5.91
4.	Raffles Nominees (Pte) Limited	36,964,864	5.66
5.	Ong Eng Loke	36,090,858	5.53
6.	City Developments Realty Limited	33,355,000	5.11
7.	Tudor Court Gallery Pte Ltd	29,940,000	4.58
8.	BNP Paribas Nominees Singapore Pte Ltd	22,936,753	3.51
9.	Ong Eng Hui David (Wang Ronghui David)	22,387,200	3.43
10.	Welkin Investments Pte Ltd	21,296,000	3.26
11.	Fica (Pte) Ltd	18,385,000	2.81
12.	DB Nominees (Singapore) Pte Ltd	16,580,000	2.54
13.	CIMB Securities (Singapore) Pte. Ltd.	9,959,575	1.52
14.	DBS Nominees (Private) Limited	9,347,100	1.43
15.	Ong Hian Eng	8,899,623	1.36
16.	Ong Mui Eng	6,958,416	1.07
17.	Citibank Nominees Singapore Pte Ltd	6,720,533	1.03
18.	HSBC (Singapore) Nominees Pte Ltd	6,598,448	1.01
19.	Chew Cheng Hoi Investments Pte Ltd	6,258,584	0.96
20.	Ong Bee Sun	6,182,380	0.95
	Total	462,543,334	70.82

PERCENTAGE OF PUBLIC FLOAT

Based on information available to the Company as at 10 March 2017, approximately 31.12% of the issued Ordinary Shares of the Company are held by the public and accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

SHAREHOLDING STATISTICS

As at 10 March 2017

Substantial Shareholders
(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholder	Direct Interest	Deemed Interest	Aggregate	%[12]
Ong Choo Eng[1]	903,000	80,986,000	81,889,000	12.537
Ong Kwee Eng[2]	2,809,812	32,929,052	35,738,864	5.471
Ong Eng Loke[3]	36,090,858	884,000	36,974,858	5.660
Ong Eng Yaw[4]	25,000	80,986,000	81,011,000	12.403
Ong Bee Leem[5]	151,440	80,986,000	81,137,440	12.422
Ely Investments (Pte) Ltd.	80,986,000	–	80,986,000	12.399
Hong Leong Enterprises Pte. Ltd.[6]	29,648,000	9,409,000	39,057,000	5.980
City Developments Realty Limited[7]	33,355,000	–	33,355,000	5.106
City Developments Limited[8]	–	33,355,000	33,355,000	5.106
Hong Leong Investment Holdings Pte. Ltd.[9]	–	123,648,000	123,648,000	18.930
Kwek Holdings Pte Ltd[10]	–	123,648,000	123,648,000	18.930
Davos Investment Holdings Private Limited[10]	–	123,648,000	123,648,000	18.930
Ong Kay Eng[11]	44,072,000	30,231,200	74,303,200	11.375
Ong Hoo Eng	46,994,753	–	46,994,753	7.194

Notes:

1 Ong Choo Eng is deemed under Section 7 of the Act to have an interest in the shares held by Ely Investments (Pte) Ltd. ("Ely Investments"), in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

2 Ong Kwee Eng is deemed under Section 7 of the Act to have an interest in the shares held by his spouse and Astute Investment Holdings Pte. Ltd., in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

3 Ong Eng Loke is deemed under Section 7 of the Act to have an interest in the shares held by OME Investment Holding Pte Ltd, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

4 Ong Eng Yaw is deemed under Section 7 of the Act to have an interest in the shares held by Ely Investments, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

5 Ong Bee Leem is deemed under Section 7 of the Act to have an interest in the shares held by Ely Investments, in which she and/or her associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

6 The aggregate interest of Hong Leong Enterprises Pte. Ltd. ("HLE") is based on its last notification to the Company on 14 April 2011. HLE is deemed under Section 7 of the Act to have an interest in the shares held by Starich Investments Pte. Ltd. ("Starich"), being a company in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof. As per the Company's Register of Substantial Shareholders as at 10 March 2017, Starich is holding 9,409,000 Ordinary Shares in the Company. HLE is not required to notify the Company on any disposal that has not resulted in a percentage level change in its shareholding.

7 The aggregate interest of City Developments Realty Limited ("CDRL") is based on its last notification to the Company on 13 February 2006.

8 The aggregate interest of City Developments Limited ("CDL") is based on its last notification to the Company on 13 February 2006. CDL is deemed under Section 7 of the Act to have an interest in the shares held by its wholly owned subsidiary, CDRL.

9 The aggregate interest of Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is based on its last notification to the Company on 13 April 2011. HLIH is deemed under Section 7 of the Act to have an interest in the shares held by Tudor Court Gallery Pte Ltd, Welkin Investments Pte Ltd and CDRL, and the 39,057,000 Ordinary Shares held directly and indirectly by HLE, being companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

10 The aggregate interest of each of Kwek Holdings Pte Ltd ("KH") and Davos Investment Holdings Private Limited ("Davos") is based on their last notification to the Company on 13 April 2011. Each of KH and Davos is deemed under Section 7 of the Act to have an interest in the 123,648,000 Ordinary Shares held directly and indirectly by HLIH, in which each is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

11 The aggregate interest of Ong Kay Eng is based on his last notification to the Company on 9 March 2017. Ong Kay Eng is deemed to have an interest in 2,000,000 Ordinary Shares held by Altrade Investments Pte Ltd, 5,000,000 Ordinary Shares registered in the name of his spouse, Chen Wah Chi @ Chen Rosy and 23,231,200 Ordinary Shares registered in the name of Ong Eng Hui David.

12 The percentage of interest is calculated based on the total issued Ordinary Shares excluding treasury shares (i.e. 653,174,000 Ordinary Shares).

13 The above information is based on the notifications received from the respective substantial shareholders as at 10 March 2017.

NOTICE OF ANNUAL GENERAL MEETING

HWA HONG CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 195200130C)

NOTICE IS HEREBY GIVEN that the Sixty-Fourth Annual General Meeting of Hwa Hong Corporation Limited (the "**Company**") will be held at M Hotel Singapore, Anson III, Level 2, 81 Anson Road, Singapore 079908 on Thursday, 27 April 2017 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' statement and audited financial statements for the financial year ended 31 December 2016 and the auditors' report thereon. **Resolution 1**

2. To declare a one-tier tax exempt final ordinary dividend of 1 cent per share in respect of the financial year ended 31 December 2016. **Resolution 2**

3. To approve the payment of Directors' fees of S$306,000 in aggregate to the Non-Executive Directors of the Company for the financial year ending 31 December 2017 (FY2016: S$315,375), such fees to be paid on a quarterly basis in arrears at the end of each calendar quarter. **Resolution 3**
[See Explanatory Note (i)]

4. To re-elect Mr Ong Mui Eng who is retiring by rotation in accordance with Article 113 of the Constitution of the Company. **Resolution 4**

5. To re-elect Mr Guan Meng Kuan who is retiring by rotation in accordance with Article 113 of the Constitution of the Company. **Resolution 5**

6. To re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors of the Company to fix their remuneration. **Resolution 6**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

AS ORDINARY RESOLUTIONS

8. **Authority to issue shares** **Resolution 7**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible or exchangeable into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares excluding treasury shares shall be based on the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the 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.
[See Explanatory Note (ii)]

NOTICE OF ANNUAL GENERAL MEETING

9. **Authority to allot and issue shares under Hwa Hong Corporation Limited (2001) Share Option Scheme** **Resolution 8**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company or any committee appointed by the Directors of the Company be authorised and empowered to offer and grant options over shares in the Company under the prevailing Hwa Hong Corporation Limited (2001) Share Option Scheme (the "**Schemes**") approved by shareholders of the Company in general meeting on 29 May 2001 and extended for a further period of 10 years from 29 May 2011 to 28 May 2021 and as may be amended from time to time and to allot and issue shares in the Company upon the exercise of any such options (notwithstanding that the exercise thereof or such allotment and issue may occur after the conclusion of the next or any ensuing Annual General Meeting of the Company), and to do all acts and things which they may consider necessary or expedient to carry the same into effect, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed five per cent (5%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, 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 earlier.
[See Explanatory Note (iii)]

10. **Authority to issue shares under Hwa Hong Corporation Limited Scrip Dividend Scheme** **Resolution 9**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to issue such shares in the Company as may be required to be issued pursuant to the Hwa Hong Corporation Limited Scrip Dividend Scheme ("**Scrip Dividend Scheme**") from time to time in accordance to the "Terms and Conditions of the Scrip Dividend Scheme" approved by shareholders of the Company in general meeting on 7 November 2003, and that such authority shall, unless revoked or varied by the Company in a general meeting, 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 earlier.
[See Explanatory Note (iv)]

11. **Renewal of the Share Purchase Mandate** **Resolution 10**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore, as may be amended or modified from time to time (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate in paragraph (a) of this Resolution may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held; or

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; or

(iii) the date on which purchases or acquisitions of Shares are carried out to the full extent mandated;

(c) in this Resolution:

"Prescribed Limit" means, subject to the Companies Act, 10% of the total number of issued Shares of the Company (excluding any Shares which are held as treasury shares) as at the date of the passing of this Resolution; and

"Maximum Price", in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

NOTICE OF ANNUAL GENERAL MEETING

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(ii) in the case of an Off-Market Purchase, 120% of the Highest Last Dealt Price (as defined hereinafter),

where:

"Average Closing Price" means the average of the Closing Market Prices of the Shares over the last five Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase, or as the case may be, the date of the making of the offer pursuant to Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-Market Day period;

"Closing Market Price" means the last dealt price for a Share transacted through the SGX-ST's trading system as shown in any publication of the SGX-ST or other sources;

"Highest Last Dealt Price" means the highest price transacted for a Share as recorded on the SGX-ST on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase;

"day of the making of the offer" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"Market Day" means a day on which the SGX-ST is open for trading in securities; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.
[See Explanatory Note (v)]

BY ORDER OF THE BOARD

Lynn Wan Tiew Leng
Gwendolin Lee Soo Fern
Company Secretaries

Singapore, 3 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Note

A Member (other than a member who is a relevant intermediary as defined below) entitled to attend and vote at the Annual General Meeting may appoint not more than two (2) proxies to attend and vote in his stead. Where a Member appoints more than one (1) proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a Member of the Company. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 38 South Bridge Road, Singapore 058672 at least forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint more than 2 proxies to attend and vote at the meeting. Relevant intermediary is either –

(a) a banking corporation licensed under the Banking Act (Cap. 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;
(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares on that capacity; or
(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 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.

Explanatory Note to Ordinary Business

(i) Resolution 3, if passed, will authorise the Company to effect payment of Directors' fees to the Non-Executive Directors (including fees payable to members of the various committees of the Board) for the financial year ending 31 December 2017, such payment to be made on a quarterly basis in arrears. This Resolution will facilitate the payment by the Company of the Directors' fees during the financial year in which they are incurred.

Explanatory Notes to Special Business

(ii) Resolution 7, if passed, will empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible to shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

NOTICE OF ANNUAL GENERAL MEETING

(iii) Resolution 8, if passed, gives empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) five percent (5%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(iv) Resolution 9, if passed, will empower the Directors of the Company, effective 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 or when such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company from time to time pursuant to the Scrip Dividend Scheme approved at the Extraordinary General Meeting of the Company held on 7 November 2003.

(v) Resolution 10, if passed, will empower the Directors of the Company, to exercise all powers of the Company to purchase or otherwise acquire ordinary shares of the Company (whether by way of market purchases or off-market purchases of up to 10 percent (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (the "**Shares**") at the Maximum Price as defined in the Appendix to this Notice of Annual General meeting (the "**Appendix**"), and on the terms of the mandate (the "**Share Purchase Mandate**"). The authority conferred by this Resolution will continue in force until 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 or the date on which purchases or acquisitions of Shares are carried out to the full extent mandated, whichever is the earlier, unless previously revoked or varied at a general meeting.

The Company intends to use the Group's internal resources to finance its purchases or acquisitions of Shares pursuant to the Share Purchase Mandate. The amount of funding required for the Company to purchase or acquire the Shares under the Share Purchase Mandate will depend on, inter alia, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time.

The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including (for illustrative purposes) the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 are set out in greater detail in paragraphs 2.3 to 2.7 of the Appendix.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) 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), 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) of the personal data of such proxy(ies) and/ or representative(s) for the Purposes, and (iii) 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.

HWA HONG CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 195200130C)

Proxy Form

IMPORTANT:
1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50, 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 Hwa Hong Corporation Limited, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. CPF investors who wish to vote should contact their CPF Approved Nominees.

*I/We, ____(Name)

of____(Address)

being *a Member/Members of **HWA HONG CORPORATION LIMITED** (the "**Company**") hereby appoint :

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%
*and/or (delete as appropriate)				

or failing or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting, as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the **Sixty-Fourth Annual General Meeting ("AGM")** of the Company to be held at M Hotel Singapore, Anson III, Level 2, 81 Anson Road, Singapore 079908 on Thursday, **27 April 2017** at **10.00 a.m.** and at any adjournment thereof.

(*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the AGM and at any adjournment thereof.)

Resolution No.	Resolutions relating to:	No. of Votes For(1)	No. of Votes Against(1)
ORDINARY BUSINESS			
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016 together with the auditors' report thereon		
2	Payment of proposed final ordinary dividend		
3	Approval of payment of Directors' fees to Non-Executive Directors for the financial year ending 31 December 2017		
4	Re-election of Mr Ong Mui Eng as a Director		
5	Re-election of Mr Guan Meng Kuan as a Director		
6	Re-appointment of Messrs Ernst & Young LLP as Auditors and authorising Directors to fix their remuneration		
SPECIAL BUSINESS **As Ordinary Resolutions**			
7	Authority to issue shares		
8	Authority to allot and issue shares under the Hwa Hong Corporation Limited (2001) Share Option Scheme		
9	Authority to issue shares under Hwa Hong Corporation Limited Scrip Dividend Scheme		
10	Renewal of Share Purchase Mandate		

(1) Please indicate your vote "For" or "Against" with a ✓ within the box provided. If you wish to exercise all your votes "For" or "Against", please indicate your vote with a ✓ within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this __________ day of ____________ 2017

Total Number of Shares Held	
CDP Register	
Members' Register	

____
Signature(s) of Shareholder(s)
or Common Seal of Corporate Shareholder
* Delete as appropriate

IMPORTANT: PLEASE SEE NOTES PRINTED ON THE REVERSE

Fold this flap for sealing

Please affix postage stamp

The Company Secretary
HWA HONG CORPORATION LIMITED
38 South Bridge Road
Singapore 058672

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Notes

1. Please insert total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
3. Where a member appoints two proxies, 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.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.
   "Relevant intermediary" means:
   (a) a banking corporation licensed under the Banking Act (Cap. 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;
   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 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.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a Member attends the AGM 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 AGM.
6. This instrument appointing a proxy or proxies must be under the hand of the appointor or of his duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporate which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative or representatives at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
8. This instrument appointing a proxy or proxies, duly executed, together with the power of attorney (if any) under which it is signed or a certified copy thereof, must be deposited at the Registered Office of the Company at 38 South Bridge Road, Singapore 058672 at least forty-eight (48) hours before the time appointed for the AGM.

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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 3 April 2017.

General

The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a Member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the Member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

HWA HONG CORPORATION LIMITED

Company Registration No. 195200130C
38 South Bridge Road Singapore 058672
www.hwahongcorp.com