

DEVELOPING A SUSTAINABLE BLUEPRINT

ANNUAL REPORT 2016



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CORPORATE PROFILE

We are incorporated in Singapore in 1979 and are engaged in property development and investment, hotel; and PVC pipes and fittings businesses. Our shares are listed on the main board of the Singapore Exchange Securities Trading Limited.

We own two investment properties in China: (i) San Teh Commercial Plaza at Shanghai Anting (the "Shanghai Plaza"), which comprises a commercial building, a shopping mall and a Small Office/Home Office ("SOHO") apartment, with a total lettable area of approximately 45,500 sqm; and (ii) a commercial plaza at Jiangsu Nantong (the "Nantong Plaza"), which comprises a hotel and a shopping mall, with a total lettable area of approximately 25,800 sqm.

We are engaged in property development in Fujian Anxi and Yunnan Heqing.

We are in the process of re-developing our Suzhou Hotel. It will be upgraded and repositioned as an integrated resort with a hotel under the Novotel franchise, together with a health management centre, outdoor traditional Chinese medicine spa garden, outdoor adventure centre and children playground.

We have a factory in Jiangsu Nantong to manufacture U-PVC and PP-R pipes and fittings for use in the building, sewage, water supply and telecommunications sectors.



Shanghai, Shanghai San Teh Xing Real Estate Co., Ltd
上海, 上海三德兴房地产有限公司



Fujian, San Teh Xing Real Estate (Fujian) Co., Ltd
福建, 三德兴置业(福建)有限公司



Artist's impression of Suzhou Resort
苏州度假村效果图



Jiangsu, SanTeh Pipes & Fittings Industry (Nantong) Co., Ltd
江苏, 三德管业(南通)有限公司

CHAIRMAN'S STATEMENT



Kao Chuan Chi
Executive Chairman

Dear Shareholders,

The Chinese economy slowed further in 2016 to a growth rate of 6.7%, the weakest since 1990. The commercial and retail property segment also went through a difficult year with e-commerce gaining more market share. Against this backdrop, revenue of the Group decreased by \$5.3 million from \$20.2 million in 2015 to \$14.9 million in 2016 and net loss increased by \$2.1 million from \$6.9 million in 2015 to \$9.0 million in 2016.

PERFORMANCE REVIEW

Hotel and Property Operation

Hotel and property operation reported a decrease in revenue of \$0.7 million from \$4.9 million in 2015 to \$4.2 million in 2016 due mainly to lower revenue from the Shanghai Plaza and the Suzhou hotel. Loss of the operation increased by \$2.5 million to \$6.0 million mainly because of: (i) lower interest income of \$1.5 million from the Anxi build-and-transfer ("BT") project. The Group receives interest income from the project based on the outstanding contract sum during the instalment payment period. Interest income has decreased in line with the reduced outstanding contract sum following each instalment payment. As at the last year end, four out of the six instalment payments were duly received by the Group; and (ii) provision for legal claims of \$1.4 million by Shanghai San Teh Xing Real Estate Co., Ltd. (the "Shanghai San Teh Xing"), which is our wholly owned subsidiary. Shanghai San Teh Xing is the owner of the Shanghai Plaza and is involved in several legal actions with its tenants and the property management agent.

PVC Pipes and Fittings Operation

Revenue of the PVC pipes and fittings operation decreased from \$15.2 million in 2015 to \$10.7 million in 2016 owing to lower sales quantity and selling price amid the adverse market conditions. Hence, operating profit decreased from \$0.9 million in 2015 to \$0.7 million in 2016.

Others

The Group reported an exchange loss of \$1.5 million in 2016, as compared to a gain of \$1.3 million in 2015, due mainly to the weakening of the Renminbi against the Singapore dollar. Interest income of the Group is consistent with the previous year at \$1.0 million.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Hotel and Property Operation

The hotel and office space of the Shanghai Plaza was fully let out during the year. Owing to the difficult market conditions for commercial and retail properties, the re-launching of the shopping mall of the Shanghai Plaza did not progress as planned. We have revised our marketing strategy and outsourced the marketing function to a property consulting company to speed up the process of securing new tenants.

Regarding the Nantong Plaza, as the hotel operator has failed to perform its contractual obligations, we have commenced arbitration proceedings to terminate the lease agreement for the hotel space which consist of 6th to 24th floors of the hotel building. The conversion work to convert the ground to 5th floors of the hotel building into shopping and eatery space has been completed. Marketing for tenants is underway and approximately 35% of the space has been let out.

After extensive market studies, the Group has finalised a strategic plan to re-develop the Suzhou hotel so as to unlock the vast potential of the site. The hotel is located along the famous Lake Taihu with a land area of approximately 67,000 sqm. Under the plan, the Suzhou hotel will be upgraded and repositioned as an integrated resort with a hotel under the Novotel franchise, together with a health management centre, outdoor traditional Chinese medicine spa garden, outdoor adventure centre and children playground. The redevelopment work is expected to start in the second half of this year and initial operation is targeted to commence in first half of 2018.

The property development project at Dali Heqing is on hold as the legal proceeding is ongoing.

PVC Pipes and Fittings Operation

With the slowdown in economy and construction activities in China, the Group expects its PVC pipes and fittings operation to continue to face challenging business environment this year.

DIVIDENDS

The directors are pleased to recommend a first and final dividend of 0.3 (2015: 0.3) cent per ordinary share for 2016. The first and final dividend, if approved by the shareholders at the coming Annual General Meeting, will be paid on 25 May 2017.

FOR THE YEAR AHEAD

Our main focus in the current year is to ensure the successful implementation of the redevelopment plan of our Suzhou hotel. We will step up the pace in securing tenants and increase the revenue of our properties in Anting and Nantong, while actively pursue other investment opportunities.

ACKNOWLEDGMENT AND APPRECIATION

I would like to thank our shareholders and business associates for their continued confidence and support in the challenging conditions. Last but not least, I would like to express my appreciation to our staff, management and Board of Directors for their commitment and contributions.

Kao Chuan Chi

Executive Chairman
March 2017

主席献词

各位股东：

中国经济在2016年进一步放缓，增长率报1990年以来最低的6.7%。由于电子商务进一步扩大其市场份额，商业和零售业房地产市场也经历了艰难的一年。在此形势下，集团营业额从2015年2,020万元减少530万元至2016年的1,490万元，净亏损从2015年690万元增加210万元至2016年的900万元。

业绩回顾

酒店与房地产业务

酒店与房地产业务营业额从2015年490万元减少70万元至2016年的420万元，主要由于位于上海安亭的商务广场（“上海广场”）和苏州酒店的营业额减少。该业务的亏损增加250万元报600万元，主要因为：(i) 安溪BT项目的利息收入减少150万元。在分期收款期内，集团从未收回项目款项收取利息。在收到每期的回购款后，利息收入随着未收回款项的金额减少而有所下降。截至去年底，集团已按时收到6期回购款中的4期款项；及(ii) 全资子公司上海三德兴房地产有限公司（“上海三德兴”）提取的诉讼准备金140万元。上海三德兴是上海广场的业主，其涉及几宗与租户和物业管理公司的诉讼案。

PVC 管材与管件业务

由于经济环境欠佳，PVC管材与管件的销售量和价格皆下跌，导致该业务营业额从2015年1,520万元减至2016年的1,070万元。因此，营业利润从2015年90万元减至2016年的70万元。

其他

与2015年130万元汇兑收益相比，集团2016年报汇兑亏损150万元，主要由于人民币兑新币贬值。集团的利息收入与去年一致，报有100万元。

业务回顾

酒店与房地产业务

上海广场的酒店和办公楼部分已经全部出租。由于商业和零售业房地产的市场环境艰难，上海广场的购物商场未能如期重新开业。我们已经调整了营销策略，将招租外包给物业咨询公司以加速招徕新租户的进程。

至于位于江苏南通的商务广场，由于酒店的经营者未能履行其合同义务，我们已申请仲裁以终止出租酒店大楼6至24层的租赁合同。将酒店大楼底层至第5层改造为购物和餐饮空间的工程已完工并正在进行招商，目前出租率约35%。

经过全面的市场调研，集团已定下重新发展苏州酒店的战略计划以挖掘其所在地的巨大潜力。酒店位于著名的太湖之滨，占地面积约67,000平方米。根据计划，苏州酒店将升级改造为一综合性度假村并含 诺富特品牌特许经营的度假酒店，同时附有健康管理中心、户外花园中药理疗池、户外拓展中心和儿童游乐场。重建工作预计2017年下半年开始，并计划于2018年上半年开始试营业。

因法律诉讼还在进行中，大理鹤庆工程建设仍搁置。

主席献词

PVC 管材与管件业务

随着中国经济与建筑活动放缓，集团预期PVC管材与管件业务今年将继续面对具挑战性的经营环境。

股息

董事们建议派发每股0.3分一次过股息(2015年为0.3分)。一次过股息如在来临的股东大会表决通过将于2017年5月25日支付。

展望

我们今年的重点是确保苏州酒店重建计划的顺利进行，加速招徕更多租户以增加我们在安亭和南通物业的租金收入，同时积极寻求任何投资机会。

致谢

我要感谢我们的股东和商业伙伴在这富有挑战性的情况下不懈的信任与支持。最后我也要感谢我们的员工、管理层和董事局的辛劳和贡献。

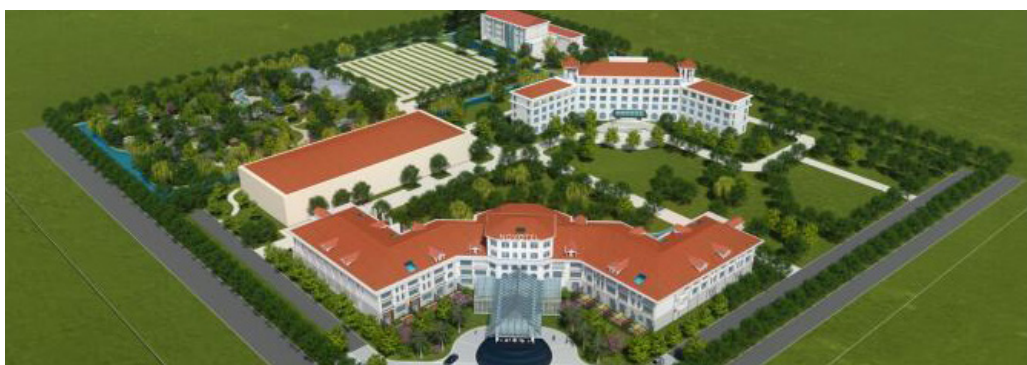
执行主席

高銓志

2017年3月



Artist's impression of Suzhou Resort
苏州度假村效果图

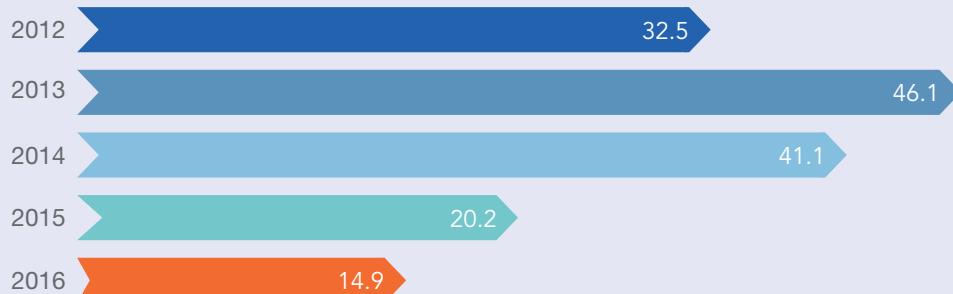


Artist's impression of Suzhou Resort
苏州度假村效果图

FINANCIAL HIGHLIGHTS

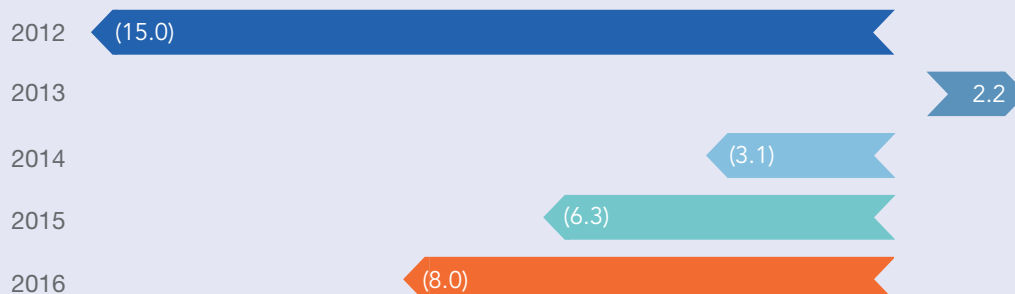
REVENUE

(S\$ million)



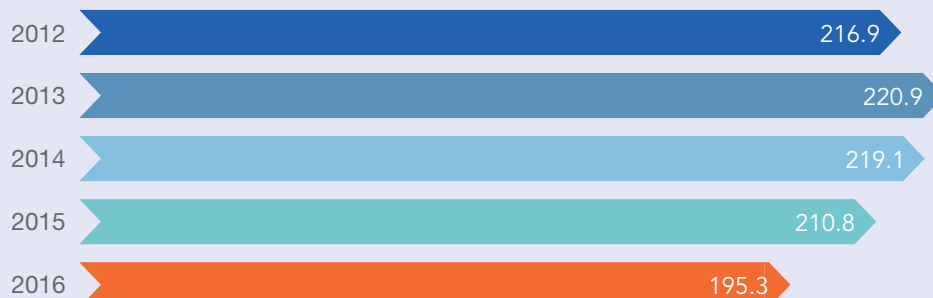
(LOSS)/PROFIT BEFORE TAX

(S\$ million)



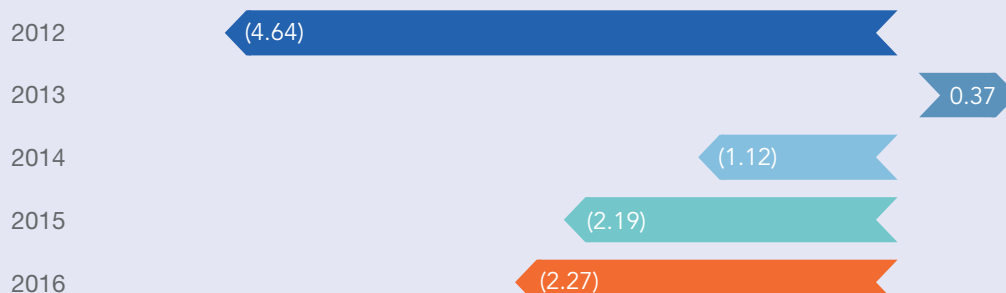
SHAREHOLDER'S INTEREST

(S\$ million)



(LOSS)/EARNINGS PER SHARE

(Cents)



FY2012 to FY2016 figures are based on continuing operations.

LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2016

NAME OF COMPANY	ADDRESS	TEL & FAX NO.	% HELD	COUNTRY OF INCORPORATION
Shanghai San Teh Xing Real Estate Co., Ltd	No. 5533 Cao'an Road Anting Town Jiading District Shanghai The People's Republic of China 201805	Tel: 86-21-5956-0880 Fax: 86-21-5956-0881	100	China
Nantong Santeh Hotel Co., Ltd	No. 1 Duan Jia Ba Road Nantong Jiangsu Province The People's Republic of China 226006	Tel: 86-513-8512-3899 Fax: 86-513-8559-1499	100	China
SanTeh Pipes & Fittings Industry (Nantong) Co., Ltd	No. 9 Guangzhou Road Nantong Economic & Technological Development Zone Nantong Jiangsu Province The People's Republic of China 226009	Tel: 86-513-8598-9666 Fax: 86-513-8598-9665	100	China
Suzhou San Teh Hotel Co., Ltd	No. 3888 Huantaihu Road Xukou Town Wuzhong District Suzhou Jiangsu Province The People's Republic of China 215164	Tel: 86-512-6598-8188 Fax: 86-512-6598-8099	100	China
San Teh Xing (Xiamen) Trade Co., Ltd	#06 Tong Ji Building No. 99 Huli Road Xiamen Fujian Province The People's Republic of China 361006	Tel: 86-592-568-2491 Fax: 86-592-568-2493	100	China
Yunnan San Teh Industrial Co., Ltd	C-2-202 Jinse Junyuan Shizha Lijiaoqiao Panlong District Kunming Yunnan Province The People's Republic of China 650000	Tel: 86-871-6313-9887 Fax: 86-871-6313-9887	100	China
San Teh Xing Real Estate (Fujian) Co., Ltd	Yuantan Anzhi Xiaoqu Anxi Fujian Province The People's Republic of China 362400	Tel: 86-595-2323-3988 Fax: 86-595-2327-3799	75	China
Dali San Teh Xing Real Estate Co., Ltd	No. 12 Shuanglong Road Lanyuanjinzhen Heqing Dali Yunnan Province The People's Republic of China 671500	Tel: 86-872-413-3912 Fax: 86-872-413-3601	95	China
Fujian San Teh Xing Industrial Co., Ltd	No. 223 Zhanghao Road #02-207 Huli District Xiamen Fujian Province The People's Republic of China 361000	Tel: 86-592-568-2491 Fax: 86-592-568-2493	100	China

LIST OF ASSOCIATE AS AT 31 DECEMBER 2016

NAME OF COMPANY	ADDRESS	TEL & FAX NO.	% HELD	COUNTRY OF INCORPORATION
Dali San Teh Coal Industry Co., Ltd	Jindunxiang Hedicun Ganhaizi Heqing Dali Yunnan Province The People's Republic of China 671500	Tel: 86-872-413-3912 Fax: 86-872-413-3601	38	China

BOARD OF DIRECTORS



MR KAO CHUAN CHI

Mr. Kao Chuan Chi joined the Group in 1998 and held several managerial positions before he was appointed as the Executive Director of San Teh Ltd on 1 March 2006. He resigned on 31 December 2007 to pursue studies in overseas and rejoined the Company on 13 July 2009 after graduating with a MBA Post Graduate Diploma from HTMi Hotel and Tourism Management Institute Switzerland. Mr. Kao was appointed as Executive Chairman cum Chief Executive Officer of the Company on 1 September 2014. He is also a member of the Nominating Committee. He is responsible for the overall management, day-to-day operations, strategic direction and business development of the Group.



MR KAO CHUAN TRONG

Mr. Kao Chuan Trong joined the Group in 2002 after graduating from the University of Oregon with a degree in Management. He was appointed as an Executive Director of the Company on 31 December 2007. Mr. Kao is the Chairman and Deputy Chairman of several subsidiaries of the Group. He was appointed as Managing Director of the Company on 1 March 2011. He currently oversees the operation of the Group.



MRS KAO CHING FONG NEE PAN

Mrs. Kao Ching Fong nee Pan joined San Teh Ltd in 1983 with several years of experience in accounting. She is the Executive Director responsible for the finance and administration of the Group.

BOARD OF DIRECTORS



**MR GUI KIM YOUNG
@ GUI KIM GAN**

Mr. Gui Kim Young @ Gui Kim Gan is a Non-executive and an Independent Director of the Company since 1998. He is a practising member of the Institute of Singapore Chartered Accountants and is a Director of a public accounting corporation. Mr. Gui chairs both the Audit and the Remuneration Committees. He is also a member of the Nominating Committee. Mr. Gui holds a degree in Bachelor of Commerce from the then Nanyang University.



MR CHUANG WEN FU

Mr. Chuang Wen Fu joined San Teh Ltd in 1982 and retired as its Managing Director in 1999. He has been a Director of the Company since 1982. Mr. Chuang is a Non-executive and an Independent Director of the Company. He chairs the Nominating Committee and is a member of the Audit Committee and the Remuneration Committee. Mr. Chuang holds a diploma in Science (Survey Engineering) from Tamkang University in Taiwan. He is the Executive Chairman of Memtech International Ltd, a company listed on the SGX.



MR KO CHUAN AUN

Mr. Ko Chuan Aun is a Non-executive and an Independent Director of the Company since 16 August 2010. He is a member of the Audit Committee and Remuneration Committee. Mr. Ko is currently the President and Executive Director of KOP Limited. Prior to that, he was the Chief Executive Officer of Scorpio East Holdings Ltd. He has more than 15 years of working experience with the then Trade Development Board of Singapore ('TDB') (now known as International Enterprise Singapore or IE Singapore). His last appointment with the then TDB was Head of China Operations. In the past 27 years, Mr. Ko has been very actively involved in business investments in the PRC market. In year 2001, he was appointed as the Steering Committee Member of the Network China. Between the years 2003 to 2005, he served as the Chairman of the Tourism Subcommittee under the Singapore-Sichuan Trade & Investment Committee. Mr. Ko also holds chairmanships and directorships in various private and public companies. He is an Independent Director of Koon Holdings Ltd, KSH Holdings Ltd, Super Group Ltd, Lian Beng Group Ltd and Pavillon Holdings Ltd. Mr. Ko holds a diploma in Export Marketing, which is equivalent to Danish Niels Brock International Business Degree Programme.

KEY MANAGEMENT



DAI YU FENG

GENERAL MANAGER, SANTEH PIPES & FITTINGS INDUSTRY (NANTONG) CO., LTD

Mr. Dai is responsible for the Group's PVC pipes and fittings operation. He was in marketing field for several years before joining the Group in 2003. He holds a degree in Bachelor of Arts majoring in Economics from the CSU Fullerton University of California.

LIM WEE TZIANG

CHIEF FINANCIAL OFFICER, SAN TEH LTD

Mr. Lim joined the finance division of the Group in 2001. He started his career in public accounting and has work experience in the finance division of a public listed company in Singapore. Mr. Lim is a non-practising member of the Institute of Singapore Chartered Accountants. He holds a degree in Bachelor of Commerce from University of Otago.

CHANG YEN CHUN

DEPUTY GENERAL MANAGER, DALI SAN TEH XING REAL ESTATE CO., LTD

Mr. Chang is responsible for the administration department of the company. He joined the Group in 2008 as Assistant to General Manager and was promoted to the current position in 2013. Mr. Chang holds a degree in Bachelor of Management from Yuan Pei University.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Kao Chuan Chi (Executive Chairman)
Kao Chuan Trong
Kao Ching Fong nee Pan
Gui Kim Young @ Gui Kim Gan
Chuang Wen Fu
Ko Chuan Aun

AUDIT COMMITTEE

Gui Kim Young @ Gui Kim Gan (Chairman)
Chuang Wen Fu
Ko Chuan Aun

NOMINATING COMMITTEE

Chuang Wen Fu (Chairman)
Gui Kim Young @ Gui Kim Gan
Kao Chuan Chi

REMUNERATION COMMITTEE

Gui Kim Young @ Gui Kim Gan (Chairman)
Chuang Wen Fu
Ko Chuan Aun

REGISTERED OFFICE

701 Sims Drive #06-01
LHK Building
Singapore 387383
Tel: 6749 6386
Fax: 6742 9398
Company Registration No.: 197901039W

REGISTRAR AND SHARE TRANSFER OFFICE

RHT Corporate Advisory Pte. Ltd.
9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619

COMPANY SECRETARY

Lim Wee Tziang

AUDITORS

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
8 Wilkie Road #03-08
Wilkie Edge
Singapore 228095
Partner-in-charge: Adrian Tan Khai-Chung
Appointed with effect from financial year ended
31 December 2016

PRINCIPAL BANKERS

RHB Bank Berhad
Geylang Branch
537 Geylang Road
Singapore 389492

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

United Overseas Bank Limited
1 Raffles Place
OUB Centre
Singapore 048616

Credit Suisse AG
1 Raffles Link
#05-02
Singapore 039393

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STATEMENT BY DIRECTORS

The directors are pleased to present the accompanying consolidated financial statements of San Teh Ltd (the "Company") and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the reporting year ended 31 December 2016.

1. Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position 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 of 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
- (b) at the date of the statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. Directors

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

- Kao Chuan Chi (Executive Chairman)
- Kao Chuan Trong
- Kao Ching Fong nee Pan
- Gui Kim Young @ Gui Kim Gan
- Chuang Wen Fu
- Ko Chuan Aun

3. Directors' interests in shares and debentures

The directors of the Company holding office at the end of the reporting year were not interested in shares in or debentures of the Company or other related body corporate as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 (the "Act") except as follows:

	Direct interest		Deemed interest	
	At beginning of reporting year	At end of reporting year	At beginning of reporting year	At end of reporting year
The Company				
Kao Ching Fong nee Pan	32,422,176	33,030,776	80,427,527	84,427,527
Kao Chuan Chi	–	–	95,821,036	99,821,036
Kao Chuan Trong	–	–	95,070,728	99,070,728
Gui Kim Young @ Gui Kim Gan	1,100,000	1,100,000	1,900,000	1,900,000
Chuang Wen Fu	6,146,944	6,146,944	–	–

By virtue of section 7 of the Act, Mrs. Kao Ching Fong nee Pan, Mr. Kao Chuan Chi and Mr. Kao Chuan Trong are deemed to have interests in all the related corporations of the Company.

The directors' interests as at 21 January 2017 were the same as those at the end of the reporting year.

4. Arrangements to enable directors to acquire benefits by means of acquisition of shares and debentures

Neither at the end of nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

STATEMENT BY DIRECTORS

5. Share options

During the reporting year, no option to take up unissued shares of the Company or any subsidiary was granted.

During the reporting year, there were no shares of the Company or any subsidiary issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares of the Company or any subsidiary under option.

6. Audit committee

The members of the Audit Committee ("AC") at the date of this report are:

- Gui Kim Young @ Gui Kim Gan (Chairman)
- Chuang Wen Fu
- Ko Chuan Aun

All members of the AC are non-executive directors and are independent.

The AC performs the functions specified by section 201B (5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent auditor their audit plan;
- Reviewed with the independent auditor their evaluation of the Company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them;
- Reviewed the quarterly and annual financial statements and the independent auditor's report on the annual financial statements of the Group and Company before their submission to the board of directors for adoption;
- Reviewed the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management through reviews carried out by the internal auditor;
- Met with the independent auditor, other committees and management in separate executive sessions to discuss any matters that these parties believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the independent auditor;
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual.

Other functions performed by the AC are described in the Corporate Governance Report included in the annual report. It also includes an explanation of how independent auditor objectivity and independence are safeguarded where the independent auditor provides non-audit services, if any.

The AC has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next Annual General Meeting of the Company.

STATEMENT BY DIRECTORS

7. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the Company, work performed by the independent auditor, and reviews performed by management, other committees of the board and the board, the AC and the board are of the opinion that the Company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2016.

On behalf of the directors

Kao Chuan Chi
Director

Kao Chuan Trong
Director

23 March 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of San Teh Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of San Teh Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position 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.

(a) Assessment of impairment of property, plant and equipment and investment properties

Please refer to note 2A on the relevant accounting policies, note 2C on critical judgements, assumptions and estimation uncertainties, and notes 11 and 12 on property, plant and equipment and investment properties, respectively.

The Group owns a number of properties in the People's Republic of China ("PRC"), including hotels, apartments, commercial and office buildings and shopping malls (the "Properties"). The Properties are classified either as property, plant and equipment or investment properties, depending on the usage. The Properties are stated at cost less accumulated depreciation and impairment, and the carrying amount as at 31 December 2016 is significant, representing a material portion of the Group's total assets.

The PRC subsidiaries that hold these Properties incurred losses during the year ended 31 December 2016 and, consequently, show indications of impairment. Management performed an impairment assessment by comparing the carrying amounts with the recoverable amounts. The recoverable amounts are estimated based on the higher of value-in-use or fair value less costs of disposal.

Using our internal valuation specialists, the audit team assessed the reasonableness of the approach used by management to estimate the recoverable amounts of the Properties and the adequacy of allowance for impairment, if necessary.

Where the value-in-use method was used, the audit team tested the integrity of inputs of the projected cash flows used. The audit team also challenged the growth rates and discount rates used in the computations by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, the audit team undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with management.

Where the fair value less costs of disposal method was adopted, depending on the circumstances, the audit team independently researched on evidence of: (i) sales transactions of similar properties in the vicinity; (ii) benchmark price of land issued by the relevant local government authorities; and/or (iii) estimated depreciated replacement cost.

INDEPENDENT

AUDITOR'S REPORT

To the Members of San Teh Ltd

Key audit matters (cont'd)

(b) Assessment of impairment of properties under development

Please refer to note 2A on the relevant accounting policy, note 2C on critical judgements, assumptions and estimation uncertainties, and note 13 on properties under development.

The Group has properties under development in the PRC. These properties under development are measured at the lower of cost and estimated net realisable value, and the carrying amount as at 31 December 2016 is significant, representing a material portion of the Group's total assets.

As set out in subsection (c) of the 'Key audit matters' section of our report, the construction of these properties has been put on hold as the Group is in the midst of litigation with the main contractor responsible for the project. Consequently, there is a risk that the carrying amount of the properties under development may not be recovered if the construction is not completed. In addition, even if the construction is resumed in the future, the weak demand for, and potential over supply of, residential units arising from the slowdown of economic activities in the PRC may also exert downward pressure on transaction volumes and property prices. There is therefore a risk that the cost may exceed future selling prices, which will result in losses when these development properties are eventually sold.

Using our internal valuation specialists, the audit team independently researched on evidence of indicative prices of similar properties in the vicinity and benchmark price of land issued by the relevant local government authorities. In addition, the audit team also reviewed the ongoing litigation process to obtain evidence that the construction would be resumed in the future.

(c) Litigation and claims

Please refer to note 2A on the relevant accounting policy, note 2C on critical judgements, assumptions and estimation uncertainties, and notes 25 and 33 on provisions and legal proceedings and contingent liabilities, respectively.

As set out in note 33 to the financial statements, certain of the Company's subsidiaries in the PRC are involved as parties in legal proceedings.

The accounting and disclosure for liabilities and/or contingent liabilities arising from the aforesaid claims and proceedings involve a significant degree of management judgement. Since the ultimate disposition of these claims and proceedings cannot be predicted with certainty, an adverse outcome could have a material adverse effect on the financial position, financial performance and cash flows of the Group.

In response to this risk, our audit procedures included, amongst others, the following:

- Discussed significant litigation and claims with management and the Group's external legal counsels;
- Reviewed the correspondences with the Group's external legal counsels and other relevant litigation documents to assess the facts and circumstances;
- Considered the range of reasonably possible outcomes determined by management and assessed the appropriateness of management's judgement;
- Obtained letters from the Group's external legal counsels regarding the likely outcome and magnitude of, and exposure to, the relevant litigation and claims; and
- Assessed the adequacy of the disclosures made by the Group in connection with these legal cases.

Other information

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of San Teh Ltd

Other matter

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 18 March 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 a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of San Teh Ltd

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

We also provide those charged with governance 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 those charged with governance, 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 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 Adrian Tan Khai-Chung.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

23 March 2017

Engagement partner – effective from year ended 31 December 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2016

		Group	
	Note	2016 \$'000	2015 \$'000
Revenue	4	14,862	20,168
Cost of sales		(14,819)	(18,482)
Gross profit		43	1,686
Gain/(loss) from investments	5	1,001	(3,030)
Other operating income	6	2,728	3,800
Administrative expenses		(9,190)	(8,405)
Distribution costs		(336)	(490)
Other operating expenses		(584)	(969)
Finance costs		(67)	–
Foreign exchange (losses)/gains		(1,541)	1,303
Share of results of associates		(83)	(146)
Loss before income tax	8	(8,029)	(6,251)
Income tax expense	9	(969)	(676)
Loss for the year		(8,998)	(6,927)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations, net of tax		(6,629)	1,729
Net fair value gain/(loss) on available-for-sale financial assets		1,071	(3,542)
Net fair value changes on available-for-sale financial assets reclassified to profit or loss		–	3,918
Other comprehensive (loss)/income for the year, net of tax		(5,558)	2,105
Total comprehensive loss for the year		(14,556)	(4,822)
Loss attributable to owners of the Company		(9,304)	(7,501)
Profit attributable to non-controlling interests		306	574
Loss for the year		(8,998)	(6,927)
Total comprehensive loss attributable to owners of the Company		(14,501)	(5,478)
Total comprehensive (loss)/income attributable to non-controlling interests		(55)	656
Total comprehensive loss for the year		(14,556)	(4,822)
Loss per share (cents)			
Basic	10	(2.72)	(2.19)
Diluted	10	(2.72)	(2.19)

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

		Group		Company	
	Note	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	19,437	22,768	1,314	1,513
Investment properties	12	69,456	73,685	914	941
Properties under development	13	33,501	34,751	–	–
Investments in subsidiaries	14	–	–	162,157	161,719
Investments in associates	15	361	1,590	–	–
Other investments	16	1,084	1,132	41	41
Land use rights	17	9,472	10,249	–	–
Deferred tax assets	18	168	337	–	–
Investment securities	19	5,633	4,562	5,633	4,562
Trade and other receivables	21	–	14,904	–	8,776
Total non-current assets		139,112	163,978	170,059	177,552
Current assets					
Inventories	22	3,491	4,038	–	–
Prepayments		400	449	23	22
Trade and other receivables	21	22,670	26,325	37,563	29,512
Investment securities	19	11,537	11,385	7,057	8,348
Cash and cash equivalents	20	43,937	33,884	11,110	12,888
Total current assets		82,035	76,081	55,753	50,770
Total assets		221,147	240,059	225,812	228,322
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	23	14,150	19,559	381	737
Income tax payable		271	1,042	84	14
Short-term bank borrowing	24	1,329	–	–	–
Provision	25	1,394	–	–	–
Total current liabilities		17,144	20,601	465	751
Net current assets		64,891	55,480	55,288	50,019
Non-current liabilities					
Provision for retirement benefits	26	468	409	468	409
Total liabilities		17,612	21,010	933	1,160
Net assets		203,535	219,049	224,879	227,162
Equity attributable to owners of the Company					
Share capital	27A	71,856	71,856	71,856	71,856
Treasury shares	27B	(1,929)	(1,929)	(1,929)	(1,929)
Other reserves	28	10,524	15,650	1,005	(66)
Retained earnings		114,867	125,268	153,947	157,301
		195,318	210,845	224,879	227,162
Non-controlling interests		8,217	8,204	–	–
Total equity		203,535	219,049	224,879	227,162
Total equity and liabilities		221,147	240,059	225,812	228,322

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2016

Note	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Treasury shares	Fair value adjustment reserve	Foreign currency translation reserve	Statutory reserve	Capital reserve	Retained earnings	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group										
At 1 January 2015	71,856	(1,929)	(442)	12,982	944	48	135,600	219,059	7,548	226,607
Net (loss)/profit for the year	–	–	–	–	–	–	(7,501)	(7,501)	574	(6,927)
Other comprehensive income/(loss) for the year										
Currency translation differences	–	–	–	1,647	–	–	–	1,647	82	1,729
Net fair value loss on available-for-sale financial assets	–	–	(3,542)	–	–	–	–	(3,542)	–	(3,542)
Net fair value changes of available-for-sale financial assets reclassified to profit or loss	–	–	3,918	–	–	–	–	3,918	–	3,918
Total comprehensive income/(loss) for the year	–	–	376	1,647	–	–	(7,501)	(5,478)	656	(4,822)
Transfers to statutory reserve	–	–	–	–	95	–	(95)	–	–	–
Dividends paid	29	–	–	–	–	–	(2,736)	(2,736)	–	(2,736)
At 31 December 2015 and 1 January 2016	71,856	(1,929)	(66)	14,629	1,039	48	125,268	210,845	8,204	219,049
Net (loss)/profit for the year	–	–	–	–	–	–	(9,304)	(9,304)	306	(8,998)
Other comprehensive (loss)/income for the year										
Currency translation differences	–	–	–	(6,268)	–	–	–	(6,268)	(361)	(6,629)
Net fair value gain on available-for-sale financial assets	–	–	1,071	–	–	–	–	1,071	–	1,071
Total comprehensive income/(loss) for the year	–	–	1,071	(6,268)	–	–	(9,304)	(14,501)	(55)	(14,556)
Transfers to statutory reserve	–	–	–	–	71	–	(71)	–	–	–
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	68	68
Dividends paid	29	–	–	–	–	–	(1,026)	(1,026)	–	(1,026)
At 31 December 2016	71,856	(1,929)	1,005	8,361	1,110	48	114,867	195,318	8,217	203,535

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2016

	Note	Share capital \$'000	Treasury shares \$'000	Fair value adjustment reserve \$'000	Retained earnings \$'000	Total equity \$'000
Company						
At 1 January 2015		71,856	(1,929)	(442)	163,946	233,431
Net loss for the year		–	–	–	(3,909)	(3,909)
Other comprehensive (loss)/income for the year						
Net fair value loss on available-for-sale financial assets		–	–	(3,542)	–	(3,542)
Net fair value changes of available-for-sale financial assets reclassified to profit or loss		–	–	3,918	–	3,918
Total comprehensive income/(loss) for the year		–	–	376	(3,909)	(3,533)
Dividends paid	29	–	–	–	(2,736)	(2,736)
At 31 December 2015 and 1 January 2016		71,856	(1,929)	(66)	157,301	227,162
Net loss for the year		–	–	–	(2,328)	(2,328)
Other comprehensive income for the year						
Net fair value gain on available-for-sale financial assets		–	–	1,071	–	1,071
Total comprehensive income/(loss) for the year		–	–	1,071	(2,328)	(1,257)
Dividends paid	29	–	–	–	(1,026)	(1,026)
At 31 December 2016		71,856	(1,929)	1,005	153,947	224,879

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2016

	Group	
	2016 \$'000	2015 \$'000
Cash flows from operating activities		
Loss before income tax	(8,029)	(6,251)
Adjustments for:		
Amortisation of land use rights	326	341
Depreciation of property, plant and equipment	1,561	2,619
Depreciation of investment properties	2,240	1,516
Impairment loss on property, plant and equipment	814	–
Reversal of impairment loss on property, plant and equipment	(83)	(30)
Dividend income from investment securities	(239)	(461)
Loss on disposal of property, plant and equipment	213	111
Gain on disposal of investment securities	(8)	(3)
Property, plant and equipment written-off	12	55
Write-down of inventories	–	11
Impairment loss on trade receivables	408	263
Impairment loss on other receivables	49	333
Impairment loss on available-for-sale investment securities	–	3,918
Trade receivables written-off	–	16
Trade and other payables written-off	(36)	–
Gain on liquidation of subsidiary	(9)	–
Loss on disposal of associate	2	–
Provision for retirement benefits	59	59
Provision for litigation and claims	1,394	–
Share of results of associates	83	146
Effects of exchange rate changes on consolidation of subsidiaries	424	(1,612)
Net fair value loss on held for trading investment securities	281	594
Interest income	(1,028)	(1,018)
Interest expense	67	–
Total adjustments	6,530	6,858
Operating cash flows before changes in working capital	(1,499)	607
Trade and other receivables and prepayments	18,216	14,485
Inventories	546	1,065
Trade and other payables	(5,372)	(16,491)
Cash flows from/(used in) operations	11,891	(334)
Interest paid	(67)	–
Income taxes paid	(1,540)	(467)
Net cash from/(used in) operating activities	10,284	(801)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2016

	Group	
	2016 \$'000	2015 \$'000
Cash flows from investing activities		
Purchase of investment securities	(4,168)	(4,007)
Interest received	962	1,031
Purchase of property, plant and equipment	(195)	(471)
Increase in properties under development	(281)	(646)
Increase in investment properties	(1,223)	(1,412)
Increase in land use rights	–	(50)
Proceeds from disposal of property, plant and equipment	60	52
Proceeds from disposal of investment securities	3,620	1,250
Proceeds from disposal of associate	1,049	–
Dividends received from investment securities	226	454
Net cash from/(used in) investing activities	50	(3,799)
Cash flows from financing activities		
Proceeds from bank borrowings	1,329	–
Contributions from non-controlling interests	68	–
Dividends paid	(1,026)	(2,736)
Net cash from/(used in) financing activities	371	(2,736)
Net increase/(decrease) in cash and cash equivalents	10,705	(7,336)
Cash and cash equivalents at beginning of year	33,884	40,014
Effects of exchange rate changes on cash and cash equivalents	(652)	1,206
Cash and cash equivalents at end of year (note 20)	43,937	33,884

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

1. General

San Teh Ltd (the “Company”) is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars (“SGD” or “\$”).

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activity of the Company is that of investment holding.

The principal activities of the significant subsidiaries are set out in note 14 to the financial statements.

The registered office and principal place of business of the Company is located at 701 Sims Drive, #06-01 LHK Building, Singapore 387383.

The Company is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

Accounting convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“FRS”) and the related Interpretations to FRS (“INT FRS”) as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where a FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs need not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods.

Basis of preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity’s accounting policies. The areas requiring management’s most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2, where applicable.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries (the “Group”). The consolidated financial statements are the financial statements of the Group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the Group has the power to govern the financial and operating policies so as to gain benefits from its activities.

Changes in the Group’s ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group’s and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

The Company’s financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, no statement of profit or loss and other comprehensive income is presented for the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes and rebates.

Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term.

Dividend from equity instruments is recognised as income when the entity's right to receive dividend is established.

Interest income is recognised using the effective interest method.

Development properties are classified into (a) development properties completed and held for sale; (b) development properties held for sale in the process of development; and (c) development properties in the process of development accounted under the stage of completion method. For development properties held for sale, revenue is normally recognised when risks and rewards of ownership have been transferred which is usually taken to be when legal title passes to the buyer or when the equitable interest in a property vest in the buyer before legal title passes and provided that the reporting entity has no further substantial acts to complete under the contract. These are measured at the lower of cost (specific identification method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan).

For employee leave entitlement, the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences; when the employees render service that increases their entitlement to future compensated absences, and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowings

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Foreign currency transactions

The functional currency of the Company is the SGD as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions.

At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency, the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income; and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Property, plant and equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Freehold properties	–	2%
Leasehold buildings	–	2.5% – 20%
Plant and machinery	–	3.3% – 20%
Motor vehicles	–	10% – 20%
Furniture, fittings and equipment	–	5% – 20%

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the remaining lease terms. The annual rate of amortisation is as follows:

Land use rights	–	2.1% – 3%
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Investment property

Investment property is property (building or part of a building) owned or held under a finance lease 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 sale in the ordinary course of business. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs the cost model is used to measure the investment property using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value. For disclosure purposes only, the fair values are measured periodically on a systematic basis at least once yearly by manager or external independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The annual rate of depreciation is as follows:

Investment property	–	2% – 2.8%
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Property under development

Property under development includes properties being constructed or developed for future use as residential and shop units. The property is carried at cost less any accumulated impairment losses until construction or development is completed, at which time the property will be transferred and be accounted for as inventories and investment properties. Cost capitalised include cost of land and other directly related development expenditure. Property under development is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Leases

Whether an arrangement is, or contains, a lease, it is based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the "asset"); and (b) the arrangement conveys a right to use the asset. Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity 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. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary 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. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with FRS 103. However the entire carrying amount of the investment is tested under FRS 36 for impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in FRS 39 indicates that the investment may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Associates (cont'd)

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with FRS 39 from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

In the Company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate 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. The carrying value and the net book value of an investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange.

Business combinations

Business combinations are accounted for by applying the acquisition method. There were no acquisitions during the reporting year.

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs of disposal and its value in use.

When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, i.e., CGU. At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial assets

Initial recognition, measurement and derecognition

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. When the settlement date accounting is applied, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognised in net profit or loss for assets classified as trading.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the “substance over form” based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

- (i) Financial assets at fair value through profit or loss: Assets are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the “fair value option” and it is used. All changes in fair value relating to assets at fair value through profit or loss are recognised directly in profit or loss.
- (ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.
- (iii) Held-to-maturity financial assets: These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity. Financial assets that upon initial recognition are designated as at fair value through profit or loss or available-for-sale and those that meet the definition of loans and receivables are not classified in this category. These assets are carried at amortised costs using the effective interest method minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process. Impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. Non-current investments in bonds and debt securities are usually classified in this category.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

Subsequent measurement (cont'd)

- (iv) Available for sale financial assets: These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. These assets are carried at fair value. Changes in fair value of available-for-sale financial assets (other than those relating to foreign exchange translation differences on monetary investments) are recognised in other comprehensive income and accumulated in a separate component of equity under the heading fair value adjustment reserves. Such reserves are reclassified to profit or loss when realised through disposal. When there is objective evidence that the asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. A significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. If, in a subsequent period, the fair value of an equity instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss, it is reversed against fair value adjustment reserves and is not subsequently reversed through profit or loss. However for debt instruments classified as available-for-sale impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. For non-equity instruments classified as available-for-sale the reversal of impairment is recognised in profit or loss. The weighted average method is used when determining the cost basis of publicly listed equities being disposed of. Usually non-current investments in equity shares and debt securities are classified in this category but it does not include subsidiaries, joint ventures, or associates. Unquoted investments are stated at cost less allowance for impairment in value where there are no market prices, and management is unable to establish fair value by using valuation techniques except that where management can establish fair value by using valuation techniques the relevant unquoted investments are stated at fair value. For unquoted equity instruments impairment losses are not reversed.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Financial liabilities

Initial recognition, measurement and derecognition

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date method. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

- (i) Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.
- (ii) Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Fair value measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

Provisions

A liability or provision is recognised when there is 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 a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

2. Significant accounting policies and other explanatory information (cont'd)

2B. Other explanatory information

Classification of equity and liabilities

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Equity instruments are contracts that give a residual interest in the net assets of the reporting entity. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable, it is classified as an equity instrument. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

Treasury shares

Where the entity reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the entity's owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the entity's owners and no gain or loss is recognised in profit or loss.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Assessment of impairment of property, plant and equipment and investment properties

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of CGUs, if applicable, is measured based on fair value less costs of disposal or value in use calculations. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the items affected. The carrying amounts of the specific asset or class of assets at the end of the reporting year affected by the assumption are disclosed in notes 11 and 12.

Assessment of impairment of properties under development

A review is made to assess declines in net realisable value below cost and an allowance is recorded against the carrying amount for any such declines. The review requires management to consider the future demand for the assets. In any case, the realisable value represents the best estimate of the recoverable amount and is based on acceptable evidence available at the end of the reporting year and inherently involves estimates regarding future expected realisable value. In general, such an evaluation process requires significant judgement and materially affects the carrying amount at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of properties under development. The carrying amount at the end of the reporting year is disclosed in note 13.

Litigation and claims

The Group is involved in several legal proceedings. Provisions are recorded for pending litigation when it is determined that an unfavourable outcome is probable and the amount of loss can be reasonably estimated. On the other hand, contingent liabilities are disclosed for pending litigation when management considers that it is not probable that an outflow of resources will be required to settle the obligation. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates. Please refer to notes 25 and 33 for further details.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated economic useful lives. The Group reviews the useful lives of the property, plant and equipment at the end of each reporting period in accordance with the accounting policy disclosed in note 2A. Significant judgement is required in determining the useful lives of property, plant and equipment. In determining the useful lives, the Group considered the expected usage, maintenance and repair costs, technical or commercial obsolescence to the use of property, plant and equipment. Any changes to these judgements could impact the economic useful lives of these property, plant and equipment, and therefore future depreciation charges could be revised. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the carrying amount of property, plant and equipment. The carrying amount of property, plant and equipment at the end of the reporting year is disclosed in note 11.

Impairment of trade and other receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade and other receivables at the end of the reporting period is disclosed in note 21 to the financial statements.

Income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

3. Related party relationships and transactions

FRS 24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is the estate of Kao Shin Ping (deceased).

3A. Members of a group

Related companies in these financial statements include the members of the Group. Associates also include those that are associates of members of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

3. Related party relationships and transactions (cont'd)

3B. Related party transactions

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and any financial guarantees are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed.

The other related party transactions are not significant.

3C. Key management compensation

	Group	
	2016	2015
	\$'000	\$'000
Salaries and other short-term employee benefits	1,341	1,360
Employer's contributions to defined contribution plans	55	47
Retirement benefits	59	59

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	Group	
	2016	2015
	\$'000	\$'000
Remuneration of directors of the Company	905	912
Fees to directors of the Company	136	136

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amounts for key management compensation are for all the directors and other members of key management.

Further information about the remuneration of individual directors is provided in the Corporate Governance Report.

4. Revenue

	Group	
	2016	2015
	\$'000	\$'000
Sale of goods	10,696	15,243
Hotel revenue	1,475	1,902
Rental income	2,691	3,023
	14,862	20,168

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

5. Gain/(Loss) from investments

	Group	
	2016	2015
	\$'000	\$'000
Interest income from bank deposits	806	768
Other interest income	222	250
Gain on liquidation of subsidiary	9	–
Loss on disposal of associate	(2)	–
Dividend income from investment securities	239	461
Net fair value loss on held for trading investment securities	(281)	(594)
Impairment loss on available-for-sale investment securities	–	(3,918)
Gain on disposal of investment securities	8	3
	<u>1,001</u>	<u>(3,030)</u>

6. Other operating income

	Group	
	2016	2015
	\$'000	\$'000
Project income	1,863	3,332
Reversal of impairment loss on property, plant and equipment	83	30
Reversal of impairment loss on other receivables	76	–
Trade and other payables written-off	36	–
Incentive and allowance income	28	22
Rental income	231	208
Sundry income	411	208
	<u>2,728</u>	<u>3,800</u>

7. Employee benefits expense

	Group	
	2016	2015
	\$'000	\$'000
Salaries and other short-term employee benefits	3,020	3,361
Employer's contributions to defined contribution plans	389	409
Retirement benefits	59	59
	<u>3,468</u>	<u>3,829</u>
Less: Employee benefits expense capitalised in properties under development	(63)	(17)
	<u>3,405</u>	<u>3,812</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

8. Loss before income tax

Loss before income tax has been arrived at after charging/(crediting):

	Note	Group	
		2016 \$'000	2015 \$'000
Audit fees			
– Auditors of the Company		182	210
– Other auditors		14	15
Total audit fees		196	225
Cost of inventories recognised as expense	22	7,595	10,458
Depreciation of property, plant and equipment	11	1,561	2,619
Depreciation of investment properties	12	2,240	1,516
Amortisation of land use rights (included in “other operating expenses” and “cost of sales”)	17	326	341
Employee benefits expense	7	3,405	3,812
Loss on disposal of property, plant and equipment		213	111
Property, plant and equipment written-off		12	55
Reversal of impairment loss on property, plant and equipment	11	(83)	(30)
Impairment loss on property, plant and equipment	11	814	–
Write-down of inventories	22	–	11
Impairment loss on trade receivables	21	408	263
Trade receivables written-off		–	16
Impairment loss on other receivables	21	49	333
Trade and other payables written-off		(36)	–
Reversal of impairment loss on other receivables	21	76	–
Impairment loss on available-for-sale investment securities		–	3,918
Provision for litigation and claims	25	1,394	–

There were no non-audit fees paid to the auditors of the Company for the years ended 31 December 2016 and 2015.

9 Income tax expense

9A. Components of tax expense recognised in profit or loss

	Group	
	2016 \$'000	2015 \$'000
Current tax		
Current tax expense	665	527
Withholding tax	33	37
Adjustments in respect of prior years	117	(132)
	815	432
Deferred tax		
Deferred tax income relating to origination and reversal of temporary differences (note 18)	154	244
	969	676

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

9. Income tax expense (cont'd)

9A. Components of tax expense recognised in profit or loss (cont'd)

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2015: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2016	2015
	\$'000	\$'000
Loss before income tax	(8,029)	(6,251)
Income tax using statutory tax rate of 17% (2015: 17%)	(1,365)	(1,063)
Non-deductible expenses	2,210	1,323
Non-taxable items	(638)	(500)
Tax-exempt income	(11)	(15)
Adjustments in respect of prior years	117	(132)
Unrecognised deferred tax benefits from unutilised tax losses	916	1,510
Differences in tax rates of entities in other jurisdictions	(293)	(484)
Withholding tax	33	37
	969	676

9B. Unrecognised deferred tax assets

The unrecognised deferred tax assets relate to the following unutilised tax losses:

	Group	
	2016	2015
	\$'000	\$'000
At beginning of year	21,486	17,595
Additions	3,664	6,040
Expired	(2,279)	(2,149)
Attributable to liquidation of subsidiary	(2,452)	–
At end of year	20,419	21,486
Deferred tax benefits not recognised on the above	5,105	5,372

Subject to the agreement by the local tax authorities, certain subsidiaries in the Group located in the People's Republic of China ("PRC") have the above unutilised tax losses available for offsetting against future taxable income. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable income will be available against which the Group can utilise the benefits. The tax losses in the PRC have a validity period of five years.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

9. Income tax expense (cont'd)

9B. Unrecognised deferred tax assets (cont'd)

The expiry dates of the unutilised tax losses are as follows:

	Group	
	2016	2015
	\$'000	\$'000
2016	–	2,752
2017	2,487	3,364
2018	4,007	4,479
2019	3,612	4,787
2020	5,499	6,104
2021	4,814	–
	<u>20,419</u>	<u>21,486</u>

10. Loss per share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	Group	
	2016	2015
	\$'000	\$'000
Loss for the year, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share	<u>(9,304)</u>	<u>(7,501)</u>
	Group	
	2016	2015
Weighted average number of ordinary shares*	<u>342,024,763</u>	<u>342,024,763</u>
Loss per share (cents)		
– Basic	(2.72)	(2.19)
– Diluted	<u>(2.72)</u>	<u>(2.19)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

11. Property, plant and equipment

	Freehold properties \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Total \$'000
Group						
Cost						
At 1 January 2015	1,361	34,710	24,058	2,218	26,373	88,720
Currency translation differences	–	397	279	18	304	998
Additions	–	191	63	31	186	471
Disposals/write-offs	–	–	(1,029)	(94)	(11,406)	(12,529)
Transfers to investment properties (note 12)	–	(16,690)	(6,879)	–	(337)	(23,906)
At 31 December 2015	1,361	18,608	16,492	2,173	15,120	53,754
Currency translation differences	–	(800)	(727)	(66)	(659)	(2,252)
Additions	–	–	17	31	213	261
Disposals/write-offs	–	(5)	(740)	(387)	(45)	(1,177)
Reclassifications	–	–	(109)	(9)	(3)	(121)
At 31 December 2016	1,361	17,803	14,933	1,742	14,626	50,465
Accumulated depreciation						
At 1 January 2015	401	10,160	17,511	1,034	21,992	51,098
Currency translation differences	–	116	204	8	253	581
Depreciation for the year (note 8)	27	910	717	247	718	2,619
Disposals/write-offs	–	–	(886)	(72)	(11,353)	(12,311)
Transfers to investment properties (note 12)	–	(6,051)	(5,195)	–	(164)	(11,410)
At 31 December 2015	428	5,135	12,351	1,217	11,446	30,577
Currency translation differences	–	(220)	(544)	(37)	(497)	(1,298)
Depreciation for the year (note 8)	28	444	379	226	484	1,561
Disposals/write-offs	–	–	(578)	(274)	(39)	(891)
Reclassifications	–	–	(45)	(10)	(1)	(56)
At 31 December 2016	456	5,359	11,563	1,122	11,393	29,893
Impairment losses						
1 January 2015	–	5	255	3	175	438
Currency translation differences	–	–	1	–	–	1
Reversals (note 8)	–	–	(24)	–	(6)	(30)
At 31 December 2015	–	5	232	3	169	409
Currency translation differences	–	–	(4)	–	(1)	(5)
Additions (note 8)	–	8	305	–	501	814
Reversals (note 8)	–	(5)	(71)	(2)	(5)	(83)
At 31 December 2016	–	8	462	1	664	1,135
Carrying amount						
At 1 January 2015	960	24,545	6,292	1,181	4,206	37,184
At 31 December 2015	933	13,468	3,909	953	3,505	22,768
At 31 December 2016	905	12,436	2,908	619	2,569	19,437

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

11. Property, plant and equipment (cont'd)

	Freehold properties \$'000	Leasehold buildings \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Total \$'000
Company					
Cost					
At 1 January 2015	1,361	452	679	154	2,646
Additions	–	–	–	2	2
At 31 December 2015	1,361	452	679	156	2,648
Additions	–	–	–	12	12
Disposals	–	–	(326)	(10)	(336)
At 31 December 2016	1,361	452	353	158	2,324
Accumulated depreciation					
At 1 January 2015	401	163	316	144	1,024
Depreciation for the year	27	12	68	4	111
At 31 December 2015	428	175	384	148	1,135
Depreciation for the year	28	11	62	4	105
Disposals	–	–	(220)	(10)	(230)
At 31 December 2016	456	186	226	142	1,010
Carrying amount					
At 1 January 2015	960	289	363	10	1,622
At 31 December 2015	933	277	295	8	1,513
At 31 December 2016	905	266	127	16	1,314

During the current reporting year, the Group recognised an impairment loss of approximately \$814,000 after carrying out a review of the recoverable amount of the property, plant and equipment of a subsidiary within the hotel and property segment. The impairment loss was included in the line item “administrative expenses”. The recoverable amount of the property, plant and equipment was estimated based on fair value less costs of disposal. In addition, the Group reversed impairment loss of approximately \$83,000 (2015: \$30,000) to profit or loss as the property, plant and equipment were written-off subsequent to the reporting year end. The reversal of impairment loss was included in “other operating income”.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

12. Investment properties

	Group	
	2016	2015
	\$'000	\$'000
Cost		
At 1 January	87,308	58,985
Additions	1,223	3,746
Transfers from property, plant and equipment (note 11)	–	23,906
Currency translation differences	(3,793)	671
At 31 December	84,738	87,308
Accumulated depreciation		
At 1 January	13,623	693
Depreciation for the year (note 8)	2,240	1,516
Transfers from property, plant and equipment (note 11)	–	11,410
Currency translation differences	(581)	4
At 31 December	15,282	13,623
Carrying amount		
At 1 January	73,685	58,292
At 31 December	69,456	73,685
	Company	
	2016	2015
	\$'000	\$'000
Cost		
At 1 January and 31 December	1,361	1,361
Accumulated depreciation		
At 1 January	420	392
Depreciation for the year	27	28
At 31 December	447	420
Carrying amount		
At 1 January	941	969
At 31 December	914	941

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

12. Investment properties (cont'd)

Detail of the Group's investment properties as at 31 December 2016 are as follows:

Held by	Location	Description	Tenure of land	Fair value	
				2016 \$'000	2015 \$'000
The Company	Commercial property at 701 Sims Drive, #05-01 LHK Building, Singapore	Office building	Freehold	1,950	2,103
Subsidiaries					
– Shanghai San Teh Xing	Commercial property at No. 5533 Cao'an Road, Jiading District, Anting Town, Shanghai, PRC	Commercial building, SOHO apartment and shopping mall	Leasehold (expiring on 30 August 2050 and 30 August 2060)	84,169	82,230
– Nantong Santeh Hotel Co., Ltd ("Nantong Santeh Hotel")	Commercial property at No.1 Duan Jia Ba Road, Nantong, Jiangsu Province, PRC	Hotel and shopping mall	Leasehold (expiring on 28 July 2043)	31,181	32,705
				<u>117,300</u>	<u>117,038</u>

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

The property rental income from the Group's and the Company's investment properties, some of which are leased out under operating leases, amounted to approximately \$2,752,000 (2015: \$3,053,000) and \$61,000 (2015: \$53,000) respectively.

Direct operating expenses (including repairs and maintenance) of the Group and the Company are summarised as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Direct operating expenses arising from investment properties that generated rental income	1,218	1,020	45	44
Direct operating expenses arising from investment properties that did not generate rental income	2,187	1,531	–	–
	<u>3,405</u>	<u>2,551</u>	<u>45</u>	<u>44</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

12. Investment properties (cont'd)

Fair value measurements

The following table shows an analysis of the Group's investment properties not measured at fair value but for which fair value is disclosed:

	Fair value measurements at end of reporting year using			Total \$'000
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	
Group				
2016				
Assets				
– Investment properties	–	–	117,300	117,300
2015				
Assets				
– Investment properties	–	–	117,038	117,038
Company				
2016				
Assets				
– Investment properties	–	–	1,950	1,950
2015				
Assets				
– Investment properties	–	–	2,103	2,103

A description of the valuation techniques and information about the significant observable inputs used in the fair value measurement (for disclosure purposes) are as follows:

- (a) Commercial property held by the Company

The fair value is determined by management based on comparable market transactions that consider the sales of similar properties that have been transacted in the open market.

Sensitivity to changes in comparable market price

As at the reporting year end, a possible change to the comparable market price used for fair value will result in changes in the differences between recoverable amount and carrying amount ("difference") as follows:

	Comparable market price	
	5% increase \$'000	5% decrease \$'000
Increase/(decrease) in difference	98	(98)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

12. Investment properties (cont'd)

Fair value measurements (cont'd)

- (b) Commercial property held by Shanghai San Teh Xing

The fair value of the investment property was estimated using the discounted cash flow method based on management's cash flow forecasts covering 33.68 years, which is the remaining useful life of the land use right. The pre-tax discount rate used was 7%.

The calculations of discounted cash flow method for the investment property are most sensitive to the following assumptions:

- Lease income – The forecasted lease income was either based on existing tenancy agreements or based on market rates of comparable properties in the neighbourhood.
- Growth rate – The market rent was estimated based on the term rent as a starting point and an annual growth rate of 2% per annum thereafter. It was based on management's research on comparable properties in the vicinity from past experience.
- Discount rate – Discount rate was developed based on management research on the evidence of rental of similar properties in the vicinity.

Sensitivity to changes in assumptions

As at the reporting year end, a possible change to the following estimates used in management's assessment (holding other assumptions unchanged) will result in changes in the differences between recoverable amount and carrying amount ("difference") as follows:

	Discount rate		Lease income	
	1% increase \$'000	1% decrease \$'000	5% increase \$'000	5% decrease \$'000
(Decrease)/increase in difference	(9,555)	11,552	4,635	(4,635)

- (c) Commercial property held by Nantong Santeh Hotel

The fair value of the investment property was estimated using the discounted cash flow method based on management's cash flow forecasts covering 26.58 years, which is the remaining useful life of the land use right. The pre-tax discount rate used was 7%.

The calculations of discounted cash flow method for the investment property are most sensitive to the following assumptions:

- Lease income – The forecasted lease income was either based on existing tenancy agreements or based on market rates of comparable properties in the neighbourhood.
- Growth rate – The market rent was estimated based on the term rent as a starting point and an annual growth rate of 2% per annum thereafter. It was based on management's research on comparable properties in the vicinity from past experience.
- Discount rate – Discount rate was developed based on management research on evidence of rental of the similar properties in the vicinity.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

12. Investment properties (cont'd)

Fair value measurements (cont'd)

(c) Commercial property held by Nantong Sante Hotel (cont'd)

Sensitivity to changes in assumptions

As at the reporting year end, a possible change to the following estimates used in management's assessment (holding other assumptions unchanged) will result in changes in the differences between recoverable amount and carrying amount ("difference") as follows:

	Discount rate		Lease income	
	1%	1%	5%	5%
	increase	decrease	increase	decrease
	\$'000	\$'000	\$'000	\$'000
(Decrease)/increase in difference	(2,923)	3,419	1,567	(1,567)

13. Properties under development

	Group	
	2016	2015
	\$'000	\$'000
Cost of leasehold land	25,844	27,033
Development costs	7,657	7,718
	33,501	34,751

Movements in properties under developments are as follows:

At 1 January	34,751	77,913
Additions	281	646
Currency translation differences	(1,531)	904
Transfers to trade receivables	–	(44,712)
At 31 December	33,501	34,751

Details of the Group's properties under development as at 31 December 2016 are as follows:

Description and location	Percentage owned	Site area/ gross floor area (sqm)	Percentage of completion as at 31 December 2016	Expected year of completion
Residential and shop units along Huanglongtan, Xipianqu, Yunhe Town, Heqing Dali, Yunnan Province, PRC	95%	36,553/108,229	14%	2018
Residential, commercial and hotel project along Zhaoxia Road, Xipianqu, Yunhe Town, Heqing Dali, Yunnan Province, PRC	95%	113,665/249,411	Nil%	2021

During the previous reporting year, the Group reclassified the properties and land under the build-and-transfer project in Anxi, PRC, of approximately \$44,712,000 to trade receivables upon completion of the project.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

14. Investments in subsidiaries

	Company	
	2016	2015
	\$'000	\$'000
Unquoted equity investments at cost	162,157	162,688
Less: allowance for impairment	–	(969)
	162,157	161,719

Movements in allowance for impairment are as follows:

At beginning of year	969	967
Impairment losses recognised in profit or loss	–	2
Used on subsidiary liquidated	(969)	–
At end of year	–	969

Details of the Company's significant subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest	
			2016	2015
			%	%
Suzhou San Teh Hotel Co., Ltd ^(a)	PRC	Hotel operations	100	100
Nantong Santeh Hotel ^(a)	PRC	Property investment	100	100
San Teh Pipes & Fittings Industry (Nantong) Co., Ltd ^(a)	PRC	Manufacture and sale of PVC pipes and fittings	100	100
Shanghai San Teh Xing ^(a)	PRC	Property development and investment	100	100
San Teh Xing Real Estate (Fujian) Co., Ltd ("San Teh Xing Fujian") ^(a)	PRC	Property development	75	75
Dali San Teh Xing Real Estate Co., Ltd ("Dali San Teh Xing") ^(a)	PRC	Property development	95	95

^(a) Audited by SBA Stone Forest CPA Co., Ltd, an affiliated firm of RSM Chio Lim LLP in the PRC, for consolidation purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

14. Investments in subsidiaries (cont'd)

Interest in subsidiaries with material non-controlling interests

The Group has the following subsidiaries that have non-controlling interests that are material to the Group:

Name	Principal place of business	Proportion of ownership interest held by non-controlling interests	Profit/(loss) allocated to non-controlling interests during reporting year \$'000	Accumulated non-controlling interests at end of reporting year \$'000	Dividends paid to non-controlling interests \$'000
2016					
San Teh Xing Fujian	PRC	25%	317	6,397	–
Dali San Teh Xing	PRC	5%	(11)	1,820	–
2015					
San Teh Xing Fujian	PRC	25%	590	6,359	–
Dali San Teh Xing	PRC	5%	(16)	1,845	–

Significant restrictions

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests are reported by cash and cash equivalents of \$16,368,000 (2015: \$1,569,000) held in the PRC that are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being remitted other than through dividends.

Summarised financial information of subsidiaries with material non-controlling interests

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

Summarised statement of financial position

	San Teh Xing Fujian		Dali San Teh Xing	
	As at 31 December 2016 \$'000	As at 31 December 2015 \$'000	As at 31 December 2016 \$'000	As at 31 December 2015 \$'000
Current				
Assets	30,447	16,550	4,060	3,347
Liabilities	5,029	6,357	1,757	1,874
Net current assets	25,418	10,193	2,303	1,473
Non-current				
Assets	170	15,244	34,098	35,418
Liabilities	–	–	–	–
Net non-current assets	170	15,244	34,098	35,418
Net assets	25,588	25,437	36,401	36,891

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

14. Investments in subsidiaries (cont'd)

Summarised financial information of subsidiaries with material non-controlling interests (cont'd)

Summarised statement of profit or loss and other comprehensive income

	San Teh Xing Fujian		Dali San Teh Xing	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Revenue	–	–	–	–
Profit/(loss) before income tax	1,948	2,861	(216)	(318)
Income tax expense	(680)	(499)	–	–
Profit/(loss) after tax	1,268	2,362	(216)	(318)
Other comprehensive (loss)/income	(1,117)	239	(1,635)	430
Total comprehensive income/(loss)	151	2,601	(1,851)	112

Other summarised information

	San Teh Xing Fujian		Dali San Teh Xing	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Net cash flows from/(used in) operations	14,359	695	(266)	(412)

15. Investments in associates

The Group's investments in associates are summarised as follows:

	Group	
	2016	2015
	\$'000	\$'000
Dali San Teh Coal Industry Co., Ltd ("Dali San Teh Coal")	361	463
Dali San Teh Construction & Installation Engineering Co., Ltd ("Dali San Teh Construction")	–	1,127
	361	1,590

Details of the associates are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest	
			2016	2015
			%	%
Dali San Teh Coal ^(a)	PRC	Dormant	38	38
Dali San Teh Construction ^{(a) (b)}	PRC	Provision of general construction and engineering works	–	45

^(a) These associates are not significant as defined under Rule 718 of the Listing Manual of SGX-ST.

^(b) Disposed of during the year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

15. Investments in associates (cont'd)

Summarised financial information of associates

The summarised financial information in respect of the associates, based on their FRS financial statements, and a reconciliation with the carrying amount of the investment in the consolidated financial statements, are as follows:

Summarised statement of financial position

	Dali San Teh Coal		Dali San Teh Construction	
	As at 31 December 2016 \$'000	As at 31 December 2015 \$'000	As at 31 December 2016 \$'000	As at 31 December 2015 \$'000
Current assets	300	343	–	2,558
Non-current assets	1,719	1,941	–	–
Total assets	2,019	2,284	–	2,558
Current liabilities	1,185	1,181	–	54
Total liabilities	1,185	1,181	–	54
Net assets	834	1,103	–	2,504
Net assets	834	1,103	–	2,504
Proportion of the Group's ownership	38%	38%	–	45%
Group's share of net assets	317	419	–	1,127
Others	44	44	–	–
Carrying amount	361	463	–	1,127

Summarised statement of profit or loss and other comprehensive income

	Dali San Teh Coal		Dali San Teh Construction	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue	–	–	–	–
(Loss)/profit after tax	(220)	(392)	2	6
Other comprehensive (loss)/income	(50)	22	(172)	29
Total comprehensive (loss)/income	(270)	(370)	(170)	35

16. Other investments

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Transferable club memberships, at cost	131	131	131	131
Less: Accumulated impairment losses	(90)	(90)	(90)	(90)
	41	41	41	41
Unquoted equity investments, at cost	1,043	1,091	–	–
	1,084	1,132	41	41

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For the Financial Year Ended 31 December 2016

16. Other investments (cont'd)

Details of the unquoted investments are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest	
			2016 %	2015 %
Xiamen Fufeng Real Estate Development Co., Ltd.	PRC	Property development	3.8	3.8

The fair value of the unquoted equity investments is deemed not to be reliably measureable as the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value. Consequently, the investments are carried at cost less allowance for impairment.

Management has not identified a market for these unquoted equity investments and, accordingly, has not made a decision on how and when it intends to dispose of them in the foreseeable future.

17. Land use rights

	Group \$'000
Cost	
At 1 January 2015	12,413
Currency translation differences	144
Additions	50
At 31 December 2015	12,607
Currency translation differences	(555)
At 31 December 2016	12,052
Accumulated amortisation	
At 1 January 2015	1,994
Currency translation differences	23
Amortisation for the year (note 8)	341
At 31 December 2015	2,358
Currency translation differences	(104)
Amortisation for the year (note 8)	326
At 31 December 2016	2,580
Carrying amount	
At 1 January 2015	10,419
At 31 December 2015	10,249
At 31 December 2016	9,472

The Group has land use rights over six plots (2015: six plots) of land in the PRC. The land use rights are not transferable and are amortised over its tenure period of between 33 to 48 years. The remaining tenure of the land use rights ranges from 27 to 34 years (2015: 28 to 35 years).

Amortisation of land use rights is included in "other operating expenses" and "cost of sales" in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

18. Deferred tax assets

The following are the major deferred tax assets recognised by the Group, and the movements thereon, during the current and prior reporting years:

	Group \$'000
At 1 January 2015	572
Charged to profit or loss (note 9)	(244)
Currency translation differences	9
At 31 December 2015	337
Charged to profit or loss (note 9)	(154)
Currency translation differences	(15)
At 31 December 2016	168

On 22 February 2008, the State Administration of Taxation of the PRC issued a circular Caishui [2008] No.001, which imposes withholding tax on distribution of dividends from post 1 January 2008 profits to foreign investors. Accordingly, provision for deferred tax liabilities is required on profits accumulated from 1 January 2008 onwards.

However, as at 31 December 2016, no deferred tax liability has been recognised for withholding tax that would be payable on the undistributed profits of the PRC subsidiaries as the Group has determined that the portion of the undistributed profits of its PRC subsidiaries will not be distributed in the foreseeable future. Such temporary difference for which no deferred tax liability has been recognised amounted to approximately \$6,404,000 (2015: \$5,189,000) and the deferred tax liability is estimated at approximately \$320,000 (2015: \$259,000), subject to certain conditions been fulfilled.

19. Investment securities

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Held-to-maturity				
– Other instruments (unquoted)	4,480	3,037	–	–
Held for trading				
– Equity instruments (quoted)	1,489	1,827	1,489	1,827
– Debt instruments (unquoted)	5,568	6,521	5,568	6,521
	11,537	11,385	7,057	8,348
Non-current				
Available-for-sale				
– Equity instruments (quoted)	4,680	3,625	4,680	3,625
– Other instruments (unquoted)	953	937	953	937
	5,633	4,562	5,633	4,562
	17,170	15,947	12,690	12,910

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

20. Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash at bank	4,215	8,265	1,666	3,246
Fixed deposits with banks	9,444	9,642	9,444	9,642
Short-term deposits	30,278	15,977	–	–
Cash and cash equivalents	43,937	33,884	11,110	12,888

Fixed deposits of the Group and the Company bear interest ranging from 0.50% to 0.85% (2015: 0.43% to 0.95%) per annum and are placed for tenures ranging from 32 to 182 days (2015: 33 to 183 days).

Short-term deposits of the Group bear interest ranging from 3.00% to 3.47% (2015: 3.70% to 3.80%) per annum and are placed for tenures ranging from 38 to 188 days (2015: 61 to 95 days).

21. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current				
<i>Trade and other receivables</i>				
Trade receivables	19,622	22,713	1	1
Less: Allowance for impairment loss	(790)	(639)	–	–
	18,832	22,074	1	1
<i>Other receivables</i>				
Subsidiaries				
– Loans receivable	–	–	11,852	2,831
– Non-trade amounts	–	–	25,670	26,628
Associate	1,163	1,165	–	–
Non-related parties	1,144	1,596	11	11
Less: Allowance for impairment loss	(1,376)	(1,503)	–	–
Deposits	2,503	2,366	2	3
Interest receivables	404	627	27	38
	22,670	26,325	37,563	29,512
Non-current				
<i>Trade and other receivables</i>				
Trade receivables	–	14,904	–	–
Subsidiaries				
– Loans receivable	–	–	–	8,776
	–	14,904	–	8,776

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For the Financial Year Ended 31 December 2016

21. Trade and other receivables (cont'd)

Movements in allowance accounts are as follows:

	Group	
	2016	2015
	\$'000	\$'000
Trade receivables		
At beginning of year	639	375
Currency translation differences	(28)	4
Allowance recognised in profit or loss (note 8)	408	263
Allowance written-off	(229)	(3)
At end of year	790	639
Other receivables		
At beginning of year	1,503	1,157
Allowance recognised in profit or loss (note 8)	49	333
Currency translation differences	(66)	13
Reversal	(76)	–
Amount written-off	(34)	–
At end of year	1,376	1,503

The loans receivable from subsidiaries are unsecured and denominated in United States dollars ("USD"). These loans bear interest ranging from 0% to 3.6% (2015: 0% to 3.6%) per annum. The repayment terms of loans amounting to \$7,227,000 were amended to become repayable on demand during the year. The remaining loan amounting to \$4,625,000 is repayable in various instalments up to December 2017.

22. Inventories

	Group	
	2016	2015
	\$'000	\$'000
Statement of financial position		
Raw materials and consumables (at cost)	1,106	1,517
Work-in-progress (at cost)	39	38
Finished goods (at cost or net realisable value)	2,346	2,483
	3,491	4,038
Profit or loss		
Inventories recognised as expense in cost of sales	7,595	10,458
Write-down of inventories	–	11
	7,595	10,469

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

23. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Trade payables				
Non-related parties	5,312	6,298	–	–
Other accrued operating expenses	821	977	353	364
Other payables				
Related parties	–	1,107	–	–
Directors	2,019	1,930	–	–
Non-related parties				
– Payables for purchase of property, plant and equipment	110	140	–	–
– Payables for property under development	27	34	–	–
– Payables for investment properties	1,539	4,241	–	–
– Sundry payables	1,247	1,520	1	345
Deposits received	3,075	3,312	27	28
	14,150	19,559	381	737

24. Short-term bank borrowing

	Group	
	2016	2015
	\$'000	\$'000
Short-term bank borrowing	1,329	–

The short-term bank borrowing is secured by corporate guarantee of a subsidiary and personal guarantee by a director. This borrowing bears interest at 5.4% per annum.

25. Provision

	Group	
	2016	2015
	\$'000	\$'000
Provision for litigation and claims	1,394	–
Movements in provision for litigation and claims are as follows:		
At beginning of year	–	–
Additions	1,394	–
At end of year	1,394	–

Further details of legal proceedings are set out in note 33. These legal proceedings include civil court or arbitration brought against the Group (whether by way of claim or counterclaim).

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For the Financial Year Ended 31 December 2016

26. Provision for retirement benefits

	Group and Company	
	2016	2015
	\$'000	\$'000
At beginning of year	409	350
Provision recognised in profit or loss	59	59
At end of year	468	409

Three (2015: three) of the directors of the Company are entitled to retirement benefits in accordance with their service agreements with the Company.

27. Share capital and treasury shares

27A. Share capital

	Group and Company			
	2016		2015	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	347,439	71,856	347,439	71,856

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares, with no par value, rank equally with regard to the Company's residual assets.

Capital management

The objectives when managing capital are to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. Management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. Management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

27B. Treasury shares

	Group and Company			
	2016		2015	
	No. of shares '000	\$'000	No. of shares '000	\$'000
At 1 January and 31 December	5,414	1,929	5,414	1,929

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

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For the Financial Year Ended 31 December 2016

28. Other reserves

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Fair value adjustment reserve	1,005	(66)	1,005	(66)
Capital reserve	48	48	–	–
Foreign currency translation reserve	8,361	14,629	–	–
Statutory reserve	1,110	1,039	–	–
	<u>10,524</u>	<u>15,650</u>	<u>1,005</u>	<u>(66)</u>

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

Foreign currency translation reserve comprises exchange differences arising from translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency, and includes the exchange differences on monetary items which form part of the Group's net investment in foreign operations.

Statutory reserve ("SR") is set aside in compliance with the regulations of the country of registration of those subsidiaries registered in the PRC. At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SR until the cumulative total of the SR reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SR may be used to offset any accumulated losses or increase the registered capital of the subsidiary.

29. Dividends

	Group and Company	
	2016	2015
	\$'000	\$'000
Paid during reporting year		
First and final exempt (one-tier) dividend paid of \$0.003 (2015: \$0.008) per share in respect of the previous reporting year	<u>1,026</u>	<u>2,736</u>
Proposed but not recognised as liability as at 31 December		
<i>Dividends on ordinary shares subject to shareholders' approval at Annual General Meeting</i>		
First and final exempt (one-tier) dividend of \$0.003 (2015: \$0.003) per share	<u>1,026</u>	<u>1,026</u>

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For the Financial Year Ended 31 December 2016

30. Commitments

30A. Capital commitments

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Estimated amounts committed for future capital expenditure authorised and contracted for but not provided for in the financial statements	19,513	19,958	–	–
Capital contributions towards investment in subsidiaries not yet due	8,126	9,842	8,126	9,842
	<u>27,639</u>	<u>29,800</u>	<u>8,126</u>	<u>9,842</u>

30B. Operating lease commitments – the Group as lessor

The Group leases out office premises, commercial building and shopping mall to non-related parties under non-cancellable operating leases. The leases have remaining lease terms of between 1.5 to 9 years (2015: 2.5 to 10 years).

Future minimum lease receivables under the non-cancellable operating lease contracted for at the end of the reporting period but not recognised as receivables, are as follows:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	3,134	2,656	61	61
Later than 1 year but not later than 5 years	16,108	14,204	28	89
Later than 5 years	7,256	10,346	–	–
	<u>26,498</u>	<u>27,206</u>	<u>89</u>	<u>150</u>

31. Segment information

Segment information is presented in respect of the Group's operating and geographical segments. These segments are based on the Group's management and internal reporting structure.

The Group is currently organised into three reportable operating segments as follows:

- Investment holding – investment holding and administrative activities;
- Hotels and properties – operation of hotels and property development and investment; and
- PVC pipes and fittings – manufacturing and sale of PVC pipes and fittings.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment profit or loss and is measured in the same way as operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

31. Segment information (cont'd)

Segment information for the reporting years ended 31 December 2016 and 2015 are as follows:

Operating segments	Investment holding \$'000	Hotels and properties \$'000	PVC pipes and fittings \$'000	Others \$'000	Elimination \$'000	Total \$'000
Group						
2016						
Revenue						
External sales	–	4,166	10,696	–	–	14,862
Intersegment sales (note A)	–	10	1,080	–	(1,090)	–
Total sales	–	4,176	11,776	–	(1,090)	14,862
Results						
Segment results	(3,559)	(5,974)	658	(32)	–	(8,907)
Interest income	532	279	89	289	(161)	1,028
Interest expense	–	(228)	–	–	161	(67)
Share of results of associates	(83)	–	–	–	–	(83)
(Loss)/profit before income tax	(3,110)	(5,923)	747	257	–	(8,029)
Income tax expense	(184)	(680)	(39)	(66)	–	(969)
(Loss)/profit for the year	(3,294)	(6,603)	708	191	–	(8,998)
Assets						
Segment assets (note A)	232,494	178,055	22,600	21,918	(234,449)	220,618
Investments in associates	361	–	–	–	–	361
Deferred tax assets	–	168	–	–	–	168
Total assets	232,855	178,223	22,600	21,918	(234,449)	221,147
Liabilities						
Segment liabilities (note A)	861	63,427	569	5,629	(53,145)	17,341
Income tax payable	90	105	–	76	–	271
Total liabilities	951	63,532	569	5,705	(53,145)	17,612
Other segment information						
Additions to property, plant and equipment	13	238	10	–	–	261
Additions to properties under development	–	281	–	–	–	281
Additions to investment properties	–	1,223	–	–	–	1,223
Depreciation and amortisation	148	3,580	349	50	–	4,127
Foreign exchange losses	766	775	–	–	–	1,541

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For the Financial Year Ended 31 December 2016

31. Segment information (cont'd)

Operating segments	Investment holding \$'000	Hotels and properties \$'000	PVC pipes and fittings \$'000	Others \$'000	Elimination \$'000	Total \$'000
Group						
2015						
Revenue						
External sales	–	4,925	15,243	–	–	20,168
Intersegment sales (note A)	–	2	–	–	(2)	–
Total sales	–	4,927	15,243	–	(2)	20,168
Results						
Segment results	(4,433)	(3,509)	900	(81)	–	(7,123)
Interest income	632	34	43	469	(160)	1,018
Interest expense	–	(160)	–	–	160	–
Share of results of associates	(146)	–	–	–	–	(146)
(Loss)/profit before income tax	(3,947)	(3,635)	943	388	–	(6,251)
Income tax expense	(53)	(499)	(23)	(101)	–	(676)
(Loss)/profit for the year	(4,000)	(4,134)	920	287	–	(6,927)
Assets						
Segment assets (note A)	235,187	188,830	26,249	22,705	(234,839)	238,132
Investments in associates	1,590	–	–	–	–	1,590
Deferred tax assets	–	337	–	–	–	337
Total assets	236,777	189,167	26,249	22,705	(234,839)	240,059
Liabilities						
Segment liabilities (note A)	2,259	62,606	923	5,846	(51,666)	19,968
Income tax payable	25	899	18	100	–	1,042
Total liabilities	2,284	63,505	941	5,946	(51,666)	21,010
Other segment information						
Additions to property, plant and equipment	2	381	88	–	–	471
Additions to properties under development	–	646	–	–	–	646
Additions to investment properties	–	3,746	–	–	–	3,746
Depreciation and amortisation	153	3,839	430	54	–	4,476
Foreign exchange (gains)/ losses	(1,938)	635	–	–	–	(1,303)

Note A: Segment assets and segment liabilities include balances with companies in the Group. Inter-segment revenue, segment assets and segment liabilities are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

31. Segment information (cont'd)

Geographical information

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

	Group			
	Revenue		Non-current assets	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
PRC	14,862	20,168	129,638	138,999
Singapore	–	–	2,228	2,454
	14,862	20,168	131,866	141,453

Non-current assets information presented above consist of property, plant and equipment, properties under development, investment properties and land use rights as presented in the consolidated statements of financial position.

Revenue of approximately \$1,741,000 (2015: \$2,300,000) is derived from a single external customer attributable to the PVC pipes and fittings segment.

32. Financial instruments: information on financial risks

32A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial assets				
Cash and cash equivalents	43,937	33,884	11,110	12,888
Loans and receivables	22,670	41,229	37,563	38,288
Financial assets at fair value through profit or loss	7,057	8,348	7,057	8,348
Held-to-maturity investments	4,480	3,037	–	–
Available-for-sale financial assets	6,676	5,653	5,633	4,562
	84,820	92,151	61,363	64,086
Financial liabilities				
Trade and other payables measured at amortised cost	14,150	19,559	381	737
Other financial liabilities measured at amortised cost	1,329	–	–	–
	15,479	19,559	381	737

Further quantitative disclosures are included throughout these financial statements.

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For the Financial Year Ended 31 December 2016

32. Financial instruments: information on financial risks (cont'd)

32B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks and actions to be taken in order to manage the financial risks. However these are not documented in formal written form. The guidelines include the following:

- (i) Minimise interest rate, currency, credit and market risks for all kinds of transactions.
- (ii) Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
- (iii) All financial risk management activities are carried out and monitored by senior staff.
- (iv) All financial risk management activities are carried out following acceptable market practices.

32C. Fair value of assets and liabilities

Fair value hierarchy

The Group categorises fair value measurement using the fair value hierarchy as set out in note 2A.

Financial assets and liabilities measured at fair value

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

	Fair value measurements at end of reporting year using			
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Group and Company				
2016				
Financial assets				
Held for trading investments				
– Debt instruments (unquoted)	–	5,568	–	5,568
– Equity instruments (quoted)	1,489	–	–	1,489
Available-for-sale financial assets				
– Equity instruments (quoted)	4,680	–	–	4,680
– Other instruments (unquoted)	–	953	–	953
	6,169	6,521	–	12,690
2015				
Financial assets				
Held for trading investments				
– Debt instruments (unquoted)	–	6,521	–	6,521
– Equity instruments (quoted)	1,827	–	–	1,827
Available-for-sale financial assets				
– Equity instruments (quoted)	3,625	–	–	3,625
– Other instruments (unquoted)	–	937	–	937
	5,452	7,458	–	12,910

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For the Financial Year Ended 31 December 2016

32. Financial instruments: information on financial risks (cont'd)

32C. Fair value of assets and liabilities (cont'd)

Level 2 fair value measurements

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

Determination of fair value

Debt and other instruments (unquoted): These investments are valued using discounted cash flow method which uses observable data.

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

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

32D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents, receivables and certain other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk with customers is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk on receivables, as the exposure is spread over a large number of counter-parties and customers unless otherwise disclosed in the notes to the financial statements below.

Note 20 disclose the maturity of the cash and cash equivalents balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is approximately 40 days (2015: 40 days). However, certain customers may take a longer period to settle the amounts.

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For the Financial Year Ended 31 December 2016

32. Financial instruments: information on financial risks (cont'd)

32D. Credit risk on financial assets (cont'd)

Ageing analysis of the age of trade receivables amounts that are past due as at the end of the reporting year:

	Gross 2016 \$'000	Impairment losses, individually assessed 2016 \$'000	Gross 2015 \$'000	Impairment losses, individually assessed 2015 \$'000
Group				
Not past due	16,839	–	32,034	–
Past due 1 – 30 days	91	–	311	–
Past due 31 – 60 days	135	–	566	–
Past due 61 – 90 days	153	–	313	–
Past due 91 – 120 days	168	–	571	–
Past due more than 120 days	2,236	790	3,822	639
	19,622	790	37,617	639

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due up to 120 days. These unsecured receivables are mainly due from customers that have acceptable repayment records with the Group. Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and/or have defaulted on repayments. These receivables are not secured by any collateral or credit enhancements. Included in trade receivables is an amount of approximately \$1,446,000 (2015: \$3,183,000) that is past due for more than 120 days for which the Group has not provided for any impairment allowance as the directors are of the opinion that there is no significant change in the credit quality of these receivables and these receivables are still considered recoverable. The Group does not hold any collateral over these balances.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting year is as follows:

	Group		Group	
	2016		2015	
	\$'000	% of total	\$'000	% of total
By industry sector				
Hotels and properties	15,585	83	31,465	85
PVC pipes and fittings	3,246	17	5,511	15
Others	1	–	2	–
	18,832	100	36,978	100

Other receivables are normally with no fixed terms and therefore there is no maturity.

Concentration of trade receivable customers as at the end of reporting year:

	2016 \$'000	2015 \$'000
Top 1 customer	877	1,402
Top 2 customers	1,373	2,454
Top 3 customers	1,817	3,045

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

32. Financial instruments: information on financial risks (cont'd)

32E. Liquidity risk – financial liabilities maturity analysis

Liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is approximately 30 to 60 days (2015: 30 to 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows. In addition, the financial assets are held for which there is a liquid market and that are readily available to meet liquidity needs.

	Less than 1 year \$'000	1 – 5 years \$'000	More than 5 years \$'000	Total \$'000
Group				
2016				
Financial assets				
Trade and other receivables	22,670	–	–	22,670
Cash and cash equivalents	43,937	–	–	43,937
Investment securities	11,537	5,633	–	17,170
Other investments	–	–	1,043	1,043
Total financial assets	78,144	5,633	1,043	84,820
Financial liabilities				
Trade and other payables	14,150	–	–	14,150
Short-term borrowing	1,329	–	–	1,329
Total undiscounted financial liabilities	15,479	–	–	15,479
Net financial assets	62,665	5,633	1,043	69,341
2015				
Financial assets				
Trade and other receivables	26,325	14,904	–	41,229
Cash and cash equivalents	33,884	–	–	33,884
Investment securities	11,385	4,562	–	15,947
Other investments	–	–	1,091	1,091
Total financial assets	71,594	19,466	1,091	92,151
Financial liabilities				
Trade and other payables	19,559	–	–	19,559
Total undiscounted financial liabilities	19,559	–	–	19,559
Net financial assets	52,035	19,466	1,091	72,592

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

32. Financial instruments: information on financial risks (cont'd)

32E. Liquidity risk – financial liabilities maturity analysis (cont'd)

	Less than 1 year \$'000	1 – 5 years \$'000	Total \$'000
Company			
2016			
Financial assets			
Trade and other receivables	37,563	–	37,563
Cash and cash equivalents	11,110	–	11,110
Investment securities	7,057	5,633	12,690
Total financial assets	55,730	5,633	61,363
Financial liabilities			
Trade and other payables	381	–	381
Total undiscounted financial liabilities	381	–	381
Net financial assets	55,349	5,633	60,982
2015			
Financial assets			
Trade and other receivables	29,512	8,776	38,288
Cash and cash equivalents	12,888	–	12,888
Investment securities	8,348	4,562	12,910
Total financial assets	50,748	13,338	64,086
Financial liabilities			
Trade and other payables	737	–	737
Total undiscounted financial liabilities	737	–	737
Net financial assets	50,011	13,338	63,349

32F. Interest rate risk

The interest rate risk exposure is from changes in fixed interest rates and floating interest rates and it mainly concerns financial liabilities. As the Group's short-term borrowing is not material, interest rate risk is not expected to be significant to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

32. Financial instruments: information on financial risks (cont'd)

32G. Foreign currency risk

Analysis of amounts denominated in non-functional currencies:

	USD \$'000	HKD \$'000	RMB \$'000	Total \$'000
Group				
2016				
Financial assets				
Cash and cash equivalents	10,399	66	–	10,465
Trade and other receivables	9	–	–	9
Investment securities	334	417	–	751
	10,742	483	–	11,225
Financial liabilities				
Trade and other payables	–	–	14	14
Total financial liabilities	–	–	14	14
Net financial assets	10,742	483	(14)	11,211
2015				
Financial assets				
Cash and cash equivalents	11,069	5	–	11,074
Trade and other receivables	14	–	–	14
Investment securities	437	654	–	1,091
	11,520	659	–	12,179
Financial liabilities				
Trade and other payables	345	–	14	359
Total financial liabilities	345	–	14	359
Net financial assets	11,175	659	(14)	11,820
Company				
2016				
Financial assets				
Cash and cash equivalents	10,098	66	–	10,164
Trade and other receivables	12,540	–	25,028	37,568
Investment securities	334	417	–	751
	22,972	483	25,028	48,483
Financial liabilities				
Trade and other payables	–	–	14	14
Total financial liabilities	–	–	14	14
Net financial assets	22,972	483	25,014	48,469

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

32. Financial instruments: information on financial risks (cont'd)

32G. Foreign currency risk (cont'd)

Analysis of amounts denominated in non-functional currencies (cont'd):

	USD \$'000	HKD \$'000	RMB \$'000	Total \$'000
Company				
2015				
Financial assets				
Cash and cash equivalents	10,215	5	–	10,220
Trade and other receivables	12,145	–	26,141	38,286
Investment securities	437	654	–	1,091
	22,797	659	26,141	49,597
Financial liabilities				
Trade and other payables	345	–	14	359
Total financial liabilities	345	–	14	359
Net financial assets	22,452	659	26,127	49,238

Sensitivity analysis

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
A hypothetical 10% strengthening in the exchange rate of the respective functional currency against USD with all other variables held constant would have an adverse effect on pre-tax loss of	(1,074)	(1,118)	(2,297)	(2,245)
A hypothetical 10% strengthening in the exchange rate of the respective functional currency against RMB with all other variables held constant would have an favourable/(adverse) effect on pre-tax loss of	1	1	(2,501)	(2,613)

The above table shows sensitivity to a hypothetical 10% variation in the respective functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

32. Financial instruments: information on financial risks (cont'd)

32H. Market price risk

Market price risk is 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 investments in quoted equity instruments. These instruments are quoted on the Hong Kong Exchanges and Clearing Ltd in Hong Kong, SGX-ST in Singapore and New York Stock Exchange in the United States of America and are classified as held for trading or available-for-sale financial assets. The Group does not have exposure to commodity price risk.

Sensitivity analysis

At the end of the reporting year, if the share price had been 10% (2015: 10%) higher/lower with all other variables held constant, the Group's other comprehensive income would have been \$468,000 (2015: \$363,000) higher/lower, as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale and the Group's profit before tax would have been \$149,000 (2015: \$183,000) higher/lower, as a result of higher/lower fair value gains on held for trading investments.

33. Legal proceedings and contingent liabilities

Certain of the Company's subsidiaries in the PRC are involved as parties in legal proceedings.

The recognition of provisions is determined in accordance with the accounting policies set out in note 2A. While the outcome of legal proceedings is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 31 December 2016 (note 25). Any provision recognised does not constitute an admission of wrongdoing or legal liability.

Dali San Teh Xing

Dali San Teh Xing, a subsidiary whose principal activities relate to property development, is involved in litigation with its main contractor due to disputes in quality of the constructions works. The construction has since been put on hold.

According to a judgement handed down by the Dali Bai Autonomous Prefecture Intermediate People's Court of Yunnan Province (the "Dali Intermediate Court") on 3 March 2016, the construction contracts entered into by both parties are mainly still valid and both parties must therefore continue with the project. In addition, Dali San Teh Xing was required to compensate the main contractor as follows:

- Work stoppages up till 22 May 2015 amounting to \$1,125,000 (equivalent to RMB5,400,000); and
- Work stoppages from 23 May 2015 up to the day of resumption of construction work at RMB10,081 per day, which is estimated to be approximately \$688,000 (equivalent to RMB3,300,000).

At the same time, the court also ruled that the main contractor must return to Dali San Teh Xing the advance payment amounting to \$1,500,000 (equivalent to RMB7,200,000).

Both parties filed appeals to the People's High Court of Yunnan Province (the "Yunnan High Court"). On 6 December 2016, the Yunnan High Court revoked the Dali Intermediate Court's ruling. The reason cited was that the basic facts of the case had not been made clear to the Dali Intermediate Court. The case was sent back to the Dali Intermediate Court for re-trial.

Dali San Teh Xing is currently preparing supporting documents and evidence to prove that there were indeed quality issues with the construction works. Based upon the information currently available, management believes that, had these quality issues been considered by the Dali Intermediate Court, the outcome would have been different and Dali San Teh Xing would likely defend the case successfully. Accordingly, management believes it is not probable that the settlement will require the outflow of any economic resources.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

33. Legal proceedings and contingent liabilities (cont'd)

Shanghai San Teh Xing

Shanghai San Teh Xing, a subsidiary which owns a shopping mall in the PRC, is currently involved in a number of lawsuits with various parties, including its tenants and property manager, due to disputes in the contractual agreements.

Depending on whether and to what extent the counter-parties are able to demonstrate loss causation, the amount of damages, based upon the claims submitted, may be up to \$4,977,000.

As at 31 December 2016, a provision of \$1,394,000 has been recognised. This represents management's best estimate of the probable outflows of economic resources; however, due to uncertainties and limitations of this estimate, the ultimate damages could differ significantly from this amount.

34. Changes and adoption of financial reporting standards

For the current reporting year new or revised Financial Reporting Standards in Singapore and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 1	Amendments to FRS 1: Disclosure Initiative
FRS 7	Amendments to FRS 7: Disclosure Initiative (early application)
Various	Improvements to FRSs (Issued in November 2014)
	FRS 105 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

35. New or amended standards in issue but not yet effective

For the future reporting years new or revised Financial Reporting Standards in Singapore and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

FRS No.	Title	Effective date for periods beginning on or after
FRS 109	Financial Instruments	1 Jan 2018
FRS 115	Revenue from Contracts with Customers	1 Jan 2018
FRS 115	Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 Jan 2018
FRS 116	Leases	1 Jan 2019

FRS 115 *Revenue from Contracts with Customers* effective for annual periods beginning on or after 1 January 2018 replaces FRS 11, FRS 18 and their interpretations (INT FRS 31, 113, 115 and 118). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g., the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). Management anticipates that FRS 115 will be adopted in the financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the revenue. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

35. New or amended standards in issue but not yet effective (cont'd)

FRS 116 *Leases* effective for annual periods beginning on or after 1 January 2019 replaces FRS 17 and its interpretations. Almost all leases will be brought onto lessees' statements of financial position under a single model (except leases of less than 12 months and leases of low value assets). Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. Management anticipates that FRS 116 will be adopted in the financial statements when it becomes mandatory and that the application of the new standard will have a significant effect on amounts reported in respect of the leases. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Singapore-incorporated companies listed on the SGX-ST will be required to comply with new financial reporting standards (to be issued by the Singapore Accounting Standards Council) as identical to the International Financial Reporting Standards for reporting year beginning on or after 1 January 2018. Comparative figures are required. Management anticipates that new financial reporting standards will be adopted in the financial statements when they become mandatory. The application of IFRS 1 *First-time adoption of IFRS* might have a significant effect on amounts reported in the financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

36. Comparative figures

The financial statements for the reporting year ended 31 December 2015 were audited by another firm of independent auditors (other than RSM Chio Lim LLP) whose report dated 18 March 2016 expressed an unqualified opinion on those financial statements.

PORTFOLIO OF PROPERTIES

31 December 2016

The properties of the Group are as follows:

Location	Type of premises	Site Area (in sqm)	Built up Area (in sqm)	Tenure	Years
701 Sims Drive #05/06-01 LHK Building Singapore 387383	Administrative offices	–	594	Freehold	–
Unit Nos. 6A, 6B, 6C, 6D, 6E & 6F Huli East Avenue, Huli District 6th Floor, Tong Ji Building, Xiamen The People's Republic of China	Administrative offices	–	2,290	Leasehold	50 years from 1991
Unit No. 12B03 Blk D, Yuxiu Centre, Xiamen The People's Republic of China	Condominium	11	152	Leasehold	70 years from 1998
No. 1 Duan Jia Ba Road Nantong, Jiangsu Province The People's Republic of China	Shopping mall and hotel building	6,183	28,661	Leasehold	50 years from 1993
Ching Nian Road Nantong, Jiangsu Province The People's Republic of China	A parcel of land	2,087	–	Leasehold	50 years from 1993
C-105 Duan Jia Ba Road Nantong, Jiangsu Province The People's Republic of China	21 units of 1-storey staff quarters	–	1,623	Leasehold	70 years from 1993
No. 9 Guangzhou Road, Nantong Economic & Technological Development Zone	Factory and office building	28,347	17,741	Leasehold	50 years from 1993
Fuming Port, Nantong Jiangsu Province The People's Republic of China	Storage area	22,906	–	Leasehold	50 years from 1993
No. 3888 Huantaihu Road Xukou Town, Wuzhong District Suzhou, Jiangsu Province The People's Republic of China	3-storey and 6-storey resort hotel buildings	66,667	23,645	Leasehold	50 years from 1997
	4-storey staff quarter	–	2,322	Leasehold	50 years from 1997

PORTFOLIO OF PROPERTIES

31 December 2016

Location	Type of premises	Site Area (in sqm)	Built up Area (in sqm)	Tenure	Years
Unit Nos. 101, 102, 201 & 202 No. 24 Jinguixi Estate Anting Town, Jiading District, Shanghai The People's Republic of China	Four 1-storey office and staff hostel	–	360	Leasehold	70 years from 1994
Unit Nos. 101, 102, 201 & 202 No. 19 Jinguixi Estate Anting Town, Jiading District, Shanghai The People's Republic of China	Four 1-storey office and staff hostel	–	362	Leasehold	70 years from 1994
No. 5533 Cao'an Road Anting Town, Jiading District, Shanghai The People's Republic of China	Commercial building, SOHO apartment and shopping mall	16,461	58,514	Leasehold	40 – 50 years from 2010
C-2-202, 203 Jinse Junyuan Shizha Lijiaoqiao, Panlong District Kunming, Yunnan Province The People's Republic of China	Two 2-storey quarters and parking lot	–	308	Leasehold	70 years from 2009
No. 21 Shuanglong Road Lanyuanjinzhen Heqing, Dali, Yunnan Province The People's Republic of China	Bungalow	281	326	Leasehold	64 years from 2012
No. 12 Shuanglong Road Lanyuanjinzhen Heqing, Dali, Yunnan Province The People's Republic of China	Bungalow	171	274	Leasehold	61 years from 2015
Huanglongtan, Xipianqu, Yunhe Town Heqing, Dali, Yunnan Province The People's Republic of China	A parcel of land	36,553	–	Leasehold	40 – 70 years from 2013
Zhaoxia Road, Xipianqu, Yunhe Town Heqing, Dali, Yunnan Province The People's Republic of China	A parcel of land	113,665	–	Leasehold	40 – 70 years from 2013
Yuantan Anzhi Xiaoqu Anxi, Fujian Province The People's Republic of China	Residential apartments	24,190	76,991	Leasehold	70 years from 2012

CORPORATE GOVERNANCE REPORT

The Board of Directors of San Teh Ltd recognises the importance of and is committed to setting and maintaining high standards of corporate governance to protect shareholders' interest and enhance shareholders' value and corporate transparency. This report outlines the Company's corporate governance processes and activities with specific reference to the principles of Code of Corporate Governance 2012 (the "Code").

The Company has generally adhered to the principles and guidelines of the Code except for Guidelines 3.1, 9.2 and 9.3 where appropriate explanations are provided for the deviations.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The Board is entrusted with the responsibility of the overall management of the Company. The principal functions of the Board are: Guideline 1.1

- (1) Providing entrepreneurial leadership, setting strategic objectives and ensuring the necessary financial and human resources are in place for the Company to meet its objectives;
- (2) Reviewing the performance of management;
- (3) Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- (4) Approving annual budgets, funding requirements, expansion programmes, capital investment, major acquisitions and divestment proposals;
- (5) Approving announcements including approval and release of financial results and annual reports;
- (6) Approving the recommended framework of remuneration for the Board and key executives as may be recommended by the Remuneration Committee ("RC");
- (7) Identifying the key stakeholder groups and recognises that their perceptions affect the Company's reputation;
- (8) Setting the Company's values and standards (including ethical standards) and ensure that obligations to shareholders and other stakeholders are understood and met; and
- (9) Consider sustainability issues such as environmental and social factors as part of its strategic formulation.

All directors exercise due diligence and independent judgement, and make decisions objectively in the best interests of the Group. This is a performance criteria for the assessment of the directors. Guideline 1.2

The Board is supported by three sub-committees, namely a Nominating Committee ("NC"), a RC and an Audit Committee ("AC"). Each Committee has its own defined terms of reference and operating procedures. Guideline 1.3

The Board meets at least four times a year and additional meetings are held whenever necessary. The provisions in the Company's Constitution allow a Board meeting to be conducted by way of tele-conference and video-conference. Guideline 1.4

The Board met four (4) times in 2016 to review the Group's business operations and financial performance and approve major transactions.

CORPORATE GOVERNANCE REPORT

The attendances of the directors at the meetings of the Board and Board Committees during the year are disclosed as follows:

Period covering January to December 2016

	Board Meeting		Audit Committee Meeting		Nominating Committee Meeting		Remuneration Committee Meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Kao Chuan Chi	4	4	5	5*	1	1	1	1*
Kao Chuan Trong	4	4	5	5*	1	1*	1	1*
Kao Ching Fong nee Pan	4	4	5	5*	1	1*	1	1*
Gui Kim Young @ Gui Kim Gan	4	4	5	5	1	1	1	1
Chuang Wen Fu	4	4	5	5	1	1	1	1
Ko Chuan Aun	4	4	5	5	1	1*	1	1

* Attendance by invitation of the respective Committees

Apart from formal meetings, the directors also held informal meetings and discussions with management from time to time. The Board is free to request for further clarifications and information from management on all matters within their purview.

Matters that require the Board's approval include:

Guideline 1.5

- (1) Annual budget and business plan of the Group;
- (2) Major acquisitions and divestment proposals;
- (3) Declaration of interim dividends and proposal of final dividends;
- (4) Announcements of the Group's quarterly and full year financial results and annual reports;
- (5) Issuance of shares;
- (6) Corporate or financial restructurings; and
- (7) Interested person transactions.

Newly appointed director, if any, will be issued a formal letter of appointment setting out his duties and responsibilities.

Guideline 1.7

First-time director, if any, will also receive training in areas such as accounting, legal and industry specific knowledge as well as undergo training on the roles and responsibilities as director of a listed company.

Guideline 1.6

A comprehensive orientation and induction programme, including site visits to the Group's key operating centres, is organised for new director to familiarise him with the Group's business, operations, organisation structure, key management and corporate policies.

From time to time, the directors are briefed on the new accounting standards and corporate governance practices as well as updates on any changes in the Companies Act, SGX-ST Listing Manual and other relevant legislations.

On a periodic basis, the executive directors update the Board at each meeting on the business and strategic developments of the Group.

Directors are informed and encouraged to attend relevant training programmes, seminars and workshops conducted by the Singapore Institute of Directors, Singapore Exchange or other professional bodies and training institutions. This is to equip themselves to effectively discharge their duties and to enhance their skills and knowledge, either as part of their own professional practice or skills upgrading, or through the Company.

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Guidance

The Board comprises six members, three of whom are independent directors:

Guideline 2.1
and
Guideline 2.2

Executive Directors

Kao Chuan Chi	(Chairman of the Board and Chief Executive Officer)
Kao Chuan Trong	(Managing Director)
Kao Ching Fong nee Pan	(Executive Director)

Non-Executive Directors

Gui Kim Young @ Gui Kim Gan	(Lead Independent Director)
Chuang Wen Fu	(Independent Director)
Ko Chuan Aun	(Independent Director)

Name of Directors	Date of Appointment	Date of Last Re-election or Re-appointment
Kao Ching Fong nee Pan	18 November 1980	29 April 2016
Chuang Wen Fu	1 June 1982	30 April 2015
Gui Kim Young @ Gui Kim Gan	4 February 1998	29 April 2016
Kao Chuan Trong	31 December 2007	29 April 2011
Kao Chuan Chi	13 July 2009	30 April 2013
Ko Chuan Aun	16 August 2010	30 April 2014

Further information on each director are set out on page 8 to 9 of this Annual Report. In addition, information on the shareholding held by each director in the Company can be found on page 13 of this Annual Report.

Guideline 4.7

The Board, taking into account the views of the NC, assesses the independence of each director annually in accordance with the guidance in the Code. The Board considers an independent director as one who, *inter alia*, has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company.

Guideline 2.3

In line with the guidance in the Code, the Board takes into account whether the director is independent in character and judgement and the existence of relationships or circumstances that are relevant in its determination as to whether a director is independent, including the employment of a director by the Company or any of its related corporations during the financial year or any of the previous three financial years; the employment of an immediate family member by the Company or any of its related corporations during the financial year or any of the past three financial years and whose remuneration is determined by the RC; the acceptance by a director of any significant compensation from the Company or any of its related corporations for the provision of services during the financial year or the previous financial year, other than compensation for board service; and a director being related to any organisation from which the Company or any of its subsidiaries received significant payments or material services during the financial year or the previous financial year; a director who is a 10% shareholder of the Company or is an immediately family member of a 10% shareholder; and a director who is or has been associated with a 10% shareholder of the Company in the financial year or the previous financial year.

Each independent director is required to complete a Director's Independence Checklist annually to confirm his independence based on the guidelines as set out in the Code. The directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code.

The Board recognises that independent directors may over time develop significant insights into the Group's business and operations and can continue to provide significant and valuable contributions to the Board. Where there are such directors, the NC and the Board will review vigorously their continuing contributions and independence and may exercise its discretion to extend the tenure of these directors where appropriate.

Guideline 2.4

CORPORATE GOVERNANCE REPORT

Particular scrutiny is applied in assessing the continued independence of a director having served beyond nine years from the date of his first appointment, with attention to ensuring that his allegiance remains clearly aligned with shareholders' interest. Currently, Mr. Gui Kim Young @ Gui Kim Gan and Mr. Chuang Wen Fu have served on the Board for more than nine years from the date of their first appointment. The NC considered the following attributes and contributions of the 2 independent directors and found that the length of tenure does not have any impact on their independence:

- (1) The independent directors provide their objective and constructive views to the Board and management;
- (2) The independent directors always speak up and offer practical solutions to issues and work towards adding value to the Group for the benefit of all shareholders especially committed to upholding the interest of those non-controlling shareholders; and
- (3) The independent directors evaluate and assess the information provided to the Board in an independent and constructive manner and render such advice as may be necessary to assist management to implement plans and policies adopted by the Group.

The NC believes that the independent directors' experience and knowledge of the Group's business, combined with their external business and professional experience, enable them to provide effective solutions and make constructive contributions to management discussions.

Accordingly, the NC is of the view that Mr. Gui and Mr. Chuang are considered independent. The Board has accepted the NC's view and affirmed the independence of the independent directors.

Notwithstanding the foregoing, the Board will continue to review the composition of the Board and consider the appropriateness of Board renewal should the opportunity arise.

The Board is of the view that given the nature and scope of the Group's operations, the present Board size of six members is appropriate to facilitate effective decision-making to meet the needs and demands of the Group's business. Given the diverse qualifications, experience, background, gender and profile of the independence non-executive directors, the Board collectively possesses core competencies in areas such as accounting or finance, risk management, business or management experience and industry knowledge. As such, the Board is of the opinion that the current Board members as a group provides an appropriate balance and diversity of the relevant skills, experience and expertise required for effective management of the Group.

Guideline 2.5
and
Guideline 2.6

The Board includes one female director in recognition of the importance and value of gender diversity.

While all the directors share an equal responsibility for the Company's operations, the role of the non-executive directors is crucial. The Board comprises three non-executive directors who help to develop proposals on Company strategies and ensure that the strategies proposed by the management are constructively challenged. They are also responsible for reviewing the performance of the management in meeting agreed goals and objectives and monitoring the reporting of performance.

Guideline 2.7

The independent directors meet on a need-basis without the presence of the management to discuss and review any matters regarding the Group.

Guideline 2.8

Principle 3: Chairman and Chief Executive Officer ("CEO")

Both the roles of Chairman and CEO of the Group were assumed by Mr. Kao Chuan Chi. Mr. Kao's executive responsibilities include developing the Group's business, overseeing the workings of the Board to ensure that procedures are introduced to comply with the Code.

Guideline 3.1
and
Guideline 3.2

Although the roles and responsibilities of the Chairman and CEO are vested in Mr. Kao, the Board is of the opinion that the present Group structure and business scope do not warrant a split of the two roles. As Chairman, he ensures that independent directors are able to speak freely and major decisions are made in consultation with the Board. The Board comprises six members, three of whom are independent directors. The Board believes that there are adequate measures in place against an uneven concentration of power and authority in one individual.

CORPORATE GOVERNANCE REPORT

The Board has appointed Mr. Gui Kim Young @ Gui Kim Gan as the lead independent director. Mr. Gui is also a member of the NC. Shareholders with concerns may contact him directly when contact through the normal channels via the Chairman and CEO or Chief Financial Officer ("CFO") has failed to provide satisfactory resolution, or when such contact may be inappropriate. Guideline 3.3

The independent directors, led by the lead independent director, meet amongst themselves without the presence of the other directors where necessary, and the lead independent director will provide feedback to the Chairman after such meetings. Guideline 3.4

Principle 4: Board Membership

The NC comprises three members, the majority of whom, including the chairman are independent directors: Guideline 4.1

Chuang Wen Fu (Chairman)
Gui Kim Young @ Gui Kim Gan
Kao Chuan Chi

The principal functions of the NC are to: Guideline 4.2

- (1) Make recommendations to the Board on all board appointments;
- (2) Provide nominations for the re-appointment of directors having regard to their contribution and performance;
- (3) Assess the independence of the directors annually;
- (4) Assess whether or not a director is able to and has been adequately carrying out his duties as a director;
- (5) Review the appropriateness of the size and succession plans of the Board;
- (6) Evaluate the effectiveness and performance of the Board and the contribution by each individual director to the effectiveness of the Board; and
- (7) Review and recommend to the Board, training and professional development programmes for the directors.

Pursuant to the existing Constitution, one-third of the directors shall retire from office at each Annual General Meeting ("AGM") with the exception of the Executive Chairman and Managing Director, who shall not be required to retire from office of a director. The retiring directors are eligible to offer themselves for re-election.

The NC is responsible for re-appointment of directors. In its deliberations on the re-appointment of existing directors, the NC takes into consideration the director's contribution and performance. The assessment criteria include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Board Committees as well as the quality of intervention and special contribution.

The NC conducted an annual review of the independence of the directors as mentioned under Guidelines 2.3 and 2.4 above based on their declarations of independence (or otherwise), which were drawn up based on the guidelines provided under the Code. As and when circumstances require, the NC will also assess and determine a director's independence. Guideline 4.3

For directors who have board representations in other public listed companies, the NC has reviewed the work and other commitments of such directors and assessed their ability to discharge their Board responsibilities. The NC is satisfied that some of the directors despite having multiple directorships, have committed and are able to commit sufficient time, effort and attention to the affairs of the Group. The NC is of the view that fixing a number for such board representation is not meaningful in the context of the Group. The Board has accepted and affirmed the view of the NC. Guideline 4.4

Currently, the Company does not have any alternate director. Guideline 4.5

CORPORATE GOVERNANCE REPORT

The NC is tasked to review the qualification and experience of a new director before making recommendation to the Board for his appointment. The NC will be in consultation with the Board to determine the selection criteria in order to identify the candidates. The Company has established the following process of selecting and appointing new director:

Guideline 4.6

- (1) The NC will review annually the size of the Board and to determine that the composition of the Board has a balance and diversity of skills, experience and knowledge;
- (2) External help such as recruitment firms may be considered as a source for potential candidates and the controlling shareholders and management may provide recommendations;
- (3) The NC will assess the suitability of the potential candidates based on their criteria; and
- (4) The NC will make recommendations to the Board for approval.

For FY2016, no new director was appointed to the Board.

Principle 5: Board Performance

The NC assesses the effectiveness of the Board as a whole, its Board Committees and the contribution of each individual director to the effectiveness of the Board on an annual basis. All directors are requested to complete evaluation forms designed to seek their view on the various aspects of the Board performance so as to assess the overall effectiveness of the Board. The completed evaluation forms are submitted to the Company Secretary for collation and the consolidated responses are presented to the NC for review before submitting to the Board for discussion and determining areas for improvement and enhancement of the Board effectiveness.

Guideline 5.1

No external facilitator was engaged by the Company in FY2016.

The NC had conducted the Board's performance evaluation as a whole for FY2016 together with the performance evaluation of the AC, RC and NC. The performance criteria for the Board and Board Committees' evaluation, as determined by the NC, cover the following areas:

Guideline 5.2

- (1) Board Composition and Structure;
- (2) Conduct of Meetings;
- (3) Corporate Strategy and Planning;
- (4) Risk Management and Internal Control;
- (5) Measuring and Monitoring Performance;
- (6) Training and Recruitment;
- (7) Compensation and Financial Reporting;
- (8) Board Committees; and
- (9) Communication with Shareholders.

The abovementioned performance criteria do not change from year to year.

Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each director is contributing to the overall effectiveness of the Board.

The assessment parameters for each director include their knowledge and abilities, attendance records at the meetings of the Board and Board Committees, and the intensity and quality of participation at meetings. The NC and the Board have relied on the abovementioned parameters to evaluate the directors' contribution individually and have taken such evaluation into consideration for the re-nomination of the directors.

Guideline 5.3

The replacement of a director, when it occurs, does not necessarily reflect the director's performance, but may be driven by the need to align the Board with the needs of the Group.

CORPORATE GOVERNANCE REPORT

Principle 6: Access to Information

The directors have separate and independent access to the management and all the Group's records at all times in carrying out their duties.

Guideline 6.1
and
Guideline 6.2

Detailed Board papers and files are prepared and circulated in advance for each meeting. This is to give directors sufficient time to review the matters to be discussed so that discussions can be more meaningful and productive. Any other matters may also be tabled at the Board meeting and discussed without papers being distributed. The Board papers and files include sufficient information from the management on financial, operating and corporate issues for directors to decide on issues presented at the Board and Board Committee meetings. Such information may also be in the form of presentations made by management in attendance at the meetings, or given by external advisors and consultants engaged by the Company.

The Board receives quarterly management financial statements, annual budgets and explanation on material forecasts variances to enable them to oversee the Group's operational and financial performance. Directors are also informed on a regular basis as and when there are any significant developments or events relating to the Group's business operations.

The Company Secretary attends all board meetings and assists the Chairman in the development of agenda including providing the Board with Board papers and related materials. He also ensures that board procedures are followed and applicable rules and regulations are complied with and is responsible for recording of the proceeding.

Guideline 6.3

The appointment and removal of the Company Secretary is decided by the Board.

Guideline 6.4

A director or as a group, may seek professional advice in furtherance of their duties and the costs will be borne by the Company.

Guideline 6.5

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises the following three members, all of whom are independent directors:

Guideline 7.1

Gui Kim Young @ Gui Kim Gan (Chairman)
Chuang Wen Fu
Ko Chuan Aun

The primary functions of the RC are:

Guideline 7.2
and
Guideline 7.4

- (1) To review and recommend to the Board a framework of remuneration and specific remuneration packages for each director and the CEO;
- (2) To review the remuneration of senior management, and employees who are related to the directors, CEO and substantial shareholders;
- (3) To recommend to the Board the Executive's and Employees' Share Option Schemes or any long term incentive scheme; and
- (4) Review the Group's obligations in the event of termination of executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RC's review covers all aspects of remuneration including salaries, fees, allowances, bonuses and benefits in kind for the individual director and key management personnel. The RC's recommendations are submitted for endorsement by the entire Board.

Each member of the RC refrains from voting on any resolutions in respect of the assessment of his remuneration. No director will be involved in determining his own remuneration.

CORPORATE GOVERNANCE REPORT

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. There was no remuneration consultant engaged for FY2016.

Guideline 7.3

Principle 8: Level and Mix of Remuneration

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the executive directors and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group.

Guideline 8.1

The remuneration of the executive directors is based on service agreements. Executive directors do not receive director's fee but are remunerated as members of management. The remuneration package of the executive directors and the key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

The Company does not have any long-term incentive scheme or schemes involving the offer of shares or grant of options or any other forms of deferred remuneration during FY2016.

Guideline 8.2

The non-executive directors are paid a director's fee. The Board concurred with the RC's proposal for non-executive directors' fees for FY2016. The RC and the Board are of the view that remuneration of the non-executive directors is appropriate and not excessive taking into account factors such as effort and time spent, and the increasingly onerous responsibilities of the directors. Directors' fees are subject to approval by the shareholders at the AGM.

Guideline 8.3

Having reviewed and considered the variable components of the executive director and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration paid in prior years.

Guideline 8.4

Principle 9: Disclosure on Remuneration

Details on the remuneration of directors and key management personnel for the year under review are reported below.

Guideline 9.1

A breakdown, showing the level and mix of each individual director's remuneration paid or payable for the financial year ended 31 December 2016 is as follows:

Guideline 9.2
and
Guideline 9.3

	Salary %	Directors' Fees* %	Bonus %	Other Benefits %	Total Remuneration %
Remuneration Band Between S\$250,000 and S\$499,999					
Executive Directors					
Kao Chuan Chi	98	Nil	2	Nil	100
Kao Chuan Trong	99	Nil	1	Nil	100
Kao Ching Fong nee Pan	98	Nil	1	1	100
Remuneration Band Below S\$250,000					
Non-Executive Directors					
Gui Kim Young @ Gui Kim Gan	Nil	100	Nil	Nil	100
Chuang Wen Fu	Nil	100	Nil	Nil	100
Ko Chuan Aun	Nil	100	Nil	Nil	100

* These fees are subject to approval by shareholders on a collective basis at the forthcoming AGM on 28 April 2017.

CORPORATE GOVERNANCE REPORT

The Group confirms that there are only three key management personnel.

Disclosure of the top three executives' remuneration (who are not directors or the CEO) in bands of S\$250,000 is as follows:

Below S\$250,000	Salary %	Bonus %	Other Benefits %	Total Remuneration %
Dai Yu Feng	78	14	8	100
Chang Yen Chun	82	7	11	100
Lim Wee Tziang	97	3	Nil	100

Although the disclosure is not in compliance with the recommendation in the Code, the Board is of the view that given the confidentiality and competitive reasons, it will not be in the interest of the Company to disclose the actual remuneration of the directors and the total remuneration paid to the top three executives (who are not directors or the CEO).

There is no employee of the Group who is an immediate family member of a director or the CEO whose remuneration exceeds S\$50,000 for the financial year ended 31 December 2016.

Guideline 9.4

The Company does not have any employee share option scheme or any other long-term incentive scheme.

Guideline 9.5
and
Guideline 9.6

Please refer to Guidelines 8.1 and 8.2 for further details regarding the executive directors' and key management personnel's remuneration.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board reviews and approves the results as well as any announcements before its release. Shareholders are provided with the first three quarters and the annual financial reports within 45 days of the end of quarter and within 60 days of the financial year-end respectively.

Guideline 10.1

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and Group's performance, position and prospects.

The Board takes adequate steps to ensure compliance with legislative and regulatory requirements.

Guideline 10.2

In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its quarterly financial statements announcements.

All the directors and executive officers of the Group also signed a letter of undertaking pursuant to the amended Rule 720(1) of the Listing Manual of the SGX-ST.

The management provides the Board with management accounts and such explanation and information on a regular basis and as the Board may require from time to time, to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Guideline 10.3

Principle 11: Risk Management and Internal Controls

The Board acknowledges that it is responsible for the overall internal control and risk management systems. It oversees the management in the design, implementation and monitoring of the risk management and internal control systems.

Guideline 11.1

The Board is also responsible for governance of risk management and determining the Company's levels of risk tolerance and risk policies.

CORPORATE GOVERNANCE REPORT

The AC, together with the Board and the CFO, reviewed the effectiveness of the Group's internal control and risk management systems put in place to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information are reliable.

Guideline 11.2

The Group conducted risk management review exercise to identify and prioritise the top risks affecting the Group. The exercise, which covered strategic, operational, financial and compliance risks, also deliberated on the existing and required internal controls to address the identified top risks. The Group has established a risk management framework for the identification, assessment, monitoring and reporting of significant risks based on the results of the exercise.

The Group does not utilise sophisticated and complex computer systems in its operations and considers its exposure to information technology risks to be low.

Material risks facing the Group are proactively identified and the internal controls to manage or mitigate those risks are put in place by the respective general managers. The Board oversees management in the formulation, update and maintenance of an adequate and effective risk management framework.

The external auditors carry out in the course of their statutory audit an annual review of the Company's accounting control to the extent of their scope as laid out in their audit plan. Material internal accounting control weaknesses noted during their audit are reported to the AC.

The AC reviews the adequacy and effectiveness of the risk management and internal control systems annually.

The Board has received assurance from the CEO and CFO that:

Guideline 11.3

- (1) The financial records of the Group have been properly maintained;
- (2) The financial statements for the year ended 31 December 2016 give a true and fair view of the Group's operations and finances; and
- (3) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment, including material financial, operational, compliance and information technology risks.

The CEO and CFO have obtained similar assurance from the various general managers in the Group.

Based on the risk management framework established and maintained by the Group, the work done by the internal auditors, the audit findings of our external auditors, reviews performed by management and the Board, as well as the assurance received from the CEO and CFO, the Board, with the concurrence of the AC, is of the opinion that the internal control and risk management systems put in place are adequate and effective to address the key financial, operational, compliance and information technology risks affecting the Group's operations.

The Board has not established a separate board risk committee. The Company manages risks under an overall strategy determined by the Board and supported by the AC, NC and RC.

Guideline 11.4

Principle 12: Audit Committee

The AC comprises three members, all of whom are independent directors:

Guideline 12.1

Gui Kim Young @ Gui Kim Gan (Chairman)
Chuang Wen Fu
Ko Chuan Aun

The profile of the AC members is set out on page 9 of this Annual Report.

The AC members bring with them professional expertise and experience in accounting, business and related financial management. The Board is satisfied that the AC members are appropriately qualified to discharge their responsibilities.

Guideline 12.2

CORPORATE GOVERNANCE REPORT

The AC has the authority to investigate any matter within its terms of reference. It has full access to and co-operation by management and full discretion to invite any director or executive officer to attend its meetings. The AC has reasonable resources to enable it to discharge its functions properly.

Guideline 12.3

The AC performs the following functions:

Guideline 12.4

- (1) Review the audit plans of the Company's internal and external auditors;
- (2) Review the internal and external auditors' report;
- (3) Review the co-operation given by the Company's officers to the internal and external auditors;
- (4) Review the financial statements of the Company and the Group and any formal announcements relating to the Company's financial performance, including review of significant financial reporting issues and judgments relating thereto;
- (5) Make recommendation on the appointment, re-appointment and removal of the external auditors; and approving the remuneration and terms of engagement of the external auditors;
- (6) Review the scope and results of the audit and its cost effectiveness, and all non-audit services provided by the external auditors so as to ensure that any provision of such services would not affect the independence of external auditors;
- (7) Review the adequacy of the Group's internal controls, including financial, operational and compliance controls and risk management policies and systems;
- (8) Review the effectiveness of the Group's internal audit function;
- (9) Review interested person transactions, if any; and
- (10) Review whistleblowing policy and reports.

The AC meets with the external auditors without the presence of the management, at least once a year.

Guideline 12.5

The AC is responsible to conduct an annual review of the volume of non-audit services provided by the external auditors to ensure such services will not prejudice the independence and objectivity of the external auditors. In the opinion of the AC, the independence and objectivity of the external auditors were not affected by the provision of such services during the year. In accordance with Rule 1207(6)(a) of the Listing Manual, the audit fee paid to the external auditors for their services in the financial year ended 31 December 2016 was S\$180,000. There was no non-audit fee paid to the external auditors.

Guideline 12.6

The Group has engaged Messrs RSM Chio Lim LLP ("RSM") to audit its significant subsidiaries in the People's Republic of China for the purpose of reporting the group financial statements, although RSM is not the statutory auditor for these entities. The AC is of the opinion that the Company has complied with Rules 712 and 715(2) of the SGX-ST Listing Manual. The AC recommended to the Board the re-appointment of RSM as the external auditors of the Company for the ensuing year.

The Group has instituted a whistleblowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters.

Guideline 12.7

In addition to the above activities undertaken to fulfil its responsibilities mentioned in Guideline 12.4, the AC is kept abreast by management, external and internal auditors on changes and updates to accounting standards and other rules and regulations which could have a direct impact on the business and financial statements of the Group.

Guideline 12.8

None of the AC members is a former partner or director of the Company's external or internal auditors.

Guideline 12.9

Our external auditors, RSM have identified the following three key audit matters for the financial year ended 31 December 2016 in their Audit Report:

- (1) Assessment of impairment of property, plant and equipment and investment properties;

CORPORATE GOVERNANCE REPORT

- (2) Assessment of impairment of properties under development; and
- (3) Litigation and claims.

The AC is aware of and has considered the above key audit matters highlighted by RSM. The AC has discussed the approach and findings with RSM in relation to the key audit matters. Where necessary, the AC also sought further confirmation or explanation from the management on the key audit matters.

The AC is satisfied that the relevant accounting policies, the key assumptions used by the management and action taken in relation to these key audit matters have been appropriately addressed and disclosed in the financial statements.

Principle 13: Internal Audit

The AC, in consultation with management, approves the hiring, removal, evaluation and compensation of the internal auditors.

Guideline 13.1
and
Guideline 13.2

The internal audit function is outsourced to an international public accounting firm. The internal auditors report directly to the AC and have unrestricted access to all the Company's documents, records, properties and personnel, including access to the AC.

The AC is satisfied that the internal audit function is adequately resourced and has the appropriate standing within the Company to perform its function effectively.

Furthermore, the AC is satisfied that the internal audit function is staffed with professionals with relevant qualifications and experience.

Guideline 13.3

The AC reviews the adequacy of the internal audit function to ensure that the internal audits are conducted effectively and guided by the standards set by internationally recognised professional bodies and that management provides the necessary co-operation to enable the internal auditors to perform its function. The AC also reviews the internal audit reports and remedial action implemented by the management to address any internal control inadequacies identified.

Guideline 13.4
and
Guideline 13.5

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Company and its financial performance is disclosed in an accurate and timely manner via SGXNET.

Guideline 14.1

All shareholders of the Company receive the annual report and notice of AGM. The notice of AGM is also published in the Business Times and released through SGXNET.

Guideline 14.2

Shareholders are also informed of the voting procedures prior to the commencement of voting by poll.

Pursuant to the Constitution of the Company, shareholders may appoint up to two proxies to attend and vote at general meetings in their absence. A member of the Company who is a relevant intermediary (as defined in Section 181(1C) of the Companies Act, Cap. 50) and who is entitled to attend and vote at the general meetings may appoint more than two proxies to attend and vote on its behalf.

Guideline 14.3

Principle 15: Communication with Shareholders

The Company strives to ensure timely disclosure of material business matters affecting the Group. Price sensitive announcements including quarterly and full-year results are released through SGXNET. The Company takes all reasonable efforts to ensure that it does not practise selective disclosure of material information.

Guideline 15.1
and
Guideline 15.2

At general meetings, shareholders are given the opportunity to air their views and ask questions regarding the Group and its business either formally or informally. These meetings provide excellent opportunities for the Board to engage with shareholders to solicit and understand their views.

Guideline 15.3
and
Guideline 15.4

CORPORATE GOVERNANCE REPORT

The Company does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other relevant factors as the Board may deem appropriate.

Guideline 15.5

The Board of directors has recommended a first and final dividend of 0.3 Singapore cent per ordinary share for the financial year ended 31 December 2016 which is subject to the approval by the shareholders at the forthcoming AGM of the Company.

Principle 16: Conduct of Shareholder Meetings

To encourage shareholder participation, the Company holds its AGM at a location that is easily accessible by public transport. The Constitution allows a member of the Company to appoint up to two proxies to attend and vote in place of the member.

Guideline 16.1

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

Guideline 16.2

The chairmen of AC, RC and NC or their representatives are available at the general meeting to answer questions relating to the respective committees. The external auditors are also available to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

Guideline 16.3

Minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board are available to shareholders upon written request.

Guideline 16.4

The Company put all resolutions to vote by poll and announcement of the detailed results of the general meetings were released on the SGXNET after the general meetings.

Guideline 16.5

DEALINGS IN THE COMPANY'S SECURITIES

The Group has adopted its own internal compliance code in relation to dealings in the Company's securities modelled on the Listing Rule 1207(19) of the SGX-ST Listing Manual. The Group's officers who are likely to be privy to unpublished price-sensitive and confidential information are not allowed to deal in the Company's shares while in possession of such information and during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial results and ending on the date of the announcement of the results. The officers should not deal in the Company's securities on short-term considerations. Directors and officers are also expected to observe insider trading laws at all times.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all interested person transactions are reported in a timely manner to the AC and that such transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. There was no interested person transaction for the financial year ended 31 December 2016.

The AC will review all interested person transactions to ensure that the relevant rules under Chapter 9 of the SGX-ST Listing Manual are complied with.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of the CEO or any director or substantial shareholder.

STATISTICS OF SHAREHOLDINGS

As at 20 March 2017

SHARE CAPITAL

Paid-up Capital	:	S\$71,855,707.32
Number of Shares (including Treasury Shares)	:	347,438,763
Number of Shares (excluding Treasury Shares)	:	342,024,763
Number/*Percentage of Treasury Shares	:	5,414,000/1.58%
Class of Share	:	Ordinary shares
Voting Rights (excluding Treasury Shares)	:	One vote per share

* Percentage is calculated based on the total number of shares (excluding Treasury Shares) of the Company.

SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

	Name	No. of Share Held		Total	%
		Direct Interest	Deemed Interest		
1	Estate of Kao Shin Ping, deceased (the "Estate") ^(a)	–	140,195,691	140,195,691	40.99
2	Kao Ching Fong nee Pan ("Mrs. Kao") ^(b)	33,288,476	84,427,527	117,716,003	34.42
3	Kao Chuan Chi ^(c)	–	99,821,036	99,821,036	29.19
4	Kao Chuan Trong ^(d)	–	99,070,728	99,070,728	28.97
5	Kao Hsien Yuan ^(e)	–	96,628,273	96,628,273	28.25
6	San Teh Xing Investment Pte Ltd ("STX") ^(f)	4,000,000	61,838,140	65,838,140	19.25
7	Poh Choo Bin ^(g)	21,482,164	–	21,482,164	6.28

Notes:

- (a) The Estate is deemed to have interests in:
74,357,551 shares held by it through Raffles Nominees (Pte) Ltd;
61,838,140 shares held by STX through Raffles Nominees (Pte) Ltd by virtue of its 60% direct shareholding interest in STX; and
4,000,000 shares held by STX by virtue of its 60% direct shareholding interest in STX.
- (b) Mrs. Kao is deemed to have interest in:
18,589,387 shares held by the Estate through Raffles Nominees (Pte) Ltd by virtue of her beneficial interest in those shares;
61,838,140 shares held by STX through Raffles Nominees (Pte) Ltd by virtue of her 25%, direct and indirect, shareholding interest in STX; and
4,000,000 shares held by STX by virtue of her 25%, direct and indirect, shareholding interest in STX.
- (c) Mr. Kao Chuan Chi is deemed to have interest in:
15,393,508 shares held by him through DBSN Services Pte. Ltd.;
18,589,388 shares held by the Estate through Raffles Nominees (Pte) Ltd by virtue of his beneficial interest in those shares;
61,838,140 shares held by STX through Raffles Nominees (Pte) Ltd by virtue of his 25%, direct and indirect, shareholding interest in STX; and
4,000,000 shares held by STX by virtue of his 25%, direct and indirect, shareholding interest in STX.
- (d) Mr. Kao Chuan Trong is deemed to have interest in:
14,643,200 shares held by him through DBSN Services Pte. Ltd.;
18,589,388 shares held by the Estate through Raffles Nominees (Pte) Ltd by virtue of his beneficial interest in those shares;
61,838,140 shares held by STX through Raffles Nominees (Pte) Ltd by virtue of his 25%, direct and indirect, shareholding interest in STX; and
4,000,000 shares held by STX by virtue of his 25%, direct and indirect, shareholding interest in STX.
- (e) Ms. Kao Hsien Yuan is deemed to have interest in:
12,200,745 shares held by her through Raffles Nominees (Pte) Ltd;
18,589,388 shares held by the Estate through Raffles Nominees (Pte) Ltd by virtue of her beneficial interest in those shares;
61,838,140 shares held by STX through Raffles Nominees (Pte) Ltd by virtue of her 25%, direct and indirect, shareholding interest in STX; and
4,000,000 shares held by STX by virtue of her 25%, direct and indirect, shareholding interest in STX.
- (f) The 61,838,140 shares are held by STX through Raffles Nominees (Pte) Ltd. Mrs. Kao and her 3 children who are above 21 years old are considered to have beneficial interest for the shares held by the Estate in the STX. By virtue of their 25% each, direct and indirect shareholding interest in STX, each of them is therefore deemed to be interested in the 19.25% of the shares in the capital of the Company held by STX.
- (g) Of the 21,482,164 shares in which Mr. Poh Choo Bin has an interest, 14,975,600 shares are registered in the name of nominees.
- (h) Percentage is calculated based on the total number of shares (excluding Treasury Shares) of the Company.

STATISTICS OF SHAREHOLDINGS

As at 20 March 2017

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HAND

Based on the information available to the Company as at 20 March 2017, approximately 27.97% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	99	2.76	4,482	0.00
100 - 1,000	549	15.32	240,038	0.07
1,001 - 10,000	1,913	53.38	8,973,515	2.62
10,001 - 1,000,000	1,005	28.04	43,733,623	12.79
1,000,001 and above	18	0.50	289,073,105	84.52
Total	3,584	100.00	342,024,763	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	RAFFLES NOMINEES (PTE) LIMITED	159,407,172	46.61
2	MRS KAO CHING-FONG NEE PAN	33,288,476	9.73
3	DBSN SERVICES PTE. LTD.	30,236,709	8.84
4	DBS NOMINEES (PRIVATE) LIMITED	12,690,345	3.71
5	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	10,660,600	3.12
6	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	7,970,341	2.33
7	POH CHOO BIN	6,506,564	1.90
8	CHUANG WEN FU	6,146,944	1.80
9	SAN TEH XING INVESTMENT PTE LTD	4,000,000	1.17
10	PHILLIP SECURITIES PTE LTD	3,706,428	1.08
11	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,431,083	1.00
12	HONG LEONG FINANCE NOMINEES PTE LTD	2,678,000	0.78
13	CIMB SECURITIES (SINGAPORE) PTE LTD	1,856,568	0.54
14	MAYBANK KIM ENG SECURITIES PTE LTD	1,675,175	0.49
15	LEE SU LAN	1,390,800	0.41
16	CHAN LAI CHING	1,300,000	0.38
17	GUI KIM YOUNG @ GUI KIM GAN	1,100,000	0.32
18	LEE MUI HIANG	1,027,900	0.30
19	ANG JUI KHOON	824,300	0.24
20	YEE LAT SHING	800,000	0.23
Total		290,697,405	84.98

NOTICE OF ANNUAL GENERAL MEETING

SAN TEH LTD

(Company Registration No.: 197901039W)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Twenty-Seventh Annual General Meeting of the Company will be held at Grand Mercure Roxy Hotel, Katong Room, Level 3, 50 East Coast Road, Roxy Square, Singapore 428769 on Friday, 28 April 2017, at 2.00 p.m., for the purpose of transacting the following business:-

As Ordinary Business

1. To receive and adopt the Statement by Directors and Audited Financial Statements for the year ended 31 December 2016 and the Auditors' Report thereon. **(Resolution 1)**
2. To declare a first and final tax exempt (1-tier) dividend of 0.3 Singapore cent per ordinary share for the year ended 31 December 2016. **(Resolution 2)**
3. (a) To re-elect Mr. Chuang Wen Fu, who retires pursuant to Clause 102 of the Constitution of the Company and being eligible offers himself for re-election as Director.

(Mr. Chuang Wen Fu will, upon re-election, continue to serve as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.) **(Resolution 3a)**

(b) To re-elect Mr. Ko Chuan Aun, who retires pursuant to Clause 102 of the Constitution of the Company and being eligible offers himself for re-election as Director.

(Mr. Ko Chuan Aun will, upon re-election, continue to serve as member of the Audit Committee and Remuneration Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.) **(Resolution 3b)**
4. To approve Directors' Fees of S\$136,000.00 for the year ended 31 December 2016 (2015: S\$136,000.00). **(Resolution 4)**
5. To re-appoint Messrs RSM Chio Lim LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

As Special Business

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:-

7. Authority to allot and issue shares up to fifty per cent (50%) of the total number of issued shares excluding Treasury Shares in the capital of the Company

THAT pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the SGX-ST, the Directors of the Company be and are hereby authorised to allot and issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion, deem fit and (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while this Resolution was in force, provided that the aggregate number of shares and convertible securities 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 at the time of the passing of this Resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not exceed twenty per cent (20%) of the total number of issued shares excluding Treasury Shares, in the capital of the Company at the time of the passing of this Resolution and that such authority shall continue in force until the date that the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier, unless revoked or varied at a general meeting of the Company.
(See Explanatory Note 1) (Resolution 6)

8. Approval for Renewal of Share Purchase Mandate

THAT pursuant to Sections 76C and 76E of the Companies Act, Cap. 50 and the Constitution of the Company, the Directors of the Company be and are hereby authorised to make purchases of shares from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per cent (10%) of the number of issued ordinary shares in the capital of the Company (ascertained as at the date of the passing of this resolution, but excluding any shares held as Treasury Shares) at the price of up to but not exceeding the Maximum Price (as defined in the Appendices attached) in accordance with the Guidelines on Shares Purchases set out in the Appendices and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date that the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier.
(See Explanatory Note 2) (Resolution 7)

By order of the Board

LIM WEE TZIANG
Company Secretary
12 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (1) The ordinary resolution no. 6 proposed in item 7 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares in the Company up to an amount not exceeding in total fifty per cent (50%) of the total number of issued shares excluding Treasury Shares in the capital of the Company for such purposes as they consider would be in the interests of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier.

The percentage of the issued share capital is based on the number of issued shares excluding Treasury Shares in the capital of the Company at the time of the passing of the ordinary resolution no. 6 above after adjusting for (a) new shares arising from the conversion or exercise of convertible securities (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution and (c) any subsequent bonus issue, consolidation or subdivision of shares.

- (2) The ordinary resolution no. 7 proposed in item 8 above, if passed, will empower the Directors from the date of the above Meeting until the date the next Annual General Meeting is held or is required by law to be held, whichever is the earlier, to purchase ordinary shares of the Company by way of market purchases or off-market purchases on an equal access scheme of up to ten per cent (10%) of the total number of issued ordinary shares in the capital of the Company (ascertained as at the date of the passing of the ordinary resolution no. 7 above, but excluding any shares held as Treasury Shares) at the Maximum Price as defined in the Appendices attached. Details on the Shares Purchase Mandate, including the sources of funds to be used for the purchase or acquisition, the amount of financing (if any) and the illustrative financial impact on the Company's financial position, are set out in the Appendices attached.

Notes:

1. A member of the Company (except the relevant intermediary mentioned under Note 2 below) entitled to vote at the above Meeting is entitled to appoint one or two proxies to attend in his stead. Such proxy need not be a member of the Company and, where there are two proxies, the number of shares to be represented by each proxy must be stated.
2. A member of the Company who is a relevant intermediary (as defined in Section 181(1C) of the Companies Act, Cap. 50) and who is entitled to attend and vote at the above Meeting may appoint more than two proxies to attend and vote on its behalf, but each proxy must be appointed to exercise the rights attached to the respective share or on shares held by the member (which number and class of shares shall be specified). In such an event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.
3. The instrument or form appointing a proxy must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a body corporate, signed by an attorney duly authorised, or by a duly authorised officer on behalf of the corporation, or the common seal must be affixed thereto.
4. The instrument or form appointing a proxy, duly executed, must be deposited at the Company's registered office not less than 48 hours before the time for holding the above Meeting.

Books Closure and Dividend Payment Dates

The Company wishes to inform that the Share Transfer Books and Register of Members of the Company will be closed at 5.00 p.m. on 11 May 2017 and be re-opened on 12 May 2017 for the purpose of determining Shareholders' entitlements to the proposed first and final dividend for the year ended 31 December 2016. The proposed first and final dividend, if approved by Shareholders at the forthcoming Annual General Meeting, will be paid on 25 May 2017.

Registrable transfers received by the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619 up to 5.00 p.m. on 11 May 2017 will be registered before entitlements to the proposed first and final dividend are determined.

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SAN TEH LTD

(Company Registration No.: 197901039W)
(Incorporated in the Republic of Singapore)

PROXY FORM - ANNUAL GENERAL MEETING

Important:

- For investors who have used their CPF monies to buy shares of San Teh Ltd, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF Investors.

I/We, _____ (Name)

of _____ (Address)

being a member/members of SAN TEH LTD hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company, to be held at Grand Mercure Roxy Hotel, Katong Room, Level 3, 50 East Coast Road, Roxy Square, Singapore 428769 on Friday, 28 April 2017, at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his discretion, as he will on any other matter arising at the Meeting.

No.	Ordinary Resolution	For	Against
1	To receive and adopt the Statement by Directors and Audited Financial Statements for the year ended 31 December 2016 and the Auditors' Report thereon.		
2	To declare a First and Final dividend.		
3(a)	To re-elect Mr. Chuang Wen Fu (under Clause 102).		
3(b)	To re-elect Mr. Ko Chuan Aun (under Clause 102).		
4	To approve the Directors' fees.		
5	To re-appoint auditors and to fix their remuneration.		
6	To authorise Directors to issue/allot shares in the Company.		
7	To approve the renewal of Share Purchase Mandate.		



Dated this _____ day of _____ 2017

Signature(s) of Shareholder(s)/
Common Seal of Corporate Shareholder

Total Number of Shares Held	
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Notes:

1. A member (except the relevant intermediary mentioned under Note 3 below) entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. He should indicate clearly how he would like the proxy to vote. If this proxy form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
2. Where a member appoints more than one proxy, the appointments shall be deemed to be alternative unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A member of the Company who is a relevant intermediary (as defined in Section 181(1C) of the Companies Act, Cap. 50) and who is entitled to attend and vote at the above Meeting may appoint more than two proxies to attend and vote on its behalf, but each proxy must be appointed to exercise the rights attached to the respective share or shares held by the member (which number and class of shares shall be specified). In such an event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.
4. If a shareholder submits a proxy form and subsequently attends the meeting in person and votes, the appointment of the proxy will be revoked, and in such event, the Company reserves the right to refuse and admit any person or persons appointed under the instrument of proxy to the meeting.
5. A proxy need not be a member of the Company.
6. Please insert the total number of shares held by you. If you have shares entered against your name on the Depository Register, you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
7. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 701 SIMS DRIVE #06-01 LHK BUILDING, SINGAPORE 387383 not less than 48 hours before the time set for the Meeting.
8. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
9. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

GENERAL

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered on the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name on the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

Where a member of the Company submits 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, proxy 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.



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