

HWA HONG

CORPORATION LIMITED

ANNUAL
REPORT / 20
17



Towards Excellence
in Corporate Governance



HWA HONG CORPORATION LIMITED



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

CORPORATE INFORMATION

REGISTERED OFFICE

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

FINANCE AND ADMINISTRATIVE

38 South Bridge Road #04-01
Singapore 058672
tel: 6538 5711
fax: 6533 3028
email: finance@hwahongcorp.com

CORPORATE SECRETARIAL

38 South Bridge Road #01-01
Singapore 058672
tel: 6538 6818
fax: 6532 6816
email: secretariat@hwahongcorp.com

PRINCIPAL SUBSIDIARIES

Singapore Warehouse Company (Private) Ltd.

400 Orchard Road
#11-09/10 Orchard Towers
Singapore 238875
tel: 6734 8355
fax: 6733 4288
email: property@hwahongcorp.com

Paco Industries Pte. Ltd.

Hwa Hong Edible Oil Industries Pte. Ltd.

38 South Bridge Road #04-01
Singapore 058672
tel: 6538 5711
fax: 6533 3028

MANAGEMENT

Ong Choo Eng *Group Managing Director*
Hwa Hong Corporation Limited
Ong Mui Eng *Executive Director*
Hwa Hong Corporation Limited
Lee Soo Wei *Chief Financial Officer*
Hwa Hong Corporation Limited
Ong Eng Yaw *Senior Vice President, Real Estate*
Singapore Warehouse Company (Private) Ltd.
Chen Chee Kiew (Mrs) *General Manager*
Singapore Warehouse Company (Private) Ltd.
Ong Eng Loke *Senior Vice President, Fund Management*
Hwa Hong Edible Oil Industries Pte. Ltd.

COMPANY SECRETARY

Gwendolin Lee Soo Fern

REGISTRAR / SHARE REGISTRATION OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
tel: 6536 5355
fax: 6536 1360

AUDITORS

Ernst & Young LLP
Certified Public Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner In-Charge: Philip Ng
(with effect from financial year ended 31 December 2015)

BOARD OF DIRECTORS

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

AUDIT AND RISK COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

FINANCIAL CALENDAR

IN RESPECT OF FINANCIAL YEAR ENDED 31 DECEMBER 2017

Announcement of 2017 Unaudited Results

First Quarter ended 31 March 2017	27 April 2017
Second Quarter ended 30 June 2017	27 July 2017
Third Quarter ended 30 September 2017	26 October 2017
Financial Year ended 31 December 2017	2 February 2018

Annual General Meeting

25 April 2018 (10.00 a.m.)

Dividends

*Proposed one-tier tax exempt final ordinary dividend of 1 cent per ordinary share
and one-tier tax exempt special dividend of 0.1 cent per ordinary share*

	Up to 5.00 p.m. on
Last day for lodgement of transfers for dividend entitlement	3 May 2018
Date of books closure	4 May 2018
Payment date	18 May 2018

IN RESPECT OF FINANCIAL YEAR ENDING 31 DECEMBER 2018

Tentative Dates for Announcement of 2018 Unaudited Results

First Quarter of 2018	25 April 2018
Second Quarter of 2018	26 July 2018
Third Quarter of 2018	25 October 2018
Financial Year 2018	1 February 2019

JOINT LETTER TO SHAREHOLDERS



DEAR SHAREHOLDERS,

It is with great pleasure that we present to you our annual report for the financial year ended 31 December 2017.

Global business and financial markets began 2017 on a positive note, with equity and real estate markets stable or improving, and the pound gradually strengthening. During the year, emerging concerns that macroeconomic and geopolitical events would derail the economic recovery in the advanced economies subsided, leading to strengthening commodity and oil prices, buoyant global asset markets and economic growth in the world's major economies. Whilst the economic recovery sets a positive backdrop for 2018, risks of an unexpected rise in inflation and interest rates in the developed economies persist.

For the financial year ended 31 December 2017, we achieved a turnover of S\$14.5 million, an increase of 29.4 per cent over 2016. Rental income and investment returns both increased in 2017. Net profit before tax rose 20.1 per cent to S\$8.2 million and net profit after tax rose 13.1 per cent to S\$7.4 million. Our net asset value increased from 29.77 cents per share in FY2016 to 30.19 cents per share in 2017. Shareholders received a 1 cent dividend during the year and the share price increased 6.7 per cent to 32 cents.

From time to time, shareholders ask us about how we view the profitability of the group. Management and the Board are focused on investments which are expected to produce compelling returns over time – as a combination of rental income and capital gains. It is important to highlight that the realisation of gains – and our profits – in any one year, depends highly on the progress of specific projects and market conditions. Management is optimistic that despite the risks inherent in our business, the current portfolio of properties provides a solid platform from which to execute a growth strategy and improve profits over the business and real estate cycles. We have indicated benchmark target rental income yields in the past of 3-5 per cent. Coupled with that, we look for projects with the potential to be sold for a gain within a reasonable period (often 3-5 years), achieving satisfactory total returns in excess of our cost of capital. Also, the group strives to produce profits sufficient to support dividend continuity, while recognising that returning profits to you in the form of dividends limits our ability to reinvest and reduces the compounding effect of reinvested dollars.

In 2017, some of the indicators of value generated include:

- (a) Depreciation: S\$1.8 million – 0.3 cents per share: this is a non-cash accounting charge which derives from our choice of historical cost accounting for investment properties. Under fair value accounting, which most real estate companies based in Singapore elect, this depreciation would not have been charged and would increase our profits.
- (b) Increase in net assets: S\$2.7 million – 0.4 cents per share: this is also calculated on the historical cost basis (fair values of investment properties appear on Note 15).
- (c) Dividend paid: S\$6.5 million – 1 cent per share: this is the amount of cash the board recommended, and you approved for distribution to you instead of reinvesting in the business.
- (d) Net profit after tax: S\$7.4 million – 1.13 cent per share up 13% over the prior year.

OPERATIONAL REVIEW

In our property business, we continued our strategy of investing in projects which meet our criteria of having long term potential for target levels of rental income plus capital growth potential in compelling locations, within a framework of maintaining balance sheet strength and efficiency. During the year we were able to achieve this in our core markets in Singapore and the UK through, *inter alia*, exits from a number of investments, re-investing the capital into ongoing properties and reducing our Group net gearing* from c.22.2 per cent to c.7.2 per cent of total equity between 2016 and 2017.

Driven by a recovering global economy, Singapore's economy gathered pace through 2017. Business sentiment improved through the year with Singapore recording economic growth of 3.6 per cent in 2017 and a low unemployment rate of 2.2 per cent, surpassing most economic predictions for a 2nd year running.

The Singapore residential property market began to stage a recovery in late 2017 as unsold stock of residential units declined further from 2016 levels. This nascent recovery in turn drove an increase in demand from developers for development sites, especially in the enbloc sales market. This demand for development sites accelerated through 2017 despite the Government's anti-speculation measures remaining largely in place.

The office property market saw muted leasing demand and supply through the 1st half of 2017 with leasing demand picking up in late 2017, driven largely by an increase in business confidence and sentiment. Islandwide office vacancy rates declined to 6.1 per cent in the 4th quarter of 2017 as compared to 7.4 per cent in the 3rd quarter of 2017 (source: CBRE Singapore).

The factory and warehouse industrial property market saw muted activity through 2017, continuing a multi-year trend of weakness. Rental rates continued declining in 2017, though at a slower rate than in 2016. The decline in occupancy rates for factory and warehouse space showed signs of abating as it reached c.89 per cent for 2017 (source: CBRE Singapore).

In FY2017, our focus in Singapore was to maximise occupancy rates for our Singapore property portfolio and, where possible, maximise/realise the value of the portfolio by exiting at compelling sales values. During the year, we disposed of 1 residential unit at Rivergate at a gain of S\$2.5 million and 1 medical unit at Orchard

* Net gearing ratio – (Long term debt + short term debt – cash and cash balances)/shareholders' equity

JOINT LETTER TO SHAREHOLDERS

Medical and achieved S\$0.5 million in share of results of associates and joint ventures. Our core income generating properties, OneTen Paya Lebar and Scotts Spazio (50%), performed to expectations and contributed S\$4.4 million in rental income and S\$1.7 million in share of results of associates and joint ventures respectively. The occupancy for our Singapore portfolio was close to 100% despite the challenging leasing environment in the residential and industrial property sectors. As part of our balance sheet management, proceeds from our divestments were deployed to reduce our bank borrowings, thereby increasing our debt headroom for future investments.

With the recovery in the residential market strengthening through the 2nd half of 2017, strong demand from developers for development sites meant that land values rose significantly in late 2017. While we undertook a number of feasibility studies for potential enbloc land acquisitions, transacted values were higher than our appraised values amidst fierce competition for sites. Management believes that profitable exit from many of the newly transacted sites would require continued price acceleration in the residential market. With the group's limited balance sheet and recognising that regulations on qualifying certificate penalties and additional buyer stamp duties remain largely in place for SGX-ST listed residential developers, we approached bids with caution to ensuring sufficient profit margins in our appraisals to compensate for the inherent risks. During the year, we also assessed a number of opportunities in the office and industrial property sectors, none of which met our investment criteria. One key concern for us in our assessments was insufficient yield spreads given the possibility of rising capitalisation rates amidst a rising interest rate environment.

Looking ahead into 2018 and beyond, we expect the strong interest in residential development sites to continue. Competition for development sites is expected to be intense amidst increased residential construction activity which could potentially escalate building and construction costs. Against this backdrop, we will continue seek out development opportunities in the residential sector opportunistically and bid conservatively given our financial constraints. With the global economic recovery underway and with industrial and office rents having been on a decline for a number of quarters, these 2 segments will be a key focus for us to secure assets which meet our investment criteria.

In the UK, notwithstanding BREXIT, the UK economy proved resilient with GDP growth at 1.7 per cent and unemployment at 4.4 per cent (down from 5 per cent in 2016). One of the main effects of BREXIT's uncertainties was a volatile GBP: SGD exchange rate, swinging between 1.72 to 1.85 during the year. For 2017, London's prime residential market showed some stability after a decline in 2016, with average residential transaction volumes and prices in prime central London declining by 3.6% and 1.0%, respectively (source: LonRes). The central London office property market performed better than expected with prime rents stabilising and vacancy rates climbing at a slower rate than expected (source: Colliers Research).

Our portfolio of properties and real estate investments in the UK performed well despite the uncertainties surrounding BREXIT. As part of our strategy to build a portfolio of properties with long term income generating potential, we are pleased to report that 20 Midtown in London was fully leased after undergoing a comprehensive asset enhancement exercise. This property will strengthen our Group's rental cash flow going forward and complement our development pipeline in London. 2017 also saw the 1st full year of rental contribution from our property at Herbal Hill which was acquired in May 2016. Rental income from these 2 investments amounted to S\$1.9 million in FY2017. As part of our strategy to maximise and realise value from our existing portfolio and recycle capital, we exited our investment in Manchester after enhancing the site's value through a change of use and disposed of 3 residential units in London after comprehensive interior refurbishment works for a total gain of S\$2.7 million. The capital from these exits was deployed to reduce the Group's gearing, giving us debt headroom for capital to be redeployed to our existing projects in the UK or for new investments.

For 2018 and beyond, we will continue to build on our expertise and knowledge in the prime London residential and commercial property market segments and whilst remaining cautious as BREXIT negotiations progress. One area of focus will be working with our development partners to maximise the value of our investments in



Kilmuir House and Allen House, 2 key projects in our UK residential development pipeline. We will continue to seek out investment opportunities in the prime London residential and office property market amidst potential market dislocations arising from BREXIT. We also expect volatility in the GBP:SGD rate depending on the progress of BREXIT negotiations and will manage our currency exposure through, *inter alia*, the use of GBP denominated debt for our UK investment.

In addition to our core markets in Singapore and the UK, we have also deployed limited capital into Vietnam and Australia through the Gaw NP Capital Vietnam Fund 1 and the Value Monetisation Fund III since 2015/2016. The former holds a portfolio of hospitality, residential and office properties in Hanoi and Danang while the latter invests in the retirement home and residential sectors in Australia. As both are new markets for us, we have taken the approach of deploying the capital through partnerships with more experienced operators in these markets. We are pleased to report that both investments have been profitable to date.

Our investment business segment performed well compared to FY2016. Driven by buoyant global equity markets in late 2017, the Group saw an increase in revenue from S\$3.7 million in FY2016 to S\$6.4 million in 2017, due mainly to gains from the sale of investment securities. Profit before tax increased correspondingly from a loss of S\$1.5 million in FY2016 to a profit of S\$3.8 million in FY2017 due, *inter alia*, to higher revenues and lower impairment losses on quoted current and unquoted non-current investments.

FINAL WORDS

As we look ahead into 2018 and beyond, our group is well positioned with a strong balance sheet to execute our strategy to seek out projects and investments which we believe will meet our stringent investment criteria and which will create value in the long term for shareholders and stakeholders of our business.

In closing, we would like to thank our Board of Directors for their guidance and counsel in the financial year, our management and staff for their dedication and contributions to Hwa Hong Corporation. Last but not least, we would like to extend our appreciation to our shareholders, clients, consultants, suppliers, partners and business associates for their strong support as we look forward to growing alongside all of you as we work towards our future goals to create sustainable long-term value.

Very sincerely,

Hans Hugh Miller
Chairman

Ong Choo Eng
Group Managing Director

INVESTMENT PROPERTIES PORTFOLIO



High security entrance, OneTen Paya Lebar



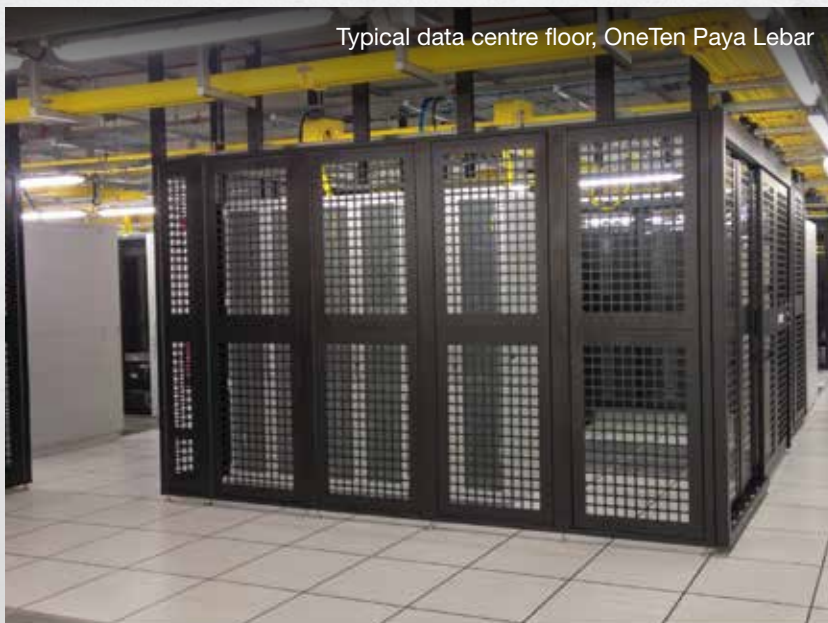
Fifth floor, 20 Midtown



Views from roof terrace, 15/17 Hornton Street



Refurbished penthouse, 15/17 Hornton Street



Typical data centre floor, OneTen Paya Lebar



Herbal Hill

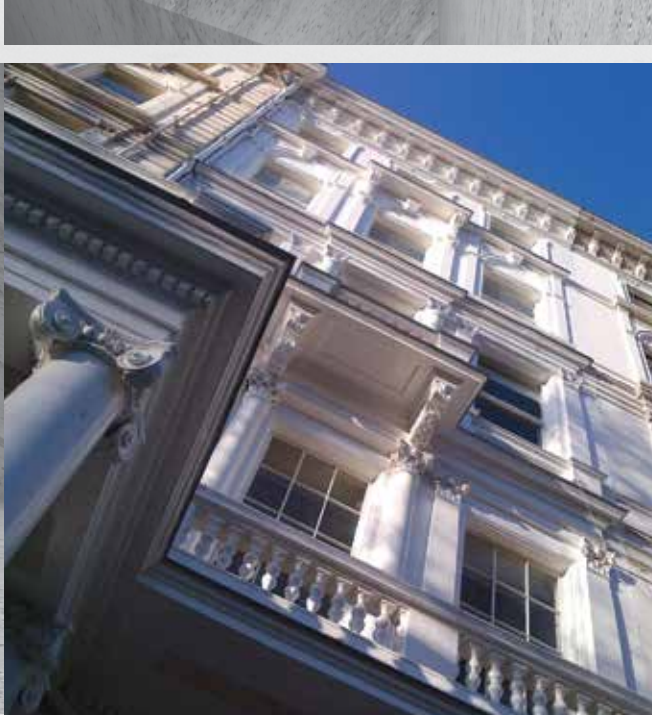


Scotts Spazio



View from Kilmuir House

INVESTMENT PROPERTIES PORTFOLIO



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

- Approximate **8,689 square feet** floor area
- **£14.2m** Market Value
- **8** High End Residential Apartments
- **100%** Effective Group Interest
- **Freehold**

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

LONDON RESIDENTIAL PROPERTY INVESTMENTS



15/17 HORNTON STREET, LONDON W8

- Approximate **2,685 square feet** floor area
- **£3.1m**
- **4** High End Residential Apartments
- **100%** Effective Group Interest
- **Freehold**

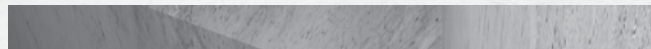
This freehold residential property is located in the prestigious Royal Borough of Kensington and Chelsea, off High Street Kensington and within walking distance from Hyde Park. The property is fully let for recurring rental income and we are currently carrying out phased asset enhancement works of units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



ALLEN HOUSE, KENSINGTON, LONDON W8

- Approximate **35,600 square feet** floor area
- **45** Residential Apartments
- **19.05%** Effective Group Interest (£6.7m invested)
- **Freehold**

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



KILMUIR HOUSE, EBURY STREET, LONDON SW1W 9JL

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

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

INVESTMENT PROPERTIES PORTFOLIO



20 MIDTOWN, PROCTER STREET, HOLBORN, LONDON WC1

- Approximate **30,533 square feet** floor area
- **£33.9m** Market Value
- **Office and retail**
- **70%** Effective Group Interest
- **Freehold**

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

LONDON COMMERCIAL AND RETAIL PROPERTY INVESTMENTS



3 – 7 HERBAL HILL, CLERKENWELL, LONDON EC1

- Approximate **33,773 square feet** floor area
- **£29.3m** Market Value
- **Office**
- **50%** Effective Group Interest
- **Freehold**

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



THE PAVILLION, NEO BANKSIDE, SOUTHWARK, LONDON SE1

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

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



RETAIL UNITS AT NEO BANKSIDE, SOUTHWARK, LONDON SE1

- Approximate **14,399 square feet** floor area
- **£14.3m** Market Value
- **5** Ground Floor and Basement Retail Units
- **50%** Effective Group Interest
- **Leasehold**

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

INVESTMENT PROPERTIES PORTFOLIO

REGIONAL UK COMMERCIAL PROPERTY INVESTMENTS



FORMER HEAD POST OFFICE SITE, SHEFFIELD, UK

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

This freehold site is located in Sheffield. It is located within walking distance from Sheffield railway station and the city centre. The site is mixed used comprising teaching facilities for Sheffield Hallam University and land for the construction of a 241 bed student accommodation facility. The 1st phase of redevelopment involving the teaching facilities has been completed and delivered to Sheffield Hallam University who are in occupation. The 2nd phase involving the development of a student accommodation facility is being evaluated.





RIVERGATE, SINGAPORE

- Approximate **13,175 square feet** floor area
- **6 residential apartments and 4 retail units**
- **S\$28.1m** Market Value
- **100%** Effective Group Interest
- **Freehold**

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



110 PAYA LEBAR, SINGAPORE

- Approximate **157,109 square feet** floor area
- **S\$92.5m** Market Value
- **B1 industrial property**
- **100%** Effective Group Interest
- **Freehold**

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

SINGAPORE PROPERTY INVESTMENTS



ORCHARD MEDICAL, SINGAPORE

- Approximate **32,378 square feet** floor area
- **Office**
- **30%** Effective Group Interest
- **Freehold**

This freehold property is located in Lucky Plaza on Orchard Road. The property comprises 37 strata-titled medical office units and is partially leased out for recurring income.



SCOTTS SPAZIO, SINGAPORE

- Approximate **168,628 square feet** floor area
- **S\$38.8m** Market Value
- **Office**
- **50%** Effective Group Interest
- **Leasehold**

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

FINANCIAL HIGHLIGHTS

	FY2017 \$'000	FY2016 \$'000	+ / (-) %
Revenue	14,500	11,202	29.4
Profit before taxation	8,158	6,791	20.1
Profit after taxation	7,407	6,549	13.1
Assets			
Non-current assets	176,204	186,929	(5.7)
Current assets	85,870	87,430	(1.8)
Total assets	262,074	274,359	(4.5)
Liabilities			
Current liabilities	60,571	64,238	(5.7)
Non-current liabilities	4,362	15,702	(72.2)
Total liabilities	64,933	79,940	(18.8)
Per share data			
Share price (cents)	32.00	30.00	6.7
Net assets (cents)	30.19	29.77	1.4
Earnings per share (cents)	1.13	1.00	13.0
Interim dividend declared & paid (cents)	0	0	0.0
Final dividend recommended/declared (cents)	1.00*	1.00	0.0
Special dividend recommended/declared (cents)	0.10*	0	n.m.
Ratios			
Current ratio (times)	1.42	1.36	
Gearing ratio (%)	33%	41%	
Total debt to total asset ratio (%)	25%	29%	
Return on equity (%)	3.78%	3.27%	

n.m.- denotes not meaningful

** Subject to shareholders' approval at the Annual General Meeting on 25 April 2018.*

PERFORMANCE REVIEW

PROFIT AFTER TAXATION

Profit after taxation, which is in large part a reflection of assets sales effected in a given year, increased by approximately 13.1%, from S\$6.5 million in FY2016 to S\$7.4 million in FY2017. The increase was attributable mainly to (i) higher revenue (as discussed in the Revenue section below); (ii) higher gains from the disposal of investment properties; and (iii) lower impairment losses.

Gains from the disposal of investment properties amounted to S\$7.9 million in FY2017 as compared to S\$2.2 million in FY2016, attributable to the disposal of 3 residential properties in London, 1 commercial property in Manchester and 1 residential property in Singapore whereas in 2016 the Group disposed of 1 residential property in London and 1 commercial property in Liverpool.

Other operating expenses decreased by S\$1.7 million to S\$3.3 million, attributable mainly to lower impairment losses in 2017. The Group recorded impairment losses of S\$1.3 million and S\$1.2 million respectively on non-current investment securities and current investment securities as these investment securities suffered significant or prolonged decline in the market value below the acquisition cost of investments. The Group also recorded an impairment loss of S\$0.8 million on its Sheffield property relating to the academic facility development site in Fitzalan Square. From Q3 2017 onwards, the Sheffield property was assessed on a site-by-site basis instead of a portfolio basis arising from a change of investment strategies relating at that location. Notwithstanding impairment to the academic facility, the other 2 sites in Sheffield property have unrecognised revaluation gains and contingent gains relating to the redevelopment of the former post office building (refer to Note 29(c) for more information on Contingent Asset) which are greater than the impairment provision on an overall assessment basis.

The increase in profit after taxation was partially mitigated by (i) an increase in general and administrative costs; (ii) absence of foreign exchange gain, and (iii) one-off refund of property tax in FY2016.

General and administrative costs increased by 21.5% to S\$6.7 million, of which S\$0.9 million of foreign currency loss was recorded in FY2017 general and administrative costs. Excluding this foreign currency loss impact, the increase in general and administrative costs was approximately 5.6% and resulted mainly from an increase in headcount and higher employment costs. The foreign currency loss arose mainly from the realised exchange



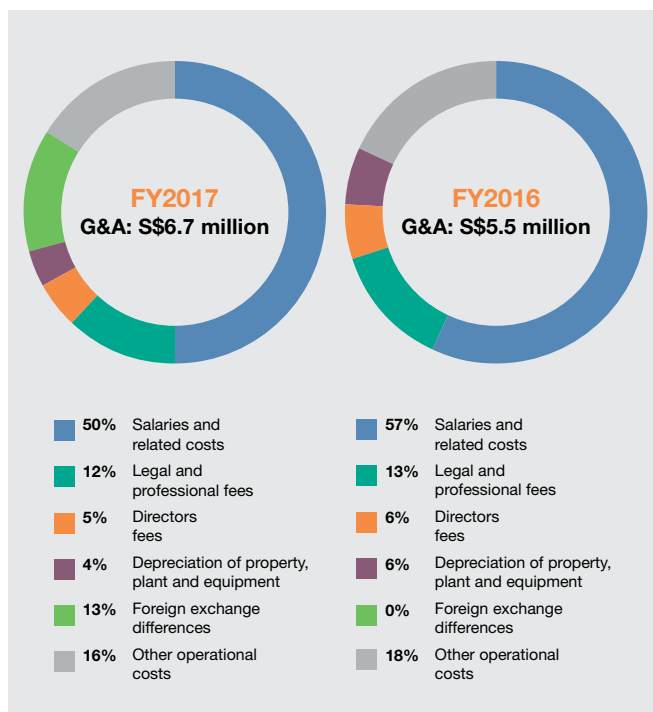
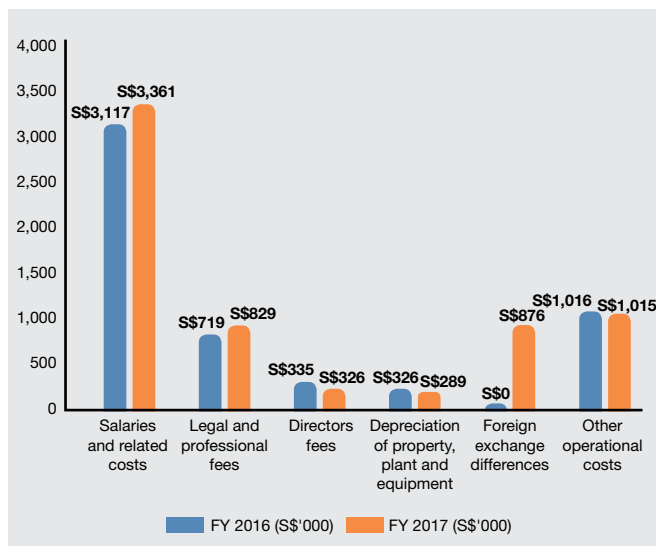
loss of S\$0.7 million from the repayment of a capital injection from its investment in joint ventures. Unrealised exchange loss increased by S\$0.2 million mainly due to translation of bank loans denominated in Sterling Pounds arising from the strengthening of the Sterling Pounds against Singapore Dollars. Although the income statement recorded foreign currency losses, there was an offsetting gain in the consolidated statement of comprehensive income.

In FY2016, the weakening of the Sterling Pound against Singapore Dollars had resulted in foreign currency gains of approximately S\$6.1 million mainly attributable to our Sterling Pound loans and this was reflected under Other Income, with foreign currency losses appearing in the consolidated statement of comprehensive income.

In FY2016, there was a one-off gain property tax refund of S\$1.0 million recorded in Other Income following the settlement of the property tax matter with Comptroller of Property Tax ("CPT") relating to the annual value matters on one of its commercial buildings in Singapore.

PERFORMANCE REVIEW

General and Administrative costs



The effective tax rate for FY2017 was 9.2%. The lower effective tax rate relative to the statutory rate in FY2017 was attributable mainly to certain gains being capital in nature and the absence of tax effect on the share of results of associates and joint ventures, offset by certain non-deductible expenses and losses incurred by foreign subsidiaries which are not available for setoff against profits of local subsidiaries.

The Group has two distinct business segments, namely the property segment and the investment segment. We derive our revenue from 2 main geographical regions, namely Singapore and the UK. Singapore and the UK contributed approximately 79.5% and 20.5% to the Group's total revenue, respectively. Revenue for the UK is attributable mainly to the rental of our UK properties.

Property business segment

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

The increase in rental income of S\$0.6 million was primarily attributable to an increase in rental income of S\$0.5 million from 20 Midtown property in London as the property had completed asset enhancement work and was leased out in 2017 and also an increase in rental income from Herbal Hill by S\$0.4 million arising from the acquisition of the property in May 2016. The increase was offset by a decrease in rental income of S\$0.2 million from 3 residential properties in UK and 1 residential property in Singapore subsequent to their disposal in 2017. Rental income from our UK and Singapore properties contributed approximately 19.7% and 36.2% to our total revenue, respectively.

Investment business segment

In relation to our investment segment, the Group evaluates investment opportunities in the public and private markets for capital growth, interest income and dividend yield. The investment portfolios are closely monitored and carefully assessed for both risks and returns. The increase in investment segment of S\$2.7 million was primarily attributable to increase in net gains from the sale of investment securities of S\$3.3 million arising from an increase in share trading activities in FY2017. The increase was offset by a decrease in dividend income of S\$0.1 million and a decrease in interest income of S\$0.5 million mainly due to absence of interest income from DR Trust subsequent to the receipt of loan repayment in 2Q2017.

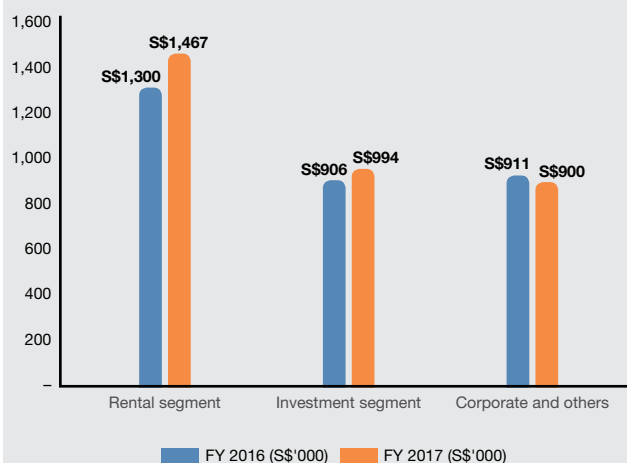
Net gains from the sale of investment securities, dividend income and interest income contributed approximately 30.4%, 7.5% and 6.2% respectively to the Group's total revenue in FY2017.

BALANCE SHEET

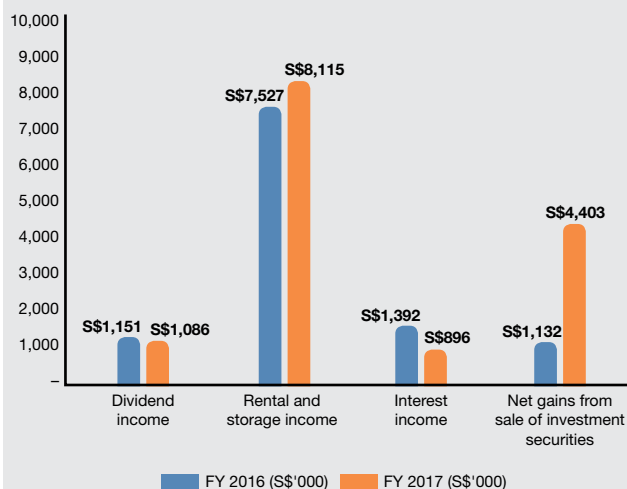
As at 31 December 2017, the Group remained in a sound financial position with shareholders' equity of S\$197.1 million, cash and bank balances of S\$50.7 million and S\$53.2 million of outstanding bank borrowings. Of the S\$50.7 million in cash and bank balances, S\$19.0 million is held as collateral for our bank facilities.

Total assets decreased by S\$12.3 million or approximately 4.5%. Total liabilities decreased by S\$15.0 million or approximately 18.8%. Net assets increased by S\$2.7 million or 1.4%. Net assets value per share increased by approximately 1.4% from 29.77 cents as at 31 December 2016 to 30.19 cents as at 31 December 2017.

SALARIES AND RELATED COSTS - BY SEGMENTS



REVENUE



PERFORMANCE REVIEW

During the year, investment properties reduced by S\$8.2 million mainly due to the disposal of 3 UK residential properties in London, 1 UK commercial property in Manchester and 1 residential property in Singapore. Investment in joint ventures decreased by S\$4.2 million mainly due to repayment of capital injections of S\$4.9 million and S\$0.6 million from translation gain. Other receivables declined by S\$10.1 million mainly due to receipt of S\$9.6 million due from a joint venture partner, DR Trust. Amounts due from associates decreased by S\$2.9 million mainly due to repayments made by the associates during the year. Cash and bank balances increased by S\$13.8 million mainly due to disposal of current investment securities during the year.

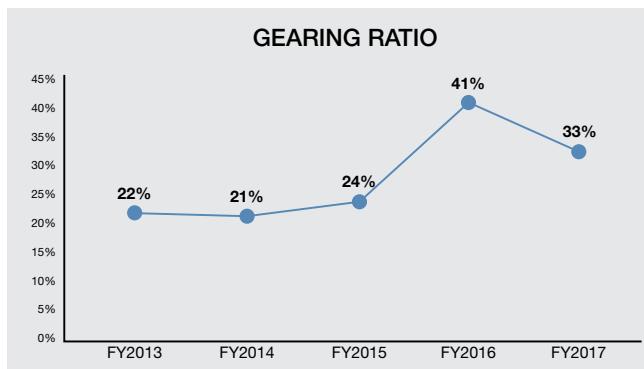
Total liabilities decreased by S\$15.0 million mainly due to a net decrease in bank borrowings of S\$15.7 million. There was a repayment of S\$19.0 million offset by an additional drawn-down of S\$3.2 million bank loans during the year.

DEBT MANAGEMENT

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

To ensure that the Group has adequate overall liquidity for its operations and new investment opportunities, the Group has built up strong cash reserves of S\$50.7 million (S\$31.7 million net of collateral commitments) and has unutilised credit facilities for future investments. We monitor our cash flow position, debt maturity profile, cost of debt and overall liquidity position on a regular basis. In managing our debt levels and interest rate risks, we take into account the interest rate outlook, expected cash flow generated from our operations, our investment horizon for our investments and our acquisition and divestment plans.

The gearing ratio decreased from 41% as at 31 December 2016 to 33% as at 31 December 2017 mainly due to repayments of bank loans during the year.



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

At 31 December 2017, the maturity profile of our outstanding bank borrowings was as follows:

	S\$'000	% of debt
Due in 2017	53,177	100%
Due after 2017	-	0%
	<u>53,177</u>	

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

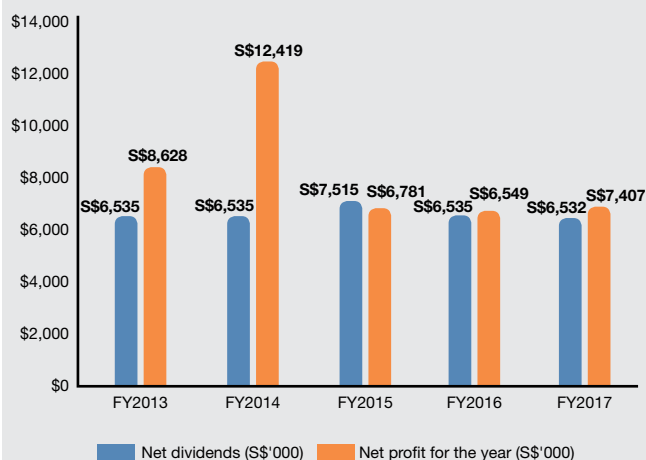
INVESTORS' RETURN

Dividend payout

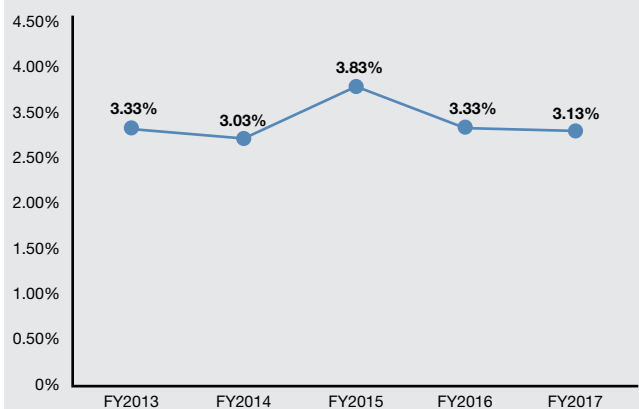
The Group has a track record of paying consistent dividends to shareholders. The decision on whether to recommend a dividend is at the discretion of the Board of Directors. In determining the dividend payout for a given year, the Board of Directors take into account, *inter alia*, the Group's balance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

For the five financial years ended 31 December 2017, we paid over S\$33.7 million in dividends to our shareholders. Owing to our cash position and sufficient revenue reserves as at 31 December 2016, we were able to pay dividends of S\$6.5 million, equivalent to approximately 88.5% of our net profit after tax attributable to shareholders in May 2017. In appreciation for the loyal support from

DIVIDENDS AND NET PROFIT FOR THE YEAR

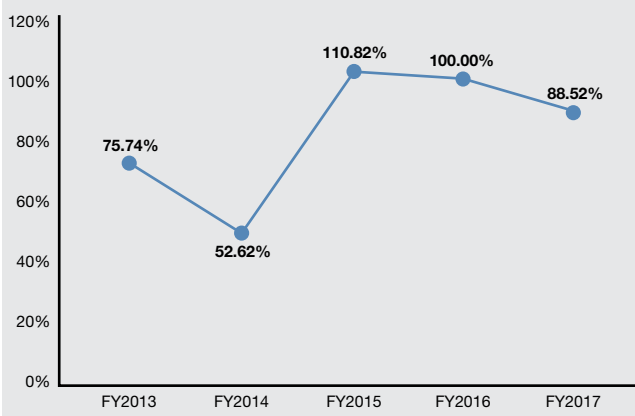


DIVIDEND YIELD



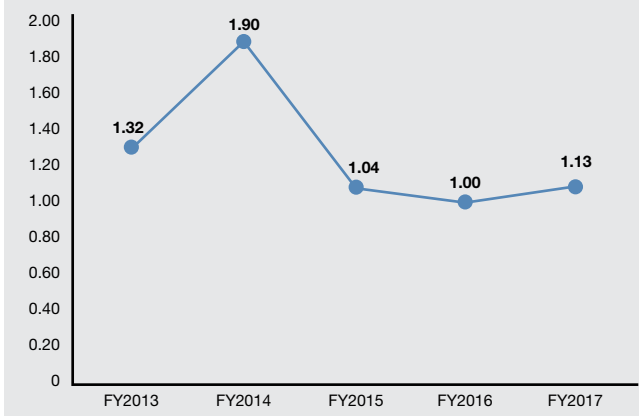
Dividend yield (based on year end share price) – current year dividend per share/year end share price

DIVIDEND PAYOUT FOR THE YEAR



Dividend payout – dividend per share/EPS

EARNINGS PER SHARE



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

Hwa Hong's shareholders through the past years, for the upcoming AGM, the directors have recommended a final dividend for FY2017 of 1.0 cent per share and special dividend of 0.10 cent per share, totaling S\$7.2 million for the financial year ended 31 December 2017. Based upon a recommended dividend of 1.10 cents and our closing share price of 32 cents as at 31 December 2017, our annualised dividend yield is approximately 3.4%.

Shareholder return

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

Total earnings per share increased to 1.13 cents in FY2017 from 1.00 cents in FY2016, representing an increase of approximately 13%.

BOARD OF DIRECTORS

HANS HUGH MILLER

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

Mr Hans Hugh Miller was appointed a Director and the Chairman of the Board of Directors on 3 January 2005 and 20 April 2005 respectively. Mr Miller will be subject to retirement and will be seeking re-election at the forthcoming Annual General Meeting of the Company scheduled to be held on 25 April 2018. He was last re-elected on 24 April 2015. He is also the Chairman of the Audit and Risk Committee and a member of the Nominating Committee, Remuneration Committee of the Company. He was a member of the Divestment and Investment Committee before it was dissolved on 27 July 2017.

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

ONG CHOO ENG

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

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

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

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

ONG MUI ENG

Executive Director; Non-Independent

Mr Ong Mui Eng was appointed a Director on 1 February 1983. Mr Ong was last re-appointed on 27 April 2017.

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

ONG HIAN ENG (DR)

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

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

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

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

GUAN MENG KUAN

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

Mr Guan Meng Kuan was appointed a Director on 1 February 1983. Mr Guan was last re-appointed on 27 April 2017. He is also a member of the Nominating Committee and Remuneration Committee of the Company.

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

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

ONG WUI LENG, LINDA

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

Ms Ong was appointed a Director on 19 April 2013. Ms Ong will be subject to retirement and will be seeking re-election at the forthcoming Annual General Meeting of the Company scheduled to be held on 25 April 2018. She was last re-elected on 24 April 2015. She is the Chairman of the Nominating Committee and a member of the Audit and Risk Committee of the Company. She was a member of the Divestment and Investment Committee before it was dissolved on 27 July 2017.

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

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

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

HUANG YUAN CHIANG

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

Mr Huang was appointed a Director on 19 April 2013. Mr Huang was last re-elected on 27 April 2016. He is also the Chairman of the Remuneration Committee and a member of the Audit and Risk Committee of the Company. He was the Chairman of the Divestment and Investment Committee before it was dissolved on 27 July 2017.

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

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

Mr Huang has degrees in Economics and Laws.

KEY EXECUTIVES

CHEN CHEE KIEW (MRS)

*General Manager
Singapore Warehouse Company (Private) Ltd.*

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

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

ONG ENG YAW

*Senior Vice President, Real Estate
Singapore Warehouse Company (Private) Ltd.*

Mr Ong Eng Yaw joined the Company as Manager for Investments on 1 August 2008. With effect from November 2017, Mr Ong has been re-designated as Senior Vice President, Real Estate. His duties, role and responsibilities remain unchanged. He is responsible for the Group's business development and investment activities. Prior to joining the Company, he has worked in OCBC Bank, Vickers Ballas, DBS Bank, CIMB Group and Parkway Life Real Estate Investment Trust. Mr Ong's career has been in corporate finance and in real estate investment and management in Singapore and the United Kingdom. Mr Ong is also an independent director of Singapore Reinsurance Corporation Limited and MTQ Corporation Limited. He is a member of the Remuneration Committee of MTQ Corporation Limited. He is the Chairman of the Nominating Committee and a member of the Audit, Remuneration, Executive and Investment Committees of Singapore Reinsurance Corporation Limited.

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

ONG ENG LOKE

*Senior Vice President, Fund Management
Hwa Hong Edible Oil Industries Pte. Ltd.*

Mr Ong Eng Loke joined the Company in August 2004 as Manager for Business Development. With effect from November 2017, Mr Ong has been re-designated as Senior Vice President, Fund Management. His duties, role and responsibilities remain unchanged. Prior to the appointment, he was a fund manager in Tokio Marine Asset Management International Pte Ltd, UOB Asset Management and OUB Asset Management. He is currently responsible for investment opportunities in Asia particularly in the North Asian region of China, Hong Kong and Korea.

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

LEE SOO WEI

*Chief Financial Officer
Hwa Hong Corporation Limited*

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

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

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

CORPORATE GOVERNANCE REPORT

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

This report describes the Company’s corporate governance practices with reference to the principles of the 2012 Code. Where there are deviations from any of the 2012 Code, an explanation has been provided. In so far as any guideline has not been complied with, the reason has been provided.

(A) BOARD MATTERS

The Board’s Conduct Of Its Affairs

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

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

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

With the aim of streamlining the Company’s existing Board Committees to achieve better efficiency and effectiveness in the Board’s administration and oversight of the Company’s affairs, the Divestment and Investment Committee was dissolved with effect from 27 July 2017 and the following responsibilities were reallocated to the Board:-

- (i) reviewing of the investment goals and objectives of the Group;
- (ii) overseeing and reviewing the investment policies and strategies of the Group to ensure that they are consistent with the goals and objectives of the Group;
- (iii) reviewing and approving proposed investments, acquisitions and disposal of assets of the Group which are above the thresholds set for the Group Managing Director; and
- (iv) reviewing the appropriate investment/divestment authority levels delegated to management.

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

CORPORATE GOVERNANCE REPORT

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

The functions of the Board are either carried out by the Board or delegated to various Board Committees established by the Board, namely, the Audit and Risk Committee (the "ARC"), the Nominating Committee (the "NC") and the Remuneration Committee (the "RC"). Each committee has the authority to examine issues relevant to their respective terms of reference and to make recommendations to the Board for the Board's consideration and approval. From 2017, invitations were extended to all Directors, non-committee members, to attend all Board Committees meetings.

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

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

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

The attendance record of each Director at meetings of the Board and Board Committees for the financial year ended 31 December 2017 ("FY2017") is disclosed below:

Name of Director	Board of Directors	ARC	NC	RC	DAIC [#]
Hans Hugh Miller	4	4	1	3	2
Ong Choo Eng	4	4*	1*	3*	2*
Ong Mui Eng	4	-	-	-	-
Ong Hian Eng	4	-	-	-	-
Guan Meng Kuan	4	-	1	3	1*
Ong Wui Leng, Linda	4	4	1	-	2
Huang Yuan Chiang	4	4	-	3	2
Number of meetings held in FY2017	4	4	1	3	2

[#] DAIC was dissolved on 27 July 2017

* Attendance by non-committee member (by invitation)

It is the Company's policy that newly appointed Directors be provided with briefings and orientation by the Executive Directors and management to familiarise them with the businesses and operations of the Group. The orientation also allows newly appointed Directors to get acquainted with Executive Directors and management, thereby facilitating Board interaction and independent access to management. For a newly appointed Director who has no prior experience as a director of a listed company, in addition to the orientation, he or she will be encouraged to also attend the relevant programme conducted by the Singapore Institute of Directors ("SID") in order to acquire knowledge of what is expected of a listed company director. It is the Company's practice that newly appointed Directors are also given a copy of the Company's Directors' manual, setting out their duties and obligations. For FY2017, no new Directors were appointed.

The Directors may join institutes and group associations of interests related to the affairs of the Group, and attend relevant training seminars or informative talks from time to time. As part of their continuing education, Directors may attend courses in areas of Directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act and industry-related matters, to keep themselves apprised

CORPORATE GOVERNANCE REPORT

and updated on the latest corporate, regulatory, legal and other requirements. The Directors are regularly kept informed by the in-house corporate secretarial department of the availability of appropriate courses, conferences and seminars such as those run by the SID. The registration process is facilitated by the Company with course fees borne by the Company. During FY2017, as part of the training and professional development of the Board, the Company had arranged for the Directors to be briefed on ACRA's Financial Reporting Surveillance Programme Update and SGX Listing Manual and Companies Act Amendments.

Board Composition And Guidance

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

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

Name of Director	Appointment	Date of Initial Appointment	Date of Last Re-Election	ARC	NC	RC
Hans Hugh Miller ⁽²⁾	Chairman; Independent and Non-Executive Director	03.01.2005	24.04.2015	Chairman	Member	Member
Ong Choo Eng ⁽¹⁾⁽³⁾	Group Managing Director; Non-Independent	15.06.1982	24.04.2015	-	-	-
Ong Mui Eng ⁽⁴⁾	Executive Director; Non-Independent	01.02.1983	27.04.2017	-	-	-
Ong Hian Eng (Dr) ⁽⁵⁾	Non-Executive Director; Non-Independent	24.02.1981	27.04.2016	-	-	-
Guan Meng Kuan	Non-Executive Director; Non-Independent	01.02.1983	27.04.2017	-	Member	Member
Ong Wui Leng, Linda ⁽²⁾	Independent and Non-Executive Director	19.04.2013	24.04.2015	Member	Chairman	-
Huang Yuan Chiang	Independent and Non-Executive Director	19.04.2013	27.04.2016	Member	-	Chairman

CORPORATE GOVERNANCE REPORT

Notes:

- 1 Under the provisions of the Company's Constitution, Mr Ong Choo Eng is not subject to rotation and re-election at the Company's Annual General Meetings ("AGM"). However, prior to 3 January 2016, Mr Ong Choo Eng was subject to re-appointment under Section 153(6) of the Companies Act. His last re-appointment pursuant to the now defunct Section 153(6) of the Companies Act was 24 April 2015.
- 2 Mr Hans Hugh Miller and Ms Ong Wui Leng, Linda would retire by rotation and stand for re-election at the Company's forthcoming AGM in accordance with the Constitution of the Company. There are no relationships including immediate family relationships between each of Mr Miller and Ms Ong and the other Directors, the Company or its 10% shareholders.
- 3 Mr Ong Choo Eng's brothers are Mr Ong Mui Eng and Dr Ong Hian Eng, who are Directors, as well as Mr Ong Kwee Eng, Mr Ong Kay Eng and Mr Ong Hoo Eng, who are substantial shareholders. He is father of Mr Ong Eng Yaw, Senior Vice President, Real Estate and a substantial shareholder and Ms Ong Bee Leem, a substantial shareholder. He is uncle of Mr Ong Eng Loke, Senior Vice President, Fund Management and a substantial shareholder.
- 4 Mr Ong Mui Eng's brothers are Mr Ong Choo Eng and Dr Ong Hian Eng, who are Directors, as well as Mr Ong Kwee Eng, Mr Ong Kay Eng and Mr Ong Hoo Eng, who are substantial shareholders. He is father of Mr Ong Eng Loke, Senior Vice President, Fund Management and a substantial shareholder. He is uncle of Mr Ong Eng Yaw, Senior Vice President, Real Estate and a substantial shareholder and Ms Ong Bee Leem, a substantial shareholder.
- 5 Dr Ong Hian Eng's brothers are Mr Ong Choo Eng and Mr Ong Mui Eng, who are Directors, as well as Mr Ong Kwee Eng, Mr Ong Kay Eng and Mr Ong Hoo Eng, who are substantial shareholders. He is uncle of Mr Ong Eng Yaw, Senior Vice President, Real Estate and a substantial shareholder, Ms Ong Bee Leem, a substantial shareholder and Mr Ong Eng Loke, Senior Vice President, Fund Management and a substantial shareholder.

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

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

The Non-Executive Directors are encouraged to participate actively at Board meetings, provide constructive feedback and challenge management's decisions. While the Non-Executive Directors do not exercise management functions, they provide oversight on issues deliberated and in reviewing the performance of the Company. The Non-Executive Directors have unrestricted access to management and have sufficient time and resources to discharge their oversight function. In encouraging open communication and providing effective oversight on management, the Non-Executive Directors meet separately after each scheduled quarterly Board meeting, without the presence of management.

The Company conducts annual performance evaluations on (i) each Director on an individual basis; and (ii) collectively as a group, to assist the NC in the assessment of the contributions and commitment of each Director to the Company and the effectiveness of the Board as a whole. The Company also conducts Board Committees performance evaluations as well as Independent Director self-assessment annually. The Company's outsourced company secretary assists the Company with the evaluation process and confirmed to the Company that the Company's performance evaluation (including the rigorous review and assessment of Independent Directors who has been with the Company for more than nine years) is not less informative. As with previous years, the results of the evaluations for FY2017 clearly indicated that the Directors remain committed and stand ready to contribute to the Company.

The independence of each Independent Director is assessed and reviewed annually by the NC. In its deliberation on the independence of an Independent Director, the NC took into account the 2012 Code's definition of relationships, considered whether such Independent Director had business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere with the exercise of such Independent Director's

CORPORATE GOVERNANCE REPORT

objective judgements. There were no business relationships between the Group and the respective Independent Directors for FY2017.

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

Since 2015, in addition to peer assessment, all three Independent Directors subjected themselves to self-assessment evaluation in respect of their respective independence. Since 2016, the Board accepted the NC's recommendation to include Mr Guan Meng Kuan, who is Non-Executive and Non-Independent, to the same rigorous review assessment of his independence. Accordingly, in respect of the review of the independence of each Independent Director and Mr Guan Meng Kuan for FY2017, the NC having assessed the independence of each Independent Director and Mr Guan Meng Kuan, had considered Mr Hans Hugh Miller, Mr Huang Yuan Chiang, Ms Ong Wui Leng, Linda and Mr Guan Meng Kuan to be independent. Each member of the NC had abstained from deliberations in respect of assessment of his/her own independence.

In addition, the 2017 Board performance evaluation results revealed (based on a ranking exercise conducted) that Independent Directors often speak up at meetings first, before Executive Directors and are not led by the views of Executive Directors, and thereby demonstrating the independent mindedness of each Independent Director.

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

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

Mr Hans Hugh Miller (First appointed on 3 January 2005)

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

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

Mr Guan Meng Kuan (First appointed on 1 February 1983)

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

Despite Mr Guan continuing to be a Non-Executive and Non-Independent Director, the NC had also submitted Mr Guan to a rigorous review since 2016, arising from his long tenure in the Company. Based on the NC's review, Mr Guan had

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

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

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

Chairman And Group Managing Director

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

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

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

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

Board Membership

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

Nominating Committee

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

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

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

- (a) making recommendations to the Board on new appointments to the Board (including alternate director, if applicable);
- (b) making recommendations to the Board on the re-nomination of retiring Directors standing for re-election at the Company's AGM, having regard to the Director's contribution and performance;
- (c) determining annually whether or not each Independent Director is independent;
- (d) reviewing the Board structure, size and composition;
- (e) reviewing whether or not a Director has adequately carried out and is able to carry out his/her duties as a Director, particularly when he/she has multiple board representations;
- (f) reviewing Board succession plans for Directors, in particular, the Chairman and the Group Managing Director;
- (g) reviewing training and professional development programs for the Board;
- (h) deciding how the Board's performance may be evaluated;
- (i) recommending for the Board's implementation, a process for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board; and
- (j) exercising general oversight in respect of governance matters, including the review and recommendation of any corporate governance principles and practices that may be applicable to the Company and proposing changes to such principles and/or practices, as appropriate.

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

The Company does not have any alternate director. The Company would avoid approving the appointment of alternate directors unless in exceptional cases.

At each AGM of the Company, the Company's Constitution requires one-third of the Board (excluding the Group Managing Director) to retire from office by rotation, being one-third of those who have been longest in office since their last re-election. The retiring Directors are at liberty to submit themselves for re-nomination and re-election. NC has adopted a set of internal guidelines on re-appointment / re-election of directors. A newly appointed Director must also subject himself for retirement and re-election at the AGM immediately following his appointment. In addition, in accordance with the amendments to the Companies Act, the Company no longer requires Directors who are age 70 and above to retire annually. The Company's Constitution also provides that the Group Managing Director is not subject to retirement by rotation.

In accordance with the Company's Constitution, Mr Hans Hugh Miller and Ms Ong Wui Leng, Linda would retire by rotation and stand for re-election at the Company's forthcoming AGM.

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

All Directors are required to declare their board representations. In cases where a Director has multiple board representations, the NC also assesses on an annual basis, whether such Director has adequately carried out his/her duties as a Director.

In anticipation of competing time commitments where Directors serve on multiple boards, the Board had set a maximum limit of 6 directorships in listed companies for Independent Directors. None of the Independent Directors hold 6

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directorships in listed companies. The NC has considered and is of the opinion that Directors had been carrying out their duties to the Company given the prompt and active participation and attendance of the Directors whether at Board meetings or by way of other forms of communication including emails.

Further information regarding Directors can be found in the section “**Board of Directors**” on pages 22 to 23. Details of Directors’ shareholdings in the Company and related corporations are set out in the “**Directors’ Statement**” on pages 45 to 47.

Board Performance

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

The NC meets at least once a year, and as warranted by circumstances, to discharge its functions. For FY2017, the NC met once.

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

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

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

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

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

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

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

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

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Access To Information

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

Management, including the Executive Directors, keeps the Board apprised of the Group's operations and performance through quarterly updates and reports as well as through informal discussions. Management is expected to provide the Board with key information that is complete, adequate and timely. Management also provides any additional material or information, including management accounts, potential acquisition and disposal of assets, significant developments or events relating to the Group's operations that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. Prior to any meetings of the Board and Board Committees, Directors are provided, where appropriate, with management information to enable them to be prepared for the meetings. It is the Company's practice for the Board papers to be given to the Directors at least seven days before the Board and Board Committees meetings so that the Board and Board Committee members have better understanding of the agenda matters and to facilitate discussion among themselves during the meeting. However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed. Key management personnel are invited to attend the Board and Board Committees meetings to make the appropriate presentations and to answer any queries from the Directors, whenever needed. On an ongoing basis, all Board members have separate and independent access to management should they have any queries or require additional information on the affairs of the Company and the Group.

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

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

(B) REMUNERATION MATTERS

Procedures For Developing Remuneration Policies

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

Remuneration Committee

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

Huang Yuan Chiang	Chairman
Hans Hugh Miller	
Guan Meng Kuan	

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

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

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

The RC reviews the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses. The Company has a claw back policy for the annual incentive and other performance based compensation. No termination, retirement and post-employment benefits were granted to Directors and employees of the Group for FY2017.

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

Level And Mix Of Remuneration

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

The RC recommends to the Board the quantum of Directors' fees and the Board in turn determines the recommendation for shareholders' approval at the Company's AGM. Directors' fees are payable to the Non-Executive Directors and take into account the Non-Executive Director's attendance and responsibilities on the respective Board Committees. Non-Executive Directors who cease to be a Director during any part of the financial year, are paid pro-rated fees for the term of his office. For Executive Directors and key executives, each of their service contracts and compensation packages is reviewed privately by the RC. The RC takes into account the risk policies of the Group and ensures that remuneration is symmetric with risk outcomes and is sensitive to the time horizon of risks. The RC will continually evaluate the remuneration structure of Executive Directors and key management personnel and consider linking rewards to corporate and individual performance, to promote the long-term success of the Company.

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

No options were granted under the 2001 Scheme in 2017 and the Company has no long term scheme involving the offer of shares or options in place.

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Disclosure On Remuneration

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

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

The breakdown (in percentage terms) of the remuneration of Directors of the Company FY2017 is set out below:

Remuneration Band & Name of Director	Based/ Fixed salary* %	Variable or performance related income/ Bonus* %	Fees ** %	Benefits in kind %	Other long term incentives %	Total %
(i) \$500,001 to \$750,000						
Ong Choo Eng ¹	76.4	21.8	–	1.8	–	100
(ii) \$250,000 and below						
Ong Mui Eng ¹	83.0	13.3	–	3.7	–	100
Hans Hugh Miller	–	–	100	–	–	100
Guan Meng Kuan	–	–	100	–	–	100
Ong Wui Leng, Linda	–	–	100	–	–	100
Huang Yuan Chiang	–	–	100	–	–	100
Ong Hian Eng	–	–	100	–	–	100

* Inclusive of employer's central provident fund contributions.

** The fees payable by the Company to the Non-Executive Directors for FY2017 were approved by shareholders at the AGM held on 27 April 2017.

¹ Mr Ong Choo Eng and Mr Ong Mui Eng are brothers and also Executive Directors of the Group, and each of their all-in remuneration exceeded S\$50,000 for FY2017.

Information regarding key management personnel can be found in the section “**Key Executives**” on page 24. The remuneration of top four key management personnel (who are not Directors) of the Group is categorised into the respective remuneration bands as follows:

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

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The remuneration packages of the Directors and key management personnel of the Group generally comprise two components. One component is fixed in the form of a base salary. The other component is variable consisting of AWS and performance bonus. The variable portion is largely dependent on the Group and individual performance, both in terms of financial and non-financial performance and creation of shareholder wealth. For FY2017, the RC reviewed the mix of fix and variable components and considered it appropriate for the Group and key management personnel.

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

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

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

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

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Risk Management And Internal Controls

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

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

A formalised risk management process has been established since 2006 whereby key risks, control measures, risk tolerance level or limits and management actions are identified and monitored by management and reported to the Board for review and evaluation at least annually. The Risk Management Report can be found on page 44.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by management and written representations from the Group Managing Director and Chief Financial Officer on internal controls, the Board, with the concurrence of the ARC, is of the opinion that the Group's internal controls addressing financial, operational, compliance risks and information technology controls, and risk management systems remains adequate and effective as at 31 December 2017.

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

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

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

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

Audit and Risk Committee

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

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

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

The Board confirms that the ARC is appropriately qualified to discharge its duties and responsibilities. At least two

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members of the ARC (including the Chairman) have recent and relevant accounting or related financial management expertise or experience. Neither the Chairman of the ARC nor any of its members is a former partner nor a Director of the Company's existing auditing firm.

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

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

- (a) the overall scope of the internal and external audit and its cost effectiveness;
- (b) the assistance given by management to the internal and external auditors;
- (c) the Group's periodic financial results announcements, the financial statements of the Company and the consolidated financial statements of the Group including the significant financial reporting issues and judgements and auditors' report prior to submission to the Board for approval and release;
- (d) along with the internal and external auditors, the results of their examination of the Group's system of internal controls;
- (e) non-audit services provided by the external auditors;
- (f) the independence and objectivity of the external auditors;
- (g) the adequacy and effectiveness of the internal audit function;
- (h) the effectiveness and adequacy of the Group's internal financial controls, operational, compliance and information technology controls and risk management processes;
- (i) the investment/divestment transactions from an accounting, capital requirements and financing perspective;
- (j) interested person transactions; and
- (k) sustainability reporting.

The ARC met with the external and internal auditors without the presence of management for the FY2017 audit.

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

During FY2017, the ARC carried out the functions enumerated above and reviewed the annual audit plans of the external and internal auditors and the results and findings of the audits performed by them and the re-appointment of the external auditors and their remuneration.

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

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

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Significant matters	How the ARC reviewed these matters and what decisions were made
Valuation of investment properties	<p>The ARC considered the approach and methodology applied on the accounting of investment properties. The Group accounted the investment properties using cost model.</p> <p>The ARC reviewed the valuations (external and Directors' valuations) of investment properties to consider whether there were any impairments in the carrying value of the investment properties and the appropriateness of fair values of investment properties disclosed.</p> <p>The valuation of investment properties was also an area of focus for the external auditor. The external auditor has included this item as key audit matter in its audit report for FY2017. Refer to pages 48 to 49 of this annual report.</p>
Impairment of investment securities	<p>The ARC considered the approach and methodology applied to the accounting of investment securities as well as the assessment for impairment.</p> <p>The impairment of investment securities was also an area of focus for the external auditor. The external auditor has included this item as key audit matter in its audit report for FY2017. Refer to page 49 of this annual report.</p>

Following review and discussions, the ARC recommended the full year financial statements to the Board for its approval.

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

Service Category Fees	EY entities in Singapore S\$'000
Audit Services	170
Non-Audit Services	19
Total	189

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

The Company has a whistle-blowing policy whereby staff of the Group and relevant external parties may, in confidence, raise concerns about possible irregularities in financial reporting or other matters. The policy defines the processes clearly to ensure independent investigation of such matters and permits whistle blowers to communicate directly with the ARC Chairman. There were no whistle blowing reports received during FY2017.

The ARC activities during the year, amongst other things, included (i) the review by ARC on the impact of Brexit to the Group's business; (ii) the review by ARC on Directors' Valuation carried out on the Group's investment; (iii) the review by ARC on stress tests carried out by management and sensitivity analysis on the Group's foreign currency risks; (iv) the oversight by the ARC on implementation of the Company's sustainability policies and practices, including the identification of the Company's material Environmental, Social and Governance factors and preparation for sustainability reporting; (v) the review by the ARC on investment and/or divestment proposals from an accounting, capital requirements and financing perspective; (vi) the review by the ARC on IFRS convergence implementation for FY2018, and (vii) the review by the ARC on accounting and tax implications in respect of FRS109 for Financial Instruments effective from FY2018.

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The Company is placing emphasis on sustainability and is in the midst of implementing the appropriate policies and programmes in compliance with the Listing Manual of the SGX-ST. The Company's inaugural sustainability report is expected to be issued and published on the Company's website before June 2018.

Internal Audit

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

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

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

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

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

(D) INVESTMENT AND DIVESTMENT

Divestment and Investment Committee (the "DAIC")

The DAIC, one of the Board Committees established by the Board, comprises three members, all of whom are Independent Directors. As announced by the Company on 27 July 2017, the DAIC was dissolved with the aim of streamlining the Company's existing Board Committees to achieve better efficiency and effectiveness in the Board's administration and oversight of the Company's affairs. The duties and responsibilities of the DAIC were reallocated to the ARC and the Board. The ARC primarily review investment / divestment transactions from an accounting, capital requirement and financing perspective, whilst the Board would review investment / divestments from a strategic perspective.

Prior to its dissolution, the members of the DAIC were:

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

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

- (a) assist the Board in the review of the investment goals and objectives of the Group;
- (b) oversee and review the investment policies and strategies of the Group to ensure that they are consistent with the goals and objectives of the Group;
- (c) promote an effective investment process and investment procedures;

CORPORATE GOVERNANCE REPORT

- (d) review and recommend to the Board on proposed investments, acquisitions and disposals of assets of the Group which are above the Group Managing Director's limits; and
- (e) review and recommend to the Board appropriate investment authority level delegated to management.

The DAIC met twice before its dissolution. The DAIC has adopted a set of internal investment approval processes which set out the appropriate investment authority levels and this is being reviewed regularly.

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

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

1. Impact of Brexit on the Group's UK investments;
2. 20 Midtown leasing update;
3. Sheffield student accommodation update and feasibility study; and
4. Review of potential acquisition and/or re-development opportunities identified by management in the Singapore residential market.

(E) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

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

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

Although the Company does not have a formal investor relations policy, the Company recognises that effective communication can highlight transparency and enhance accountability to its shareholders and investors. The Company's corporate governance practices promote a fair and equitable treatment to all shareholders. The Company strives to disclose information on a timely basis to shareholders and ensure any disclosure of price sensitive information is not made to a selective group. To facilitate shareholders' ownership rights, management ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNet. All shareholders of the Company receive the full annual report with the notice of AGM. Recent annual reports of the Company are available on the Company's website at www.hwahongcorp.com. The notice of AGM to shareholders is issued at least fourteen days, or as required, before the scheduled AGM. The notice is also advertised in The Business Times and made available on the SGXNet. AGM and other general meetings of shareholders are the principal forum for dialogue and interaction with shareholders. During these meetings, shareholders are given the opportunity to air their views and ask Directors and/or management questions regarding the Company and the Group. All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducted poll voting for all resolutions tabled at general meetings.

An email account, hanshughmiller@gmail.com, addressed to the Chairman is available to communicate and solicit feedback from the shareholders.

CORPORATE GOVERNANCE REPORT

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

Conduct Of Shareholder Meetings

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

Under the existing Constitution of the Company, a shareholder may vote in person or appoint not more than two proxies to attend and vote in his stead. Such proxy to be appointed need not be a shareholder. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, nominee company or custodian bank or a CPF agent bank may appoint more than two proxies to attend and vote. The Company's Article provided for abstentia voting however voting in absentia by mail, electronic mail or facsimile has not been implemented due to concerns relating to issues of authentication of shareholder identity and other related security issues.

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

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

DEALINGS IN SECURITIES

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

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

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

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

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

The Company has complied with its Code.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

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

Transactions entered into with interested persons during FY2017 were as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Hong Leong Investment Holdings Pte. Ltd. Group - Interest charged on shareholder loan to Hong Property Investment Pte Ltd	\$144,305	Nil**

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

RISK MANAGEMENT AND CONTROL ENVIRONMENT

RISK MANAGEMENT

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

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

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

The Group's financial risk management objectives and policies are discussed further in Note 34 to the financial statements.

RISK PROCESSES AND ACTIVITIES

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

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Hwa Hong Corporation Limited (the Company) and its subsidiaries (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

OPINION OF THE DIRECTORS

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

Hans Hugh Miller	(Chairman)
Ong Choo Eng	(Group Managing Director)
Ong Mui Eng	
Ong Hian Eng	
Guan Meng Kuan	
Ong Wui Leng, Linda	
Huang Yuan Chiang	

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

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

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Shares beneficially held by director		Shareholdings in which director is deemed to have an interest	
	At 1.1.2017	At 31.12.2017	At 1.1.2017	At 31.12.2017
Ong Choo Eng	903,000	903,000	80,986,000	80,986,000
Ong Mui Eng	11,505,664	11,505,664	321,748	321,748
Ong Hian Eng	9,898,463	9,898,463	20,385,000	20,385,000
Guan Meng Kuan	1,034,860	1,034,860	–	–

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

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

SHARE OPTIONS

Hwa Hong Corporation Limited (2001) Share Option Scheme

At an Extraordinary General Meeting held on 29 May 2001, shareholders approved the Hwa Hong Corporation Limited (2001) Share Option Scheme (the "Scheme"). The Scheme will continue in operation for a maximum period of 10 years from 29 May 2001, unless otherwise extended and subject to relevant approvals. At the 58th Annual General Meeting held on 27 April 2011, shareholders approved the extension of the Scheme for another ten years to 28 May 2021.

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

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

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

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

DIRECTORS' STATEMENT

AUDIT AND RISK COMMITTEE

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

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

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

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

AUDITOR

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

On behalf of the board of directors:

Ong Choo Eng
Director

Ong Mui Eng
Director

Singapore
9 March 2018

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hwa Hong Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

Valuation of investment properties

The Group's investment properties represent 43% of the Group's total assets as at 31 December 2017. These investment properties are accounted using the cost model. The carrying value of the investment properties is significant to our audit due to the judgemental nature of their impairment assessment. This assessment is complex and highly dependent on a range of estimates made by directors as well as the external valuation experts engaged by directors. The most significant judgements and estimates affecting the valuations are comparable market transactions, net rental income, rate of return which reflects the tenure and quality of the investment. The Group uses external valuation experts to support its determination of the individual fair value of the investment properties once every three years while directors' valuations are carried out annually.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HWA HONG CORPORATION LIMITED (CONT'D)

Key Audit Matters (cont'd)

Valuation of investment properties (cont'd)

Amongst others, we have considered the objectivity, independence and expertise of the external valuation experts. We assessed the appropriateness of the valuation model, property related data, including estimates used by the external valuation experts and directors. In addition, we involved our internal real estate and valuation specialist to assist us in reviewing the management and the external valuation experts about the appropriateness of the data used in the estimation process. We researched the market for data to compare to assumptions used in the valuation and assessed whether the assumptions used are supported by observable market data. Furthermore, we discussed with the external valuation experts about their valuation methodology and techniques and assessed whether the valuation methodology and techniques used were complete, adequate and consistent with appraisal methodology given the circumstances of the investment properties in. We also assessed the appropriateness of impairment loss recognised by management. The management's conclusion on the impairment test and the related disclosures are included in Note 15 and Note 33.

Impairment of investment securities

The Group's investment securities classified as available-for-sale represent 18% of the Group's total assets as at 31 December 2017. Based on accounting policies in Note 2.13, these instruments are measured at fair value with the corresponding fair value changes recognised in other comprehensive income. The impact of impairment of investment securities is significant to our audit due to their magnitude and judgement requires in the determination of what is considered "significant" or "prolonged" decline in fair value below cost.

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

Our audit procedures comprised of, amongst others, an assessment of the appropriateness of the Group's determination of what is considered "significant" or "prolonged" decline in fair value below cost by evaluating the share price movements, the duration and extent to which the fair value of investment securities are lesser than their costs during the last 12 months. We also assessed the accuracy of key inputs used in the assessment of "prolonged" decline in fair value below cost and computation of "significant" such as the duration of the decline, fair value and cost of investment securities. The management's conclusion on the impairment test and the related disclosures are included in Note 19 and Note 33.

Other Information

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

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HWA HONG CORPORATION LIMITED (CONT'D)

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HWA HONG CORPORATION LIMITED (CONT'D)

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
9 March 2018

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2017

	Note	Group 2017 \$	Group 2016 \$
Revenue	4	14,500,346	11,202,176
Cost of sales	5	(4,482,816)	(4,209,348)
Gross profit		10,017,530	6,992,828
Other income	6	8,377,701	10,866,935
General and administrative costs	7	(6,695,616)	(5,512,266)
Other operating costs	8	(3,296,387)	(5,020,320)
Finance costs	9	(1,281,861)	(1,366,181)
Share of results of associates and joint ventures		1,036,449	830,035
Profit before tax		8,157,816	6,791,031
Income tax expense	10	(750,700)	(242,272)
Profit for the year		7,407,116	6,548,759
Attributable to:			
Owners of the Company			
Profit for the year		7,407,116	6,548,759
Profit for the year attributable to owners of the Company		7,407,116	6,548,759
Earnings per share (cents):			
Basic and fully diluted	11	1.13	1.00

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Group	
	2017 \$	2016 \$
Profit for the year	7,407,116	6,548,759
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Available-for-sale investments		
Net gains/(losses) on fair value	2,780,686	(2,449,663)
Reclassification adjustments included in profit or loss for:		
– gains on disposal	(4,194,533)	(1,118,399)
– impairment losses	2,494,477	4,651,021
Income tax effect	151,096	68,146
Net gains on available-for-sale investments (net of tax)	1,231,726	1,151,105
Foreign currency translation	883,816	(12,971,427)
Reclassification adjustments for gains included in profit or loss relating to disposal of investment properties, which were previously revalued and purchased from an associate	(201,319)	–
Other comprehensive income for the year, net of tax	<u>1,914,223</u>	<u>(11,820,322)</u>
Total comprehensive income for the year	<u>9,321,339</u>	<u>(5,271,563)</u>
Attributable to:		
Owners of the Company		
Total comprehensive income for the year	<u>9,321,339</u>	<u>(5,271,563)</u>

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

BALANCE SHEETS

As at 31 December 2017

		Group		Company	
	Note	2017	2016	2017	2016
		\$	\$	\$	\$
Equity attributable to owners of the Company					
Share capital	12(a)	172,153,626	172,153,626	172,153,626	172,153,626
Treasury shares	12(b)	(164,945)	(98,002)	(164,945)	(98,002)
Reserves	13	25,152,362	22,362,763	8,954,957	7,555,140
Total equity		197,141,043	194,418,387	180,943,638	179,610,764
Non-current assets					
Property, plant and equipment	14	4,452,479	4,672,394	–	–
Investment properties	15	112,040,076	120,254,292	–	–
Investment in subsidiaries	16	–	–	170,463,857	169,687,153
Investment in associates	17	27,812,304	26,549,780	745,800	745,800
Investment in joint ventures	18	3,105,930	7,310,519	–	–
Investment securities	19	23,212,118	20,779,553	–	–
Amounts due from associates	17	–	2,000,000	–	–
Other receivables	20	5,581,856	5,361,766	–	–
		176,204,763	186,928,304	171,209,657	170,432,953
Current assets					
Trade receivables	21	494,128	595,113	–	–
Tax recoverable		1,821	–	–	–
Prepayments and deposits		224,445	222,729	52,630	52,785
Other receivables	20	3,228,266	13,518,672	6,778	475
Amounts due from subsidiaries	16	–	–	6,694,000	8,674,000
Amounts due from associates	17	6,464,599	7,355,294	–	–
Investment securities	19	24,773,499	28,872,625	–	–
Cash and bank balances	22	50,682,911	36,866,008	3,958,628	1,380,696
		85,869,669	87,430,441	10,712,036	10,107,956
Total assets		262,074,432	274,358,745	181,921,693	180,540,909

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

BALANCE SHEETS

As at 31 December 2017

	Note	Group		Company	
		2017	2016	2017	2016
		\$	\$	\$	\$
Current liabilities					
Trade payables	23	424,147	682,639	–	–
Other payables	24	2,192,343	1,924,420	368,746	349,556
Accrued operating expenses		2,223,407	1,944,091	248,007	199,186
Amounts due to associates	17	542,401	562,608	361,302	381,403
Bank loans (secured)	25	53,176,494	57,705,428	–	–
Income tax payable		2,012,396	1,419,266	–	–
		60,571,188	64,238,452	978,055	930,145
Net current assets		25,298,481	23,191,989	9,733,981	9,177,811
Non-current liabilities					
Deferred tax liabilities	26	3,969,780	4,033,506	–	–
Other payables	24	392,421	456,349	–	–
Bank loans (secured)	25	–	11,212,051	–	–
		4,362,201	15,701,906	–	–
Total liabilities		64,933,389	79,940,358	978,055	930,145
Net assets		197,141,043	194,418,387	180,943,638	179,610,764

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

2017 Group	Attributable to owners of the Company						Total equity \$
	Share capital \$	Treasury shares \$	Revenue reserve \$	Capital reserve \$	Fair value reserve \$	Currency translation reserve \$	
At 1 January 2017	172,153,626	(98,002)	37,591,447	1,202,081	6,326,232	(22,756,997)	194,418,387
Profit for the year	–	–	7,407,116	–	–	–	7,407,116
Other comprehensive income							
Net gains on available-for-sale investments	–	–	–	–	1,231,726	–	1,231,726
Foreign currency translation	–	–	–	–	–	883,816	883,816
Reclassification adjustments for gains included in profit or loss relating to disposal of investment properties	–	–	–	(201,319)	–	–	(201,319)
Other comprehensive income for the year, net of tax	–	–	–	(201,319)	1,231,726	883,816	1,914,223
Total comprehensive income for the year	–	–	7,407,116	(201,319)	1,231,726	883,816	9,321,339
<u>Distributions to owners</u>							
Purchase of treasury shares (Note 12b)	–	(66,943)	–	–	–	–	(66,943)
Dividends on ordinary shares (Note 27)	–	–	(6,531,740)	–	–	–	(6,531,740)
Total distributions to owners	–	(66,943)	(6,531,740)	–	–	–	(6,598,683)
At 31 December 2017	172,153,626	(164,945)	38,466,823	1,000,762	7,557,958	(21,873,181)	197,141,043

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

2016 Group	Attributable to owners of the Company						Total equity
	Share capital	Treasury shares	Revenue reserve	Capital reserve	Fair value reserve	Currency translation reserve	
	\$	\$	\$	\$	\$	\$	\$
At 1 January 2016	172,153,626	–	37,577,728	1,202,081	5,175,127	(9,785,570)	206,322,992
Profit for the year	–	–	6,548,759	–	–	–	6,548,759
Other comprehensive income							
Net gains on available-for-sale investments	–	–	–	–	1,151,105	–	1,151,105
Foreign currency translation	–	–	–	–	–	(12,971,427)	(12,971,427)
Other comprehensive income for the year, net of tax	–	–	–	–	1,151,105	(12,971,427)	(11,820,322)
Total comprehensive income for the year	–	–	6,548,759	–	1,151,105	(12,971,427)	(5,271,563)
<u>Distributions to owners</u>							
Purchase of treasury shares (Note 12b)	–	(98,002)	–	–	–	–	(98,002)
Dividends on ordinary shares (Note 27)	–	–	(6,535,040)	–	–	–	(6,535,040)
Total distributions to owners	–	(98,002)	(6,535,040)	–	–	–	(6,633,042)
At 31 December 2016	172,153,626	(98,002)	37,591,447	1,202,081	6,326,232	(22,756,997)	194,418,387

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

2017 Company	Share capital \$	Treasury shares \$	Revenue reserve \$	Total equity \$
At 1 January 2017	172,153,626	(98,002)	7,555,140	179,610,764
Profit for the year, representing total comprehensive income for the year	–	–	7,931,557	7,931,557
<u>Distributions to owners</u>				
Purchase of treasury shares (Note 12b)	–	(66,943)	–	(66,943)
Dividends on ordinary shares (Note 27)	–	–	(6,531,740)	(6,531,740)
Total distributions to owners	–	(66,943)	(6,531,740)	(6,598,683)
At 31 December 2017	172,153,626	(164,945)	8,954,957	180,943,638

2016 Company	Share capital \$	Treasury shares \$	Revenue reserve \$	Total equity \$
At 1 January 2016	172,153,626	–	10,451,228	182,604,854
Profit for the year, representing total comprehensive income for the year	–	–	3,638,952	3,638,952
<u>Distributions to owners</u>				
Purchase of treasury shares (Note 12b)	–	(98,002)	–	(98,002)
Dividends on ordinary shares (Note 27)	–	–	(6,535,040)	(6,535,040)
Total distributions to owners	–	(98,002)	(6,535,040)	(6,633,042)
At 31 December 2016	172,153,626	(98,002)	7,555,140	179,610,764

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2017

	Note	Group 2017 \$	2016 \$
Cash flows from operating activities			
Profit before tax		8,157,816	6,791,031
Adjustments for:			
Depreciation of investment properties	5	1,819,005	1,906,088
Depreciation of property, plant and equipment	7	289,132	326,049
Dividend income from investment securities	4	(1,086,068)	(1,150,704)
Gain on disposal of an associate	6	–	(2)
Gain on disposal of investment properties	6	(7,851,842)	(2,181,594)
Gain on disposal of non-current investments	6	(219,513)	–
Impairment loss on quoted equity investments (current)	8	1,150,009	1,880,619
Impairment loss on unquoted equity investments (non-current)	8	1,344,468	2,770,402
Impairment loss on investment properties	8	801,910	–
Impairment loss on investment properties written back	6	–	(605,206)
Impairment loss on other receivables	8	–	19,906
Impairment loss on amounts due from an associate	8	–	349,393
Interest expenses	9	1,281,861	1,366,181
Interest income	4,6	(904,829)	(1,411,766)
Share of results of associates and joint ventures		(1,036,449)	(830,035)
Unrealised exchange differences		156,252	(908,488)
Operating cash flows before changes in working capital		3,901,752	8,321,874
Decrease/(increase) in receivables and current investment securities		2,951,436	(729,575)
Increase in payables		211,327	129,470
Cash flows from operations		7,064,515	7,721,769
Dividend income from investment securities		1,086,068	1,150,704
Interest received		1,117,711	922,284
Interest paid	9	(1,281,861)	(1,366,181)
Income tax paid		(128,774)	(219,903)
Net cash flows from operating activities		7,857,659	8,208,673

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2017

		Group	
	Note	2017 \$	2016 \$
Cash flows from investing activities			
Additions to investment properties	15	(877,698)	(30,375,450)
Decrease in other receivables		9,527,663	–
Decrease in amounts due from associates		3,014,793	1,249,416
Decrease in non-current other receivables		–	1,953,327
Dividends received from an associate		200,000	2,535,000
Decrease in amounts due from joint ventures		4,927,239	–
Increase in investment securities, net		(2,649,594)	(977,118)
Increase in investment in associates		(486,850)	(12,718,426)
Proceeds from disposal of investment properties		14,338,456	4,138,809
Proceeds from disposal of non-current investment securities		469,513	–
Proceeds from disposal of property, plant and equipment		141,122	24,065
Purchase of property, plant and equipment	14	(206,752)	(169,352)
Net cash flows from/(used in) investing activities		28,397,892	(34,339,729)
Cash flows from financing activities			
Dividends paid on ordinary shares	27	(6,531,740)	(6,535,040)
Purchase of treasury shares	12(b)	(66,943)	(98,002)
Proceeds from bank loans		3,161,832	29,664,301
Repayments to bank loans		(19,013,417)	–
Net cash flows (used in)/from financing activities		(22,450,268)	23,031,259
Net increase/(decrease) in cash and cash equivalents		13,805,283	(3,099,797)
Cash and cash equivalents at the beginning of year		17,866,008	21,309,500
Effects of exchange rate changes on cash and cash equivalents		11,620	(343,695)
Cash and cash equivalents at the end of the year		31,682,911	17,866,008
For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:			
Cash and bank balances	22	50,682,911	36,866,008
Less: fixed deposits, pledged	22	(19,000,000)	(19,000,000)
Cash and cash equivalents		31,682,911	17,866,008

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

1. CORPORATE INFORMATION

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

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

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

The subsidiaries, associates and joint ventures as at 31 December 2017 and 2016 are:

Name of company	Percentage of interest held		Place of incorporation	Cost of investment		Principal activities
	2017 %	2016 %		2017 \$	2016 \$	
(a) <i>Subsidiaries</i>						
Held by the Company						
Singapore Warehouse Company (Private) Ltd. ⁽¹⁾	100.0	100.0	Singapore	154,425,000	154,425,000	Owner of warehouse for rental and storage and investment holding.
Hwa Hong Edible Oil Industries Pte. Ltd. ⁽¹⁾	100.0	100.0	Singapore	27,740,002	27,740,002	Investment holding.
Paco Industries Pte. Ltd. ⁽¹⁾	100.0	100.0	Singapore	5,970,001	5,970,001	Provision of management services.
				<u>188,135,003</u>	<u>188,135,003</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

1. CORPORATE INFORMATION (CONT'D)

Name of company	Percentage of interest held		Place of incorporation	Principal activities
	2017 %	2016 %		
(a) Subsidiaries (cont'd)				
Held by Singapore Warehouse Company (Private) Ltd.				
Thackeray Properties Limited ⁽²⁾	100.0	100.0	Hong Kong	Owner of investment properties for rental and development.
Pumbledon Limited ⁽²⁾	100.0	100.0	Hong Kong	Owner of investment properties for rental and development.
Global Trade Investment Management Pte Ltd ⁽¹⁾	100.0	100.0	Singapore	Leasing of residential and commercial properties, business management, consultancy and investment holding.
Vantagepro Investment Limited ⁽⁷⁾	100.0	100.0	British Virgin Islands	Investment holding.
Capital Herbal Limited ⁽⁴⁾⁽¹³⁾	50.0	50.0	United Kingdom	Acting as nominee company for investment holding.
Held by Hwa Hong Edible Oil Industries Pte. Ltd.				
Jining Ningfeng Chemical Industry Co., Limited ⁽⁸⁾	100.0	100.0	People's Republic of China	Dormant.
Held by Paco Industries Pte. Ltd.				
Jining Paco Chemical Industry Co., Ltd ⁽⁸⁾	100.0	100.0	People's Republic of China	Dormant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

1. CORPORATE INFORMATION (CONT'D)

Name of company	Percentage of interest held		Place of incorporation	Principal activities
	2017 %	2016 %		
(a) Subsidiaries (cont'd)				
Held by Vantagepro Investment Limited				
Capital East Limited ⁽⁴⁾⁽¹¹⁾	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital Liverpool Limited ⁽⁴⁾⁽¹¹⁾	60.0	60.0	United Kingdom	Acting as nominee company for investment holding.
Capital Hatton Limited ⁽⁴⁾⁽¹¹⁾	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital 18 Vestry Limited ⁽⁴⁾⁽¹¹⁾	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital 20 Vestry Limited ⁽⁴⁾⁽¹¹⁾	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital New Mount Limited ⁽⁴⁾⁽¹¹⁾	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital Fitzalan Limited ⁽⁴⁾⁽¹¹⁾	50.0	50.0	United Kingdom	Acting as nominee company for investment holding.
Capital Eagle Limited ⁽⁴⁾⁽¹¹⁾	70.0	70.0	United Kingdom	Acting as nominee company for investment holding.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

1. CORPORATE INFORMATION (CONT'D)

Name of company	Percentage of interest held		Place of incorporation	Principal activities
	2017 %	2016 %		
(b) <i>Associates</i>				
Held by the Company				
Singamet Trading Pte. Ltd. ⁽¹⁾	20.0	20.0	Singapore	Property investment.
Held by Singapore Warehouse Company (Private) Ltd.				
Clan Kilmuir (Jersey) Limited ⁽⁶⁾	50.0 ⁽¹²⁾	50.0 ⁽¹²⁾	Jersey	Property investment.
Riverwalk Promenade Pte Ltd ⁽³⁾	50.0	50.0	Singapore	Property development.
Hong Property Investments Pte Ltd ⁽³⁾	30.0	30.0	Singapore	Property investment.
Scotts Spazio Pte. Ltd. ⁽¹⁾	50.0	50.0	Singapore	Property investment.
The Pier at Robertson ⁽³⁾⁽¹⁰⁾	20.0	20.0	Singapore	Property development.
Held by Thackeray Properties Limited				
Matahari 461 Ltd ⁽⁸⁾	50.0	50.0	United Kingdom	Dormant.
Held by Hwa Hong Edible Oil Industries Pte. Ltd.				
Norwest Holdings Pte Ltd ⁽⁹⁾	49.5	49.5	Singapore	In liquidation.
(c) <i>Joint ventures</i>				
Held by Singapore Warehouse Company (Private) Ltd.				
Neo Pav E Investments LLP ⁽⁵⁾	50.0	50.0	United Kingdom	Owner of investment properties for rental and development.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

1. CORPORATE INFORMATION (CONT'D)

Name of company	Percentage of interest held		Place of incorporation	Principal activities
	2017	2016		
	%	%		
(c) <i>Joint ventures (cont'd)</i>				
Held by Singapore Warehouse Company (Private) Ltd.				
Neo Bankside Retail LLP ⁽⁵⁾	50.0	50.0	United Kingdom	Owner of investment properties for rental and development.

⁽¹⁾ Audited by Ernst & Young LLP, Singapore

⁽²⁾ Audited by member firms of EY Global in their respective countries

⁽³⁾ Audited by KPMG LLP, Singapore

⁽⁴⁾ Audited by BDO Stoy Hayward LLP, London

⁽⁵⁾ Audited by Grant Thornton UK LLP

⁽⁶⁾ Audited by Deloitte LLP, UK

⁽⁷⁾ Not required to be audited in the country of incorporation/registration

⁽⁸⁾ Not required to be audited as the company is dormant

⁽⁹⁾ Not required to be audited as the company is in liquidation

⁽¹⁰⁾ The Group has a 20% interest in a residential development known as *The Pier at Robertson*, which is a residential development with a related company of a substantial shareholder of the Company, Hong Leong Investment Holdings Pte. Ltd.

⁽¹¹⁾ Collectively known as Capital Group. The Capital Group are nominee companies which hold the Group's United Kingdom properties in trust for a subsidiary, under a joint arrangement with an external party in respect of the United Kingdom properties.

⁽¹²⁾ The Group has 50% equity interest in the company which represents 49.9% voting rights.

⁽¹³⁾ Capital Herbal is a nominee company which hold the Group's United Kingdom property in trust for a subsidiary, under a joint arrangement with two external parties in respect of the United Kingdom property.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

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

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

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

Convergence with International Financial Reporting Standards

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.1 *Basis of preparation (cont'd)*

The Group has performed an assessment of the impact of adopting SFRS(I)s. Other than the adoption of the SFRS(I) 9, the Group expects that the adoption of SFRS(I)s will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting SFRS(I) 9 will be similar to the adoption of FRS 109 as disclosed in Note 2.3.

2.2 *Changes in accounting policies*

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

2.3 *Standards issued but not yet effective*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

Except for SFRS(I) 9, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption on SFRS(I) 9 are described below.

SFRS (I) 9 Financial Instruments

SFRS (I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS (I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

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

The Group has performed a preliminary impact assessment of adopting SFRS (I) 9 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts SFRS (I) 9 in 2018.

Classification and measurement

For equity securities, the Group will measure its currently available-for-sale quoted equity securities of \$24,773,499 at fair value through profit or loss (FVTPL). The fair value reserve of \$3,783,575 previously recognised in other comprehensive income will be adjusted against retained earnings when the Group applies SFRS (I) 9. The Group will continue to measure the remaining available-for-sale equity securities amounting to \$23,212,118 at fair value through other comprehensive income (FVOCI). The impairment loss of \$4,733,326 previously recognised in profit or loss will be adjusted against revenue reserve when the Group applies SFRS (I) 9.

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

(a) *Basis of consolidation (cont'd)*

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

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

(b) *Business combinations and goodwill*

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

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

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

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

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

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

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

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

goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

2.5 *Transactions with non-controlling interests*

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

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

2.6 *Foreign currency*

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

(a) *Transactions and balances*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.6 *Foreign currency (cont'd)*

(b) *Consolidated financial statements*

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

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

2.7 *Property, plant and equipment*

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.8 *Investment properties*

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

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

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

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

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

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

2.9 *Impairment of non-financial assets*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount.

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

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.10 *Subsidiaries*

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

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

2.11 *Joint arrangements*

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

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

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

(a) Joint operations

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

- (i) its assets, including its share of any assets held jointly;
- (ii) its liabilities, including its share of any liabilities incurred jointly;
- (iii) its revenue from the sale of its share of the output arising from the joint operation;
- (iv) its share of the revenue from the sale of the output by the joint operation; and

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.11 *Joint arrangements (cont'd)*

(a) Joint operations (cont'd)

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

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

(b) Joint ventures

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

2.12 *Joint ventures and associates*

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.13 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

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

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

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

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

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.13 *Financial instruments (cont'd)*

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

Regular way purchase or sale of a financial asset

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

(b) *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at amortised cost

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

Derecognition

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

(c) *Offsetting of financial instruments*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.14 *Impairment of financial assets*

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

(a) *Financial assets carried at amortised cost*

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

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

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

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

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

(b) *Financial assets carried at cost*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

(c) *Available-for-sale financial assets (cont'd)*

and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

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

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

2.15 *Cash and cash equivalents*

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.17 *Provisions*

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

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

2.18 *Transfers between levels of the fair value hierarchy*

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

2.19 *Borrowing costs*

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

2.20 *Employee benefits*

(a) *Defined contribution plans*

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

(b) *Employee leave entitlement*

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

2.21 *Leases*

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

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.21 *Leases (cont'd)*

the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(d). Contingent rents are recognised as revenue in the period in which they are earned.

2.22 *Financial guarantee*

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

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

2.23 *Revenue*

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

(a) *Sale of goods*

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

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Dividend income*

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

(d) *Rental income*

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

(e) *Sale/redemption of investment securities*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.24 Taxes

(a) **Current income tax**

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

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

(b) **Deferred tax**

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.24 *Taxes (cont'd)*

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

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

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

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

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

(c) *Sales tax*

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

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

2.25 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 *Share capital and share issuance expenses*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.27 *Treasury shares*

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

2.28 *Contingencies*

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

2.29 *Related parties*

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.29 *Related parties (cont'd)*

- (b) An entity is related to the Group and the Company if any of the following conditions applies: (cont'd)
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 *Judgements made in applying accounting policies*

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

Impairment of available-for-sale investments

The Group records impairment charges on available-for-sale investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. For the financial year ended 31 December 2017, the amount of impairment loss recognised for available-for-sale investments was \$2,494,477 (2016: \$4,651,021). The carrying amount of available-for-sale investments as at 31 December 2017 was \$47,985,617 (2016: \$49,652,178).

3.2 *Key sources of estimation uncertainty*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

3.2 Key sources of estimation uncertainty (cont'd)

Impairment of investment properties

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

As at 31 December 2017, the fair value of the investment properties at the end of the reporting period are disclosed in Note 33 to the financial statements. The valuations applied in the determination of the fair value of investment properties are disclosed and further explained in Note 15. For the financial year ended 31 December 2017, allowance for impairment loss amounted to \$801,910 (2016: allowance for impairment loss written back \$605,206) was recognised for investment properties. The carrying amount of investment properties as at 31 December 2017 was \$112,040,076 (2016: \$120,254,292).

4. REVENUE

	Group	
	2017 \$	2016 \$
Dividend income from investment securities	1,086,068	1,150,704
Rental and storage income	8,115,307	7,527,414
Interest income from		
- Associates	244,305	248,229
- Deposits with financial institutions	235,143	267,258
- Others	416,479	876,630
	895,927	1,392,117
Net gains from sale of investment securities	4,403,044	1,131,941
	<u>14,500,346</u>	<u>11,202,176</u>

5. COST OF SALES

Included in cost of sales are:

	Group	
	2017 \$	2016 \$
Direct operating expenses arising from rental generating properties	(2,663,811)	(2,303,260)
Depreciation of investment properties	(1,819,005)	(1,906,088)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

6. OTHER INCOME

	Group	
	2017	2016
	\$	\$
Interest income from:		
- Deposits with financial institutions	8,902	19,649
Gain on disposal of investment properties	7,851,842	2,181,594
Gain on disposal of non-current investments	219,513	–
Impairment loss on investment properties written back	–	605,206
Gain on disposal of an associate	–	2
Other investment income	–	699,773
Foreign currency gain (net)	–	6,095,576
Refund of property tax	–	957,486
Sundry income	297,444	307,649
	<u>8,377,701</u>	<u>10,866,935</u>

Refund of property tax

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

Other investment income

In 2016, other investment income relates to income received from redevelopment of a former post office (the “Site”) by lessee of the Site (Note 29(c)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

7. GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs include the following:

	Group	
	2017	2016
	\$	\$
Directors' fees		
- Directors of the Company	(326,000)	(335,375)
Directors' remuneration		
- Directors of the Company	(835,318)	(837,869)
- Other directors of subsidiaries	(694,443)	(663,400)
- CPF contributions	(49,958)	(49,658)
	(1,579,719)	(1,550,927)
Audit fees paid to:		
- Auditors of the Company	(170,000)	(163,000)
- Other auditors	(87,170)	(97,649)
	(257,170)	(260,649)
Foreign currency loss (net)	(875,572)	–
Depreciation of property, plant and equipment	(289,132)	(326,049)
Fees paid to firm and associated firm related to a director	–	(36,000)
Staff costs (including executive directors)	(3,179,741)	(2,947,892)
CPF contribution (including executive directors)	(181,142)	(168,925)
Non-audit fees paid to auditors of the Company	(18,500)	(13,500)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

8. OTHER OPERATING COSTS

	Group	
	2017	2016
	\$	\$
Impairment loss on:		
- Quoted equity investments (current)	(1,150,009)	(1,880,619)
- Unquoted equity investments (non-current)	(1,344,468)	(2,770,402)
- Other receivables	–	(19,906)
- Amounts due from an associate	–	(349,393)
- Investment properties	(801,910)	–
	<u>(3,296,387)</u>	<u>(5,020,320)</u>

9. FINANCE COSTS

	Group	
	2017	2016
	\$	\$
Interest expenses on bank loans and overdrafts	<u>(1,281,861)</u>	<u>(1,366,181)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

10. INCOME TAX EXPENSE

Major components of income tax expense

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

	Group	
	2017 \$	2016 \$
Consolidated income statement:		
Current income tax		
- Current income taxation	(1,310,893)	(357,034)
- Over provision (net) in respect of previous years	507,099	567,498
	(803,794)	210,464
Deferred income tax		
- Origination and reversal of temporary differences	(87,370)	(298,395)
Withholding tax refund/(expense)	140,464	(154,341)
Income tax expense recognised in profit or loss	(750,700)	(242,272)
Consolidated statement of comprehensive income:		
Deferred tax credit related to other comprehensive income:		
- Net gains on fair value changes of available-for-sale financial assets	151,096	68,146

Relationship between income tax expense and accounting profit

A reconciliation of the applicable statutory tax rate to the Group's effective tax rate for the years ended 31 December 2017 and 2016 is as follows:

	Group	
	2017 \$	2016 \$
Accounting profit before tax	8,157,816	6,791,031
Domestic statutory tax rate	17.00	17.00
Adjustments:		
Non-deductible expenses	18.10	22.63
Income not subject to taxation	(15.62)	(31.01)
Over provision in respect of previous years	(6.22)	(8.36)
Withholding tax (refund)/expense	(1.72)	2.27
Deferred tax assets not recognised	1.80	4.39
Benefits from previously unrecognised tax losses	(0.74)	(0.26)
Effect of tax due to different jurisdiction	0.28	0.07
Effect of partial tax exemption and tax relief	(1.58)	(1.10)
Share of results of associates and joint ventures	(2.16)	(2.08)
Others	0.06	0.02
Effective tax rate	9.20	3.57

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

11. EARNINGS PER SHARE

(a) *Earnings per share*

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

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

	Group	
	2017	2016
	\$	\$
Profit for the year attributable to owners of the Company	7,407,116	6,548,759
Weighted average number of ordinary shares for basic and diluted earnings per share computation *	653,048,000	653,435,250

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

(b) *Earnings per share computation*

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

12. SHARE CAPITAL AND TREASURY SHARES

(a) *Share capital*

	Group and Company	
	2017 and 2016	
	No. of shares	\$
Issued and fully paid ordinary shares		
Balance at the beginning and end of the year	653,504,000	172,153,626

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

(b) *Treasury shares*

	Group and Company			
	2017		2016	
	No. of shares	\$	No. of shares	\$
At 1 January	(330,000)	(98,002)	–	–
Acquired during the year	(216,000)	(66,943)	(330,000)	(98,002)
At 31 December	(546,000)	(164,945)	(330,000)	(98,002)

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

Share repurchase

At the Extraordinary General Meeting held on 7 November 2003, shareholders approved the grant of a general mandate to enable the Company to purchase or otherwise acquire its issued ordinary shares (the “Share Purchase Mandate”). The terms of the Share Purchase Mandate were set out in the Company’s Circular to Shareholders dated 15 October 2003. The Share Purchase Mandate was renewed on 27 April 2017.

The Company acquired 216,000 (2016: 330,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was \$66,943 (2016: \$98,002) and this was presented as a component within the shareholders’ equity.

13. RESERVES

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Revenue reserve	38,466,823	37,591,447	8,954,957	7,555,140
Capital reserve	1,000,762	1,202,081	–	–
Fair value reserve	7,557,958	6,326,232	–	–
Currency translation reserve	(21,873,181)	(22,756,997)	–	–
	25,152,362	22,362,763	8,954,957	7,555,140

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold office property \$	Leasehold land and buildings \$	Furniture, motor vehicles, computers and other equipment \$	Total \$
Cost				
At 1 January 2016	2,299,292	5,187,456	2,456,053	9,942,801
Additions	–	–	169,352	169,352
Disposals	–	–	(363,248)	(363,248)
Written off	–	–	(286,918)	(286,918)
Currency realignment	–	–	(104,931)	(104,931)
At 31 December 2016 and 1 January 2017	2,299,292	5,187,456	1,870,308	9,357,056
Additions	–	–	206,752	206,752
Disposals	–	–	(291,782)	(291,782)
Currency realignment	–	–	1,437	1,437
At 31 December 2017	2,299,292	5,187,456	1,786,715	9,273,463
Accumulated depreciation and impairment loss				
At 1 January 2016	689,788	2,358,674	2,011,507	5,059,969
Depreciation for the year	45,986	120,836	159,227	326,049
Disposals	–	–	(339,183)	(339,183)
Written off	–	–	(286,918)	(286,918)
Currency realignment	–	–	(75,255)	(75,255)
At 31 December 2016 and 1 January 2017	735,774	2,479,510	1,469,378	4,684,662
Depreciation for the year	45,986	120,836	122,310	289,132
Disposals	–	–	(150,660)	(150,660)
Currency realignment	–	–	(2,150)	(2,150)
At 31 December 2017	781,760	2,600,346	1,438,878	4,820,984
Net carrying amount				
At 31 December 2016	1,563,518	2,707,946	400,930	4,672,394
At 31 December 2017	1,517,532	2,587,110	347,837	4,452,479

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

Company	Furniture, motor vehicles, computers and other equipment \$
Cost	
Balance at 1 January 2016	283,101
Disposal	(283,101)
	<hr/>
Balance at 31 December 2016, 1 January 2017 and 31 December 2017	–
	<hr/>
Accumulated depreciation and impairment loss	
At 1 January 2016	283,101
Disposal	(283,101)
	<hr/>
Balance at 31 December 2016, 1 January 2017 and 31 December 2017	–
	<hr/>
Net carrying amount	
At 31 December 2016	–
	<hr/>
At 31 December 2017	–
	<hr/>

The Group's leasehold land and buildings are mortgaged to secure the Group's banking facilities, which have not been utilised as at 31 December 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

15. INVESTMENT PROPERTIES

Group	Freehold land \$	Buildings \$	Construction in-progress \$	Total \$
Cost				
At 1 January 2016	49,037,546	72,239,156	2,103,123	123,379,825
Additions (subsequent expenditure)	–	4,741,642	925,700	5,667,342
Acquisition of investment properties	17,344,843	7,363,265	–	24,708,108
Disposal	(132,604)	(399,289)	–	(531,893)
Currency realignment	(4,551,241)	(5,392,292)	(334,906)	(10,278,439)
At 31 December 2016 and 1 January 2017	61,698,544	78,552,482	2,693,917	142,944,943
Additions (subsequent expenditure)	–	855,358	22,340	877,698
Reclassification	947,453	1,447,245	(2,394,698)	–
Disposal	(4,372,428)	(8,952,413)	–	(13,324,841)
Currency realignment	116,636	29,310	12,780	158,726
At 31 December 2017	58,390,205	71,931,982	334,339	130,656,526
Accumulated depreciation and impairment loss				
At 1 January 2016	3,496,459	19,583,081	–	23,079,540
Depreciation for the year	–	1,906,088	–	1,906,088
Reversal of impairment loss	(181,562)	(423,644)	–	(605,206)
Disposal	–	(98,126)	–	(98,126)
Currency realignment	(501,728)	(1,089,917)	–	(1,591,645)
At 31 December 2016 and 1 January 2017	2,813,169	19,877,482	–	22,690,651
Depreciation for the year	–	1,819,005	–	1,819,005
Impairment loss	–	801,910	–	801,910
Reclassification	(1,358,822)	1,358,822	–	–
Disposal	(1,437,358)	(5,199,550)	–	(6,636,908)
Currency realignment	(16,989)	(41,219)	–	(58,208)
At 31 December 2017	–	18,616,450	–	18,616,450
Net carrying amount				
At 31 December 2016	58,885,375	58,675,000	2,693,917	120,254,292
At 31 December 2017	58,390,205	53,315,532	334,339	112,040,076

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

15. INVESTMENT PROPERTIES (CONT'D)

	Group	
	2017	2016
	\$	\$
Rental income from investment properties	8,115,307	7,527,414
Direct operating expenses (including depreciation, repairs and maintenance) arising from rental generating properties	4,482,816	4,209,348
Market value of investment properties	226,086,951	238,033,671

The investment properties held by the Group, which are all rental generating, are disclosed in Note 32 to the financial statements. During the year, the Group made additions and alterations to its existing investment properties.

Valuation of the investment properties

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

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

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

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

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

During the year, valuations were performed by Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("Colliers") and Knight Frank Pte Ltd, for two properties in Singapore (2016: Colliers, Farebrother Limited, GVA Grimley Limited, DTZ Debenham Tie Leung Limited and Lambert Smith Hampton Group Limited for a property in Singapore and four properties in United Kingdom). These independent valuers have recognised and relevant professional qualification with relevant experience in the location and category of the properties being valued.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

15. INVESTMENT PROPERTIES (CONT'D)

Valuation of the investment properties (cont'd)

The valuation for another Singapore property was based on income capitalisation method and comparable market transactions that consider the sales of similar properties that have been transacted in the open market.

Valuation for the remaining properties was performed by directors as at year end, taking into consideration the advice of external valuation experts using recent transacted prices, investment method and residual method.

An impairment loss of \$801,910 (2016: \$Nil), representing the excess of the carrying values over the market value of one property in the United Kingdom was included as part of "Other operating costs" (Note 8) in the consolidated income statement for the year ended 31 December 2017. In 2016, an impairment loss \$605,206 was written back and included as part of "Other income" (Note 6) in the consolidated income statement for the year ended 31 December 2016 to reflect the excess of the market value over the carrying value of one property in United Kingdom.

Properties pledged as security

Investment properties in Singapore amounting to \$11,845,128 (2016: \$13,846,405) are mortgaged and their rental income assigned to a bank to secure bank loans and banking facilities. The bank loans were fully repaid in 2011.

Another investment property in Singapore amounting to \$32,301,080 (2016: \$33,205,795) is mortgaged and its rental income is assigned to a bank to secure bank loans.

An investment property in United Kingdom amounting to \$23,800,059 (2016: \$23,834,302) is mortgaged to secure bank loans.

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	2016
	\$	\$
Unquoted shares, at cost	188,135,003	188,135,003
Impairment losses		
Balance at 1 January	(18,447,850)	(17,970,600)
Charge to profit or loss	–	(477,250)
Written back	776,704	–
Balance at 31 December	(17,671,146)	(18,447,850)
	<u>170,463,857</u>	<u>169,687,153</u>
Amounts due from subsidiaries	<u>6,694,000</u>	<u>8,674,000</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

At the end of the reporting period, the Company has written back an impairment loss of \$776,704 (2016: provided impairment loss of \$477,250) for the investment in Hwa Hong Edible Oil Industries Pte Ltd ("HHEO") as there was an increase in the recoverable amount of this subsidiary. The recoverable amount has been determined based on fair value less costs to sell of the underlying assets of the subsidiary, which largely comprises quoted equity securities. In the current year, there was an increase in the quoted prices of its equity securities, mainly due to favourable market conditions, which has led to the write back of impairment loss.

17. INVESTMENT IN ASSOCIATES

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

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Scotts Spazio Pte. Ltd.	10,417,110	8,747,520	–	–
Hong Property Investments Pte Ltd	6,644,101	6,107,272	–	–
Clan Kilmuir (Jersey) Limited	9,869,348	10,750,962	–	–
Other associates	881,745	944,026	800,000	800,000
	27,812,304	26,549,780	800,000	800,000
Less: Impairment losses	–	–	(54,200)	(54,200)
	27,812,304	26,549,780	745,800	745,800

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

	Group	
	2017	2016
	\$	\$
Profit after tax, representing total comprehensive income	137,449	25,402

On 11 March 2016, the Group's subsidiary company, Singapore Warehouse Company (Private) Ltd ("SWC") entered into a subscription and shareholders agreement with NL Kilmuir (Jersey) Limited ("NLKJ") ("CKJL SSA") to subscribe for new ordinary shares in Clan Kilmuir (Jersey) Limited ("CKJL"), a company newly incorporated in Jersey on 15 December 2015. Pursuant to CKJL SSA, SWC and NLKJ subscribed to 1,900,000 B ordinary shares of GBP1 each (equivalent to approximately \$3,742,000) and 1,900,000 A ordinary shares of GBP1 each respectively. Consequently, SWC has 50% equity interest in CKJL with 49.9% voting rights based on 1,900,000 B ordinary shares while NKJL has 50% equity interest in CKJL with 50.1% voting rights based on 1,900,000 A ordinary shares. Upon completion of the subscription, CKJL became an associate company of the Group. Subsequently, SWC injected additional investments of GBP270,000 (equivalent to approximately \$487,000) (2016: GBP4,650,000 (equivalent to approximately \$8,976,000)) into the associate, in proportion to its ownership interest.

In 2016, the Group disposed of its entire interest in Capital Willenhall Limited for a cash consideration of GBP1 (equivalent to approximately \$2) resulting in a gain on disposal of \$2 being recognised in profit or loss account.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

17. INVESTMENT IN ASSOCIATES (CONT'D)

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

Summarised balance sheet

	Scotts Spazio Pte. Ltd.		Hong Property Investments Pte Ltd		Clan Kilmuir (Jersey) Limited	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
	\$	\$	\$	\$	\$	\$
Current assets	1,808,649	8,327,807	44,578,449	45,345,137	112,634	97,143
Non-current assets	23,780,261	28,830,648	5,523	6,407	24,529,892	23,513,880
Total assets	25,588,910	37,158,455	44,583,972	45,351,544	24,642,526	23,611,023
Current liabilities	1,864,153	7,951,661	888,304	476,324	8,858	7,099
Non-current liabilities	2,890,538	11,711,755	21,548,665	24,517,648	–	–
Total liabilities	4,754,691	19,663,416	22,436,969	24,993,972	8,858	7,099
Net assets	20,834,219	17,495,039	22,147,003	20,357,572	24,633,668	23,603,924
Proportion of the Group's ownership	50%	50%	30%	30%	50%	50%
Group's share of net assets	10,417,110	8,747,520	6,644,101	6,107,272	12,316,834	11,801,962
Other adjustments ⁽¹⁾	–	–	–	–	(2,447,486)	(1,051,000)
Carrying amount of the investment, representing Group's share of net assets	10,417,110	8,747,520	6,644,101	6,107,272	9,869,348	10,750,962

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

17. INVESTMENT IN ASSOCIATES (CONT'D)

Summarised statement of comprehensive income

	Scotts Spazio Pte. Ltd.		Hong Property Investments Pte Ltd		Clan Kilmuir (Jersey) Limited	
	As at 31 December 2017 \$	As at 31 December 2016 \$	As at 31 December 2017 \$	As at 31 December 2016 \$	As at 31 December 2017 \$	As at 31 December 2016 \$
Revenue	12,342,223	12,341,827	2,382,100	–	–	–
Profit after tax, representing total comprehensive income before adjustments	3,339,180	3,241,638	1,789,430	536,127	(1,447,360)	(1,312,195)
Other adjustments ⁽¹⁾	–	–	–	–	(1,336,994)	(953,706)
Profit after tax, representing total comprehensive income	3,339,180	3,241,638	1,789,430	536,127	(2,784,354)	(2,265,901)

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

	Group		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
Amounts due from associates:				
- Loan 1	6,464,599	7,355,294	–	–
- Loan 2	–	2,000,000	–	–
Total loans	6,464,599	9,355,294	–	–
Amounts due within one year	6,464,599	7,355,294	–	–
Amount due between one and five years	–	2,000,000	–	–
	6,464,599	9,355,294	–	–
Amounts due to associates:				
Amounts due within one year	(542,401)	(562,608)	(361,302)	(381,403)

Included in amounts due to an associate is an amount of \$361,302 (2016: \$381,403) denominated in United States Dollar.

Loan 1 is due from an associate that is related to Hong Leong Investment Holdings Pte. Ltd., a substantial shareholder of the Company. The amount is unsecured, repayable upon demand, bears interest at 2% (2016: 2%) per annum and is to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

17. INVESTMENT IN ASSOCIATES (CONT'D)

Loan 2 was unsecured, bore interest at 5% (2016: 5%) per annum. The balance was fully repaid during the year.

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

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

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Balance at 1 January	–	(4,486,768)	–	–
Currency realignment	–	651,291	–	–
Charge for the year	–	(349,343)	–	–
Written off	–	4,184,820	–	–
Balance at 31 December	–	–	–	–

18. INVESTMENT IN JOINT VENTURES

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

	Group	
	2017	2016
	\$	\$
Neo Pav E Investments LLP	1,060,349	2,565,974
Neo Bankside Retail LLP	2,045,581	4,744,545
	<u>3,105,930</u>	<u>7,310,519</u>

The Group has a 50% (2016: 50%) interest in the ownership and voting rights in two limited liability partnership joint ventures, Neo Pav E Investments LLP and Neo Bankside Retail LLP that are held through a subsidiary. The Group jointly controls the ventures with the other partner under the contractual agreement which requires unanimous consent for all major decisions over the relevant activities.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

18. INVESTMENT IN JOINT VENTURES (CONT'D)

Summarised balance sheet

	Neo Pav E Investments LLP		Neo Bankside Retail LLP	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
	\$	\$	\$	\$
Current assets	486,663	754,509	1,240,573	1,492,685
Non-current assets	13,082,609	13,023,072	25,983,514	24,237,384
Total assets	13,569,272	13,777,581	27,224,087	25,730,069
Current liabilities	228,499	258,413	642,514	550,393
Non-current liabilities	7,637,400	4,980,531	15,243,095	10,319,077
Total liabilities	7,865,899	5,238,944	15,885,609	10,869,470
Net assets	5,703,373	8,538,637	11,338,478	14,860,599
Proportion of the Group's ownership	50%	50%	50%	50%
Group's share of net assets	2,851,687	4,269,319	5,669,239	7,430,300
Other adjustments ⁽¹⁾	(1,791,338)	(1,703,345)	(3,623,658)	(2,685,755)
Carrying amount of the investment	1,060,349	2,565,974	2,045,581	4,744,545

Summarised statement of comprehensive income

Revenue	441,135	464,334	717,259	990,447
Operating (expenses)/income	(173,746)	(119,071)	2,705	(188,613)
Interest expense	(181,711)	(195,779)	(267,787)	(285,594)
	85,678	149,484	452,177	516,240
Other adjustments ⁽¹⁾	(157,148)	(178,366)	(211,534)	(175,670)
(Loss)/profit after tax, representing total comprehensive income	(71,470)	(28,882)	240,643	340,570

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

19. INVESTMENT SECURITIES

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Non-current				
<i>Available-for-sale:</i>				
- Quoted non-equity, at fair value	4,258,878	3,690,936	–	–
- Unquoted equity, at fair value	18,953,240	17,088,617	–	–
	<u>23,212,118</u>	<u>20,779,553</u>	<u>–</u>	<u>–</u>
Current				
<i>Available-for-sale:</i>				
- Quoted equity, at fair value	<u>24,773,499</u>	<u>28,872,625</u>	<u>–</u>	<u>–</u>

Included in the available-for-sale quoted non-equity investments and unquoted equity investments are amounts of \$13,208,880 (2016: \$11,486,577), \$9,354,290 (2016: \$8,626,439) and \$7,568,269 (2016: \$5,570,954) denominated in Sterling Pound, United States Dollar and Korean Won, respectively.

Impairment losses

During the financial year, the Group recognised impairment loss of \$1,150,009 (2016: \$1,880,619) and \$1,344,468 (2016: \$2,770,402) for quoted equity investments and unquoted equity investments respectively as there were “significant” or “prolonged” decline in the fair value of these investments below their costs. The Group has treated “significant” generally as 30% and “prolonged” as greater than 12 months.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

20. OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Current				
Sundry receivables	333,192	516,758	–	–
Dividend receivable	121,127	118,449	–	–
Interest receivable	67,669	59,050	6,778	475
Deposits receivable	100,847	121,618	–	–
Loan to joint venture partner	–	9,812,574	–	–
Amounts receivable from joint ventures	1,578,033	1,469,942	–	–
Amounts due from estate agents	1,027,398	1,420,281	–	–
	<u>3,228,266</u>	<u>13,518,672</u>	<u>6,778</u>	<u>475</u>
Non-current				
Interest receivable on loan to an associate	–	401,093	–	–
Deferred rental receivable	5,581,856	4,960,673	–	–
	<u>5,581,856</u>	<u>5,361,766</u>	<u>–</u>	<u>–</u>
Total other receivables	<u>8,810,122</u>	<u>18,880,438</u>	<u>6,778</u>	<u>475</u>

Included in the loan to joint venture partner and amounts receivable from joint ventures are amounts of \$Nil (2016: \$9,812,574) and \$1,578,033 (2016: \$1,469,942) respectively denominated in Sterling Pound.

Deposits receivable

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

Amounts receivable from joint ventures

Amounts receivable from joint ventures of \$1,578,033 (2016: \$1,469,942) bear interest at 7% (2016: 7%) per annum and repayable on or before 16 April 2018. The amounts are secured by way of legal mortgage over an investment property of the joint ventures in United Kingdom, including the joint venture partner's share of the property. At 31 December 2017, the carrying amount of the property was \$8,331,510 (2016: \$6,966,016), including the joint venture partner's share of the property.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

20. OTHER RECEIVABLES (CONT'D)

Loan to joint venture partner

The loan to joint venture partner in 2016 bore interest at 8% per annum and was repaid on 2 June 2017. The loan was secured by a charge over shares owned by the joint venture partner in two entities.

Interest receivable on loan to an associate

In 2016, the amount relates to interest receivable on a shareholder's loan of \$2,000,000. The interest receivable and shareholder's loan were fully received during the year (Note 17).

Deferred rental receivable

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

Receivables that are past due but not impaired

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

Receivables that are impaired

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

	Group	
	2017	2016
	\$	\$
Other receivables, nominal amounts	485,182	485,182
Allowance for doubtful debts	(485,182)	(485,182)
	<hr/>	<hr/>
	–	–
Movement of allowance for doubtful debts:		
At 1 January	485,182	485,182
Charge for the year	–	–
	<hr/>	<hr/>
At 31 December	485,182	485,182

At the end of the reporting period, the Group determined an amount of \$485,182 (2016: \$485,182) to be impaired following an assessment to determine collectability of the debt. This receivable is not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

21. TRADE RECEIVABLES

	Group	
	2017	2016
	\$	\$
Trade receivables	697,526	797,584
Allowance for doubtful debts	(203,398)	(202,471)
	<u>494,128</u>	<u>595,113</u>

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to \$5,812 (2016: \$26,492) that are past due at the end of the reporting period but not impaired. These receivables were unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2017	2016
	\$	\$
Trade receivables past due but not impaired:		
Lesser than 30 days	5,812	5,812
30 – 60 days	–	5,812
61 – 90 days	–	5,812
91 – 120 days	–	5,778
More than 120 days	–	3,278
	<u>5,812</u>	<u>26,492</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

21. TRADE RECEIVABLES (CONT'D)

Receivables that are impaired

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

	Group	
	2017	2016
	\$	\$
Trade receivables, nominal amounts	203,398	202,471
Allowance for doubtful debts	(203,398)	(202,471)
	<hr/>	<hr/>
	–	–
Movement of allowance for doubtful debts:		
At 1 January	202,471	236,852
Exchange differences	927	(34,381)
	<hr/>	<hr/>
At 31 December	203,398	202,471

At the end of the reporting period, the Group has determined a trade receivable of \$203,398 (2016: \$202,471) to be impaired as the debtor has ceased business operations and defaulted on payment. This receivable is not secured by any collateral or credit enhancements.

22. CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Fixed deposits	27,600,000	29,400,000	3,100,000	900,000
Cash at bank and on hand	23,082,911	7,466,008	858,628	480,696
	<hr/>	<hr/>	<hr/>	<hr/>
	50,682,911	36,866,008	3,958,628	1,380,696
Included in above are:				
Fixed deposits pledged for banking facilities	19,000,000	19,000,000	–	–

Fixed deposits are made for varying periods of between one month and six months, depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective fixed deposit rates. The effective interest rates at 31 December 2017 were in the range of 0.78% to 1.14% (2016: 0.35% to 1.14%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

22. CASH AND BANK BALANCES (CONT'D)

Cash and bank balances denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Sterling Pound	1,841,204	68,747	–	–
Singapore Dollars	410,610	1,410,652	–	–

23. TRADE PAYABLES

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

24. OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Current				
Tenancy deposits	747,705	450,770	–	–
Unclaimed dividends	334,309	305,083	334,309	305,082
Deferred income	388,156	357,340	–	–
Other tax payables	26,476	86,232	–	–
Rental received in advance	3,241	30,642	–	–
Sundry payables	692,456	694,353	34,437	44,474
	2,192,343	1,924,420	368,746	349,556
Non-current				
Tenancy deposits	392,421	456,349	–	–

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

Other tax payables included capital gain tax provision of \$Nil (2016: \$21,171) relating to disposal of certain properties in United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

24. OTHER PAYABLES (CONT'D)

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

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Chinese Renminbi	226,128	523,885	–	–

25. BANK LOANS (SECURED)

	Group	
	2017	2016
	\$	\$
Non-current		
- Long-term Sterling Pound bank loan	–	11,212,051
Current		
- Short-term Singapore Dollar bank loan	1,800,000	2,900,000
- Short-term Sterling Pound bank loans	51,376,494	54,805,428
Total bank loans	53,176,494	57,705,428

Short-term Singapore Dollar bank loan comprises of:

- (a) A revolving Singapore Dollar loan of \$1,800,000 (2016: \$2,900,000) granted to a subsidiary. The loan is secured by an existing corporate guarantee of \$4,000,000 (2016: \$4,000,000) from another subsidiary and bears interest at swap rate plus 1.375% (2016: 1.375%) per annum.

Short-term Sterling Pound bank loans comprise of:

- (a) A revolving Sterling Pound loan of \$3,634,058 (2016: \$5,426,280) granted to a subsidiary. The loan is secured by a legal charge of \$4,000,000 (2016: \$4,000,000) over the subsidiary's fixed deposits and bears interest at swap rate plus 1.4% (2016: 1.4% - 1.8%) per annum.
- (b) A revolving Sterling Pound loan of \$15,081,340 (2016: \$25,322,640) granted by the same bank to the same subsidiary as in (a) above. The loan is secured by a legal charge over the subsidiary's investment property and assignment of tenancy agreement in respect of the property. The loan bears interest at swap rate plus 1.4% (2016: 1.4%) per annum.
- (c) A revolving Sterling Pound loan of \$18,170,290 (2016: \$24,056,508) granted by another bank to the same subsidiary as in (a) above. The loan is secured by a corporate guarantee from the holding company and a legal charge of \$15,000,000 (2016: \$15,000,000) over the subsidiary's fixed deposits. The loan bears interest at swap rate plus 1.1% - 1.7% (2016: 1.1% - 1.7%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

- (d) A Sterling Pound bank loan of \$14,490,806 (2016: \$11,212,051 classified under long-term Sterling Pound) granted to a subsidiary. The loan is secured by a legal charge over the subsidiary's investment property and repayable on 2 June 2018. The loan of \$11,263,309 (2016: \$5,607,156) bears interest at LIBOR rate plus 1.8% per annum, whereby the LIBOR is capped at a rate of 1.25% and has a floor rate of 0.49%. The remaining balance bears interest at LIBOR rate plus 1.8% per annum.

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

A reconciliation of liabilities arising from financing activities is as follows:

	Non-cash changes				
	2016	Cash flows	Foreign exchange movement	Translation differences	Other
	\$	\$	\$	\$	\$
Bank borrowings					
Current	57,705,428	(19,013,417)	(6,323)	–	14,490,806
Non-current	11,212,051	3,161,832	–	116,923	(14,490,806)
Total	68,917,479	(15,851,585)	(6,323)	116,923	–

The 'Other' column relates to reclassification of non-current portion of bank borrowings due to passage of time.

26. DEFERRED TAX LIABILITIES

Group	Group			
	Consolidated balance sheet		Consolidated income statement	
	2017	2016	2017	2016
	\$	\$	\$	\$
<i>Deferred tax asset</i>				
Unutilised tax losses	–	–	–	–
<i>Deferred tax liabilities</i>				
Revaluations to fair value of available-for-sale financial assets	(492,725)	(643,821)	–	–
Differences in depreciation and capital allowances	(1,439,794)	(1,543,558)	(103,764)	75,188
Accrued interest income	(2,037,261)	(1,846,127)	191,134	223,207
	(3,969,780)	(4,033,506)		
Net deferred tax liabilities	(3,969,780)	(4,033,506)		
Deferred tax expense			87,370	298,395

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

26. DEFERRED TAX LIABILITIES (CONT'D)

Unrecognised tax losses

As the end of the reporting period, the Group has tax losses of approximately \$15,376,000 (2016: \$15,569,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequences of proposed dividends

There are no income tax consequences (2016: \$Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 27).

27. DIVIDENDS

	Group	
	2017	2016
	\$	\$
In respect of financial year ended 31 December 2015:		
- Final exempt (one-tier) dividend of 1.00 cents per share	–	6,535,040
In respect of financial year ended 31 December 2016:		
- Final exempt (one-tier) dividend of 1.00 cent per share	6,531,740	–
	<u>6,531,740</u>	<u>6,535,040</u>

The directors of the Company have recommended a final tax exempt ordinary dividend of 1 cent per share, and a special tax exempt dividend of 0.1 cent per share, totaling \$7,182,538 to be paid in respect of the financial year ended 31 December 2017, subject to shareholders' approval at the annual general meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

28. RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
<u>Income statement</u>				
Management fees paid and payable to a subsidiary	–	–	132,090	128,573
Interest income from an associate which is a related company of a substantial shareholder	(144,305)	(148,229)	–	–
Professional fee for services rendered by a firm and an associated firm related to a director	–	36,000	–	22,500

29. COMMITMENT AND CONTINGENCIES

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
(a) Contingent liabilities				
Financial guarantees given to financial institutions in connection with facilities given to its joint ventures and subsidiaries	8,285,652	8,247,946	15,000,000	15,000,000

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

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
(b) Capital commitments				
Property, plant and equipment	51,100	–	–	–
Unquoted investment securities	5,480,950	6,201,257	–	–
Investment in an associate	5,778,152	6,240,222	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29. COMMITMENT AND CONTINGENCIES (CONT'D)

(c) *Contingent asset*

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

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

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

During the last financial year, the JV has received GBP749,000 (equivalent to approximately \$1,399,546), including the Group's share of GBP374,500 (equivalent to approximately \$699,773) upon the completion of the Site refinancing and included as part of "Other income" (Note 6). The JV could be entitled to receive the remaining balance of GBP1,411,000 (equivalent to approximately \$2,512,000), including the Group's share of GBP705,500 (equivalent to approximately \$1,256,000), in the event the Site is disposed of in the future following its redevelopment.

Given the uncertainty in relation to (i) the future value of the Site post-development; and (ii) the possible sale of the redeveloped Site post-completion, the directors believe that it is not virtually certain that a profit will be realised. Hence, no contingent asset is recognised at the end of the reporting period in 2016 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29. COMMITMENT AND CONTINGENCIES (CONT'D)

(d) *Operating lease commitments - As lessor*

The Group has entered into residential and commercial property leases on its investment property portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 121 years (2016: 1 and 122 years). All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

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

	Group	
	2017	2016
	\$	\$
Within one year	7,874,090	7,047,931
Between one year and five years	25,576,790	21,278,353
Later than 5 years	36,527,476	37,173,234
	<hr/>	<hr/>
	69,978,356	65,499,518

30. DIRECTORS' REMUNERATION

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

	2017	2016
\$500,000 to \$749,999	1	1
Below \$250,000	6	7
	<hr/>	<hr/>
	7	8

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. GROUP SEGMENTAL INFORMATION

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. GROUP SEGMENTAL INFORMATION (CONT'D)

	Rental		Investments	
	2017	2016	2017	2016
	\$	\$	\$	\$
Revenue				
External	8,116,884	7,527,414	6,383,462	3,674,762
Inter-segment	–	–	5,200,000	3,535,000
Total revenue	8,116,884	7,527,414	11,583,462	7,209,762
Results:				
Interest income (in other income)	589	568	–	–
Depreciation of property, plant and equipment and investment properties	(1,912,053)	(2,037,929)	(40,258)	(37,080)
Gain on disposal of investment properties	7,851,842	2,181,594	–	–
Gain on disposal of an associate	–	–	–	2
Impairment loss on other receivables	–	(19,906)	–	–
Impairment loss on amounts due from an associate	–	(349,393)	–	–
Impairment loss on quoted equity investment (current)	–	–	(1,150,009)	(1,880,619)
Impairment loss on unquoted equity investment (non-current)	–	–	(1,344,468)	(2,770,402)
Impairment loss on investment properties	(801,910)	–	–	–
Reversal of impairment loss on investment properties	–	605,206	–	–
Share of results of associates and joint ventures	–	–	1,036,449	830,035
Segment profit/(loss)	8,569,223	5,439,363	3,779,540	(1,462,772)
Assets				
Investment in joint ventures	–	–	3,105,930	7,310,519
Investment in associates	–	–	27,812,304	26,549,780
Additions to non-current assets	1,017,678	30,376,828	59,992	591
Segment assets	141,953,314	143,615,061	111,553,438	124,084,295
Segment liabilities	54,820,160	55,353,496	28,380,633	20,503,226

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For the financial year ended 31 December 2017

Corporate and others			Adjustments and eliminations		Per consolidated financial statements	
2017	2016		2017	2016	2017	2016
\$	\$		\$	\$	\$	\$
–	–		–	–	14,500,346	11,202,176
8,100,000	5,000,000	A	(13,300,000)	(8,535,000)	–	–
8,100,000	5,000,000		(13,300,000)	(8,535,000)	14,500,346	11,202,176
8,313	19,081		–	–	8,902	19,649
(155,826)	(157,128)		–	–	(2,108,137)	(2,232,137)
–	–		–	–	7,851,842	2,181,594
–	–		–	–	–	2
–	–		–	–	–	(19,906)
–	–		–	–	–	(349,393)
–	–		–	–	(1,150,009)	(1,880,619)
–	–		–	–	(1,344,468)	(2,770,402)
–	–		–	–	(801,910)	–
–	–		–	–	–	605,206
–	–		–	–	1,036,449	830,035
(2,052,412)	(1,987,091)	B	(2,138,535)	4,801,531	8,157,816	6,791,031
–	–		–	–	3,105,930	7,310,519
–	–		–	–	27,812,304	26,549,780
6,780	167,383	C	–	–	1,084,450	30,544,802
183,231,935	184,237,468	D	(174,664,255)	(177,578,079)	262,074,432	274,358,745
3,239,003	3,002,131	E	(21,506,407)	1,081,505	64,933,389	79,940,358

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. GROUP SEGMENTAL INFORMATION (CONT'D)

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

- A. Inter-segment revenues are eliminated on consolidation.
- B. The following items are (deducted from)/added to segment profit to arrive at "profit before tax" presented in the consolidated income statement:

	2017 \$	2016 \$
Finance costs	(1,281,861)	(1,366,181)
Unallocated (expenses)/income	(856,674)	6,167,712
	<u>(2,138,535)</u>	<u>4,801,531</u>

- C. Additions to non-current assets consist of additions to property, plant and equipment and investment properties.
- D. The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated balance sheet:

	2017 \$	2016 \$
Cash and bank balances	50,682,911	36,866,008
Inter-segment assets	(225,347,166)	(214,444,087)
	<u>(174,664,255)</u>	<u>(177,578,079)</u>

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

	2017 \$	2016 \$
Bank loans	53,176,494	68,917,479
Income tax payable	2,012,396	1,419,266
Deferred tax liabilities	3,969,780	4,033,506
Inter-segment liabilities	(80,665,077)	(73,288,746)
	<u>(21,506,407)</u>	<u>1,081,505</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. GROUP SEGMENTAL INFORMATION (CONT'D)

Geographical information

	Revenue		Non-current assets	
	2017	2016	2017	2016
	\$	\$	\$	\$
Singapore	11,528,699	8,885,381	103,277,620	109,003,714
United Kingdom	2,971,647	2,316,795	72,927,143	77,924,590
	14,500,346	11,202,176	176,204,763	186,928,304

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

Information about a major customer

Revenue of \$4,368,877 (2016: \$4,368,876) was derived from a single external customer. This revenue was derived in Singapore and relates to rental income.

32. MAJOR PROPERTIES OWNED BY THE GROUP

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

Location	Company	Type/Usage	Area
Investment properties			
<u>Held by the Group</u>			
93,95,97,99 Robertson Quay Singapore 238255/6/7/8	Global Trade Investment Management Pte Ltd	6 units of freehold residential apartments and 4 units of commercial shops	Gross floor area of 1,224 square metres (13,175 square feet)
110 Paya Lebar Road Singapore Warehouse Singapore 409009	Singapore Warehouse Company (Private) Ltd	Freehold. Factory, warehouse, ancillary office and showroom	Land area of about 5,480 square metres. Gross floor area of about 14,612 square metres (157,109 square feet)
58 Queensgate London SW7 United Kingdom	Thackeray Properties Limited	Freehold. 6 units of residential apartments	Gross floor area of 630.4 square metres (6,778 square feet)
115B Queensgate London SW7 United Kingdom	Thackeray Properties Limited	Freehold. 2 units of residential apartments	Gross floor area of 177.5 square metres (1,911 square feet)
15/17 Hornton Street London W8 United Kingdom	Pumbledon Limited	Freehold. 4 units of residential apartments	Gross floor area of 249 square metres (2,685 square feet)
70% interest in 20 Midtown, Procter Street, Holborn London WC1 6NX United Kingdom	Vantagepro Investment Limited	Freehold. Office building	Floor area of 2,836.58 square metres (30,533 square feet)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

Location	Company	Type/Usage	Area
Investment properties (cont'd)			
<u>Held by the Group (cont'd)</u>			
50% interest in Head Post Office Fitzalan Square, Sheffield S1 2AB United Kingdom	Vantagepro Investment Limited	Freehold Office building	Floor area of 6,843.36 square metres (73,662 square feet)
50% interest in 3 - 7 Herbal Hill, Clerkenwell, London EC 1 United Kingdom	Singapore Warehouse Company (Private) Ltd	Freehold. Commercial	Floor area of 3,137.5 square metres (33,773 square feet)
<u>Held by joint ventures</u>			
Block E Bankside 4, London SE1 9RE United Kingdom	Neo Pav E Investments LLP	Leasehold. Office building	Gross floor area of 678.2 square metres (7,300 square feet)
Block A, B, C and D, Retail units located at Bankside 4, London SE1 0SW United Kingdom	Neo Bankside Retail LLP	Leasehold. Retail units	Gross floor area of 1,337.70 square metres (14,399 square feet)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

Location	Company	Type/Usage	Area
<u>Held by associates</u>			
304 Orchard Road #05-00 Lucky Plaza Singapore 238863	Hong Property Investments Pte Ltd	Freehold Commercial	Gross floor area of 3,008 square metres (32,378 square feet)
400 Orchard Road #20- 05/05A/06 Orchard Towers Singapore 238875	Hong Property Investments Pte Ltd	Freehold Commercial	Gross floor area of 330.92 square metres (3,562 square feet)
Kilmuir House Ebury Street, London SW1W 9JL United Kingdom ⁽¹⁾	Clan Kilmuir (Jersey) Limited	Leasehold Residential	Gross floor area of 3,273 square metres (35,231 square feet)
51 Scotts Road	Scotts Spazio Pte. Ltd.	Leasehold 15 years from 15 August 2007 4-storey office block	Land area of 1.04 hectares. Maximum permissible gross floor area of 15,666 sq metres (168,628 sq feet)

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

33. FAIR VALUES OF ASSETS AND LIABILITIES

(a) **Fair value hierarchy**

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

- (i) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- (ii) Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- (iii) Level 3 - Unobservable inputs for the asset or liability.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

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

	Group			
	Fair value measurements at the end of the period using			Total
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
	\$	\$	\$	
2017				
Recurring fair value measurements				
Assets:				
Financial assets:				
Available-for-sale financial assets				
- Quoted equity investments (current)	24,773,499	–	–	24,773,499
- Quoted non-equity investments (non-current)	4,258,878	–	–	4,258,878
- Unquoted equity investments, at fair value (non-current)	–	251,420	18,701,820	18,953,240
	29,032,377	251,420	18,701,820	47,985,617

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

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

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

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

Unquoted equity investment (non-current)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

Description	Fair value at 31 December 2017 \$	Valuation techniques	Unobservable inputs
Recurring fair value measurements			
Available-for-sale financial assets			
- Unquoted equity investments, at fair value (non-current)	18,701,820	Quote from fund manager	Not applicable

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

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

Movements in level 3 assets and liabilities measured at fair value

	Group	
	2017 \$	2016 \$
Fair value measurements using significant unobservable inputs (Level 3)		
Available-for-sale financial assets:		
Unquoted equity investments (non-current)		
At 1 January	16,646,838	8,056,376
Total losses included in other comprehensive income	(410,057)	(1,906,865)
Reclassification from cost to fair value	–	9,520,210
Disposed during the year	–	(153,717)
Purchased during the year	2,465,039	1,130,834
At 31 December	18,701,820	16,646,838

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For the financial year ended 31 December 2017

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

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

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at 31 December 2017 but for which fair value is disclosed:

	Group		
	Fair value measurements at the end of the period using		
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)
	\$	\$	\$
2017			
Assets:			
Non-financial assets:			
Investment properties			
- Commercial	–	7,940,000	166,412,413
- Residential	–	51,734,538	–
	–	59,674,538	166,412,413
			226,086,951

	Group		
	Fair value measurements at the end of the period using		
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)
	\$	\$	\$
2016			
Assets:			
Non-financial assets:			
Investment properties			
- Commercial	–	10,150,000	167,184,311
- Residential	–	60,699,360	–
	–	70,849,360	167,184,311
			238,033,671

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

Determination of fair value

Commercial investment properties

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

The valuation for another Singapore property was based on income capitalisation method and comparable market transactions that consider the sales of similar properties that have been transacted in the open market.

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

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

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

Residential investment properties

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

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

	Group			
	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Financial assets:				
Amounts due from associates	–	–	2,000,000	#
Interest receivable on loan to an associate (Note 20)	–	–	401,093	#

Amounts due from associates (non-current)

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

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

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

	Note	Group 2017 \$	Group 2016 \$
<i>Loans and receivables</i>			
Other receivables (exclude deferred rental receivable)	20	3,228,266	13,919,765
Trade receivables	21	494,128	595,113
Amounts due from associates	17	6,464,599	9,355,294
Cash and bank balances	22	50,682,911	36,866,008
		<u>60,869,904</u>	<u>60,736,180</u>
<i>Available-for-sale financial assets</i>			
Quoted equity, at fair value	19	24,773,499	28,872,625
Quoted non-equity, at fair value	19	4,258,878	3,690,936
Unquoted equity, at fair value	19	18,953,240	17,088,617
		<u>47,985,617</u>	<u>49,652,178</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

	Note	Group	
		2017	2016
		\$	\$
<i>Financial liabilities measured at amortised cost</i>			
Trade payable	23	424,147	682,639
Other payables (exclude deferred income, rental received in advance and other tax payables)	24	2,166,891	1,906,555
Accrued operating expenses		2,223,407	1,944,091
Amounts due to associates	17	542,401	562,608
Bank loans (secured)	25	53,176,494	68,917,479
		<u>58,533,340</u>	<u>74,013,372</u>

	Note	Company	
		2017	2016
		\$	\$
<i>Loans and receivables</i>			
Other receivables	20	6,778	475
Amounts due from subsidiaries	16	6,694,000	8,674,000
Cash and bank balances	22	3,958,628	1,380,696
		<u>10,659,406</u>	<u>10,055,171</u>

<i>Financial liabilities measured at amortised cost</i>			
Other payables	24	368,746	349,556
Accrued operating expenses		248,007	199,186
Amounts due to associates	17	361,302	381,403
		<u>978,055</u>	<u>930,145</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include equity price risk, interest rate risk, liquidity risk, credit risk and foreign currency risk. The directors review and agree policies and procedures for the management of these risks. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit and Risk Committee provides independent oversight to the effectiveness of the risk management policies, procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

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

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

(a) *Equity price risk*

Equity price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity securities. These securities are quoted on stock exchanges in Singapore, Korea and London. The Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility. To manage its price risk arising from investments in quoted equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The table below demonstrates the sensitivity to a reasonably possible change in equity price risk with all other variables held constant, of the Group's profit before tax and the Group's fair value reserve:

	Percentage point change in assumption	Group	
		Effect on profit before tax \$'000	Effect on fair value reserve \$'000
2017			
- Straits times Index	+10%	–	730
	-10%	(399)	(331)
- Korea Composite Stock Price Index	+10%	–	757
	-10%	–	(757)
- London Stock Exchange	+10%	–	426
	-10%	–	(426)

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

(a) *Equity price risk (cont'd)*

	Percentage point change in assumption	Group	
		Effect on profit before tax \$'000	Effect on fair value reserve \$'000
2016			
- Straits times Index	+10%	–	1,543
	-10%	(513)	(1,030)
- Korea Composite Stock Price Index	+10%	–	557
	-10%	–	(557)
- London Stock Exchange	+10%	–	370
	-10%	–	(370)

(b) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its placements in fixed deposits, investments in quoted, unquoted bonds and floating rate notes and debt obligations with financial institutions. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group uses a combination of fixed and floating rates facilities to allow the Group to benefit from the relative lower interest rate in short term loans and mitigate sudden hike in interest rates.

At the end of the reporting period, if interest rates had been 50 (2016: 50) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been \$266,000 (2016: \$371,000) lower/higher.

(c) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's objective is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions if any, without incurring unacceptable losses or risking damage to the Group's reputation. This is achieved through monitoring the cash flow requirements closely and optimising its cash return on investments. In addition, the Group also maintains the availability of stand-by credit facilities.

Surplus funds are placed with reputable banks and/or financial institutions.

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

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

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

Group	1 year or less	2 to 5 years	After 5 years	Total
2017	\$	\$	\$	\$
<u>Financial assets</u>				
Amounts due from associates	6,593,891	–	–	6,593,891
Investment securities	24,773,499	20,111,024	3,101,094	47,985,617
Trade and other receivables	3,753,088	–	–	3,753,088
Cash and bank balances	50,682,911	–	–	50,682,911
Total undiscounted financial assets	85,803,389	20,111,024	3,101,094	109,015,507
<u>Financial liabilities</u>				
Trade and other payables	2,198,617	38,721	353,700	2,591,038
Accrued operating expenses	2,223,407	–	–	2,223,407
Amounts due to associates	542,401	–	–	542,401
Bank loans	54,291,746	–	–	54,291,746
Total undiscounted financial liabilities	59,256,171	38,721	353,700	59,648,592
Total net undiscounted financial assets	26,547,218	20,072,303	2,747,394	49,366,915

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

Group 2016	1 year or less \$	2 to 5 years \$	After 5 years \$	Total \$
<u>Financial assets</u>				
Amounts due from associates	7,502,400	2,000,000	–	9,502,400
Investment securities	28,872,625	17,412,097	3,367,456	49,652,178
Trade and other receivables	14,465,425	901,093	–	15,366,518
Cash and bank balances	36,866,008	–	–	36,866,008
Total undiscounted financial assets	87,706,458	20,313,190	3,367,456	111,387,104
<u>Financial liabilities</u>				
Trade and other payables	2,132,845	102,649	353,700	2,589,194
Accrued operating expenses	1,944,091	–	–	1,944,091
Amounts due to associates	562,608	–	–	562,608
Bank loans	59,469,562	11,313,024	–	70,782,586
Total undiscounted financial liabilities	64,109,106	11,415,673	353,700	75,878,479
Total net undiscounted financial assets	23,597,352	8,897,517	3,013,756	35,508,625

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

Company	1 year or less	2 to 5 years	Total
2017	\$	\$	\$
<u>Financial assets</u>			
Amounts due from subsidiaries	6,694,000	–	6,694,000
Other receivables	6,778	–	6,778
Cash and bank balances	3,958,628	–	3,958,628
Total undiscounted financial assets	10,659,406	–	10,659,406
<u>Financial liabilities</u>			
Trade and other payables	368,746	–	368,746
Amounts due to associates	361,302	–	361,302
Accrued operating expenses	248,007	–	248,007
Total undiscounted financial liabilities	978,055	–	978,055
Total net undiscounted financial assets	9,681,351	–	9,681,351
Company	1 year or less	2 to 5 years	Total
2016	\$	\$	\$
<u>Financial assets</u>			
Amounts due from subsidiaries	8,674,000	–	8,674,000
Other receivables	475	–	475
Cash and bank balances	1,380,696	–	1,380,696
Total undiscounted financial assets	10,055,171	–	10,055,171
<u>Financial liabilities</u>			
Trade and other payables	349,556	–	349,556
Amounts due to associates	381,403	–	381,403
Accrued operating expenses	199,186	–	199,186
Total undiscounted financial liabilities	930,145	–	930,145
Total net undiscounted financial assets	9,125,026	–	9,125,026

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

The table below shows the contractual expiry by maturity of the Group's and the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantees could be called.

	1 year or less \$	2 to 5 years \$	Total \$
Group			
2017			
Financial guarantees provided to joint ventures	–	8,285,652	8,285,652
2016			
Financial guarantees provided to joint ventures	–	8,247,946	8,247,946
Company			
2017			
Financial guarantees provided to subsidiaries	15,000,000	–	15,000,000
2016			
Financial guarantees provided to subsidiaries	15,000,000	–	15,000,000

(d) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises mainly from amounts due from subsidiaries/associates, trade and other receivables. For other financial assets (including investment securities and cash and bank balances), the Group and the Company minimise credit risk by dealing with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

At the end of the reporting period, the carrying amount of amounts due from subsidiaries/associates, trade and other receivables and cash and bank balances represent the Group's and the Company's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

At the end of the reporting period, there was no significant concentration of credit risks.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20 (Other receivables) and Note 21 (Trade receivables).

(e) **Foreign currency risk**

Currency risk arises when transactions are denominated in currencies other than the functional currencies of the respective entities. In addition, the Group is exposed to currency translation gains/losses as a result of translating its overseas assets and liabilities held through its subsidiaries. Such translation gains/losses are unrealised in nature and do not impact current year profits unless the underlying assets or liabilities of the subsidiary are disposed of.

The Group does not generally use derivative foreign exchange contracts in managing its foreign currency risk arising from cash flows from anticipated transactions denominated in foreign currencies, primarily the Sterling Pound and Korean Won. Wherever possible, the Group manages its currency risks by financing its purchases using bank borrowings denominated in the currency of the country in which the asset is situated. Foreign currencies received are kept in foreign currencies accounts and are converted to the respective functional currency of the Group companies on a need-to basis so as to minimise foreign exchange exposure.

Sensitivity analysis for foreign currency risk

Entities in the Group regularly transact in currencies other than their respective functional currencies, such as Singapore Dollar, United States Dollar and Sterling Pound. The following table demonstrates the sensitivity to a reasonably possible change in the Singapore Dollar, United States Dollar, Sterling Pound and Korean Won, against the respective functional currencies of the Group's entities with all other variables held constant, on the Group's profit before tax and fair value reserve:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

(e) Foreign currency risk (cont'd)

	Group			
	2017		2016	
	Profit before tax \$'000	Fair value reserve \$'000	Profit before tax \$'000	Fair value reserve \$'000
<i>United States Dollar/ Singapore Dollar</i>				
- strengthened 10% (2016: 10%)	(1)	780	–	694
- weakened 10% (2016: 10%)	(28)	(751)	–	(694)
<i>Sterling Pound/Singapore Dollar</i>				
- strengthened 10% (2016: 10%)	(3,266)	1,121	(4,712)	975
- weakened 10% (2016: 10%)	2,371	(226)	3,933	(196)
<i>United States Dollar/ Sterling Pound</i>				
- strengthened 10% (2016: 10%)	–	155	–	168
- weakened 10% (2016: 10%)	–	(155)	–	(168)
<i>Korean Won/Singapore Dollar</i>				
- strengthened 10% (2016: 10%)	–	757	–	557
- weakened 10% (2016: 10%)	–	(757)	–	(557)
<i>Hong Kong Dollar/ Singapore Dollar</i>				
- strengthened 10% (2016: 10%)	–	26	–	233
- weakened 10% (2016: 10%)	–	(26)	–	(233)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

35. CAPITAL MANAGEMENT

Capital includes equity attributable to owners of the Company.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings. The Company may also purchase its own shares on the market; subject to the terms of the share purchase mandate as approved by the shareholders. Share purchase allows the Company greater flexibility over its share capital structure with a view to improving, *inter alia*, its return on equity. Share purchase in lieu of issuing new shares would also mitigate the dilution impact on existing shareholders. During the financial year, the Company acquired 216,000 (2016: 330,000) shares in the Company through purchases on the Singapore Exchange for cash consideration amounting to \$66,943 (2016: \$98,002) and held these shares as treasury shares (Note 12(b)).

No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016.

The Group monitors capital based on gearing ratio which is total liabilities divided by total equity. At 31 December 2017, total liabilities and total equity are \$64,933,389 (2016: \$79,940,358) and \$197,141,043 (2016: \$194,418,387) respectively. The Group also monitors dividends paid to shareholders. The Group seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. At 31 December 2017, the Group's gearing ratio was 0.33 (2016: 0.41).

36. EVENT OCCURRING AFTER THE REPORTING PERIOD

- (a) On 7 March 2018, the Group disposed of one of its Singapore investment properties presented in rental segment, which has a net carrying amount of approximately \$1,104,000 for a consideration of \$2,500,000.
- (b) The Group's subsidiary, Vantagepro Investment Limited acquired 50% interests in Loman Holdings Limited, a company incorporated in England and Wales for a total purchase consideration of GBP50 (equivalent to approximately \$93) subsequent to year end.

37. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 9 March 2018.

SHAREHOLDING STATISTICS

As at 9 March 2018

No. of Issue Shares	: 653,504,000
No. of Issue Shares (excluding Treasury Shares)	: 652,958,000
No. of Treasury Shares Held	: 546,000
Class of Shares	: Ordinary Shares
Voting Rights	: 1 vote per ordinary share (no vote for treasury shares)

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	33	0.61	719	0.00
100 - 1,000	226	4.19	152,565	0.02
1,001 - 10,000	2,437	45.22	16,348,989	2.50
10,001 - 1,000,000	2,657	49.31	125,789,358	19.27
1,000,001 and above	36	0.67	510,666,369	78.21
Total	5,389	100.00	652,958,000	100.00

TWENTY LARGEST SHAREHOLDERS

Name	No. of Shares	%
1. Ely Investments (Pte) Ltd.	80,986,000	12.40
2. United Overseas Bank Nominees (Private) Limited	61,263,553	9.38
3. Ong Kay Eng	48,635,000	7.45
4. Raffles Nominees (Pte) Limited	36,826,764	5.64
5. Ong Eng Loke	36,090,858	5.53
6. City Developments Realty Limited	33,355,000	5.11
7. Tudor Court Gallery Pte Ltd	29,940,000	4.59
8. Ong Eng Hui David (Wang Ronghui David)	28,030,000	4.29
9. Welkin Investments Pte Ltd	21,296,000	3.26
10. Fica (Pte) Ltd	18,385,000	2.82
11. DB Nominees (Singapore) Pte Ltd	16,580,000	2.54
12. CGS-CIMB Securities (Singapore) Pte. Ltd.	9,977,570	1.53
13. DBS Nominees (Private) Limited	9,385,566	1.44
14. Ong Hian Eng	8,899,623	1.36
15. Ong Mui Eng	6,958,416	1.07
16. Citibank Nominees Singapore Pte Ltd	6,528,500	1.00
17. HSBC (Singapore) Nominees Pte Ltd	6,481,448	0.99
18. Chew Cheng Hoi Investments Pte Ltd	6,258,584	0.96
19. Ong Bee Sun	6,182,380	0.95
20. Chen Wah Chi @ Chen Rosy	5,430,000	0.83
Total	477,490,262	73.14

PERCENTAGE OF PUBLIC FLOAT

Based on information available to the Company as at 9 March 2018, approximately 29.14% of the issued Ordinary Shares of the Company are held by the public and accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

SHAREHOLDING STATISTICS

As at 9 March 2018

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholder	Direct Interest	Deemed Interest	Aggregate	% ¹²
Ong Choo Eng ¹	903,000	80,986,000	81,889,000	12.541
Ong Kwee Eng ²	2,809,812	32,929,052	35,738,864	5.473
Ong Eng Loke ³	36,090,858	884,000	36,974,858	5.663
Ong Eng Yaw ⁴	25,000	80,986,000	81,011,000	12.407
Ong Bee Leem ⁵	151,440	80,986,000	81,137,440	12.426
Ely Investments (Pte) Ltd.	80,986,000	–	80,986,000	12.403
Hong Leong Enterprises Pte. Ltd. ⁶	29,648,000	9,409,000	39,057,000	5.982
City Developments Realty Limited ⁷	33,355,000	–	33,355,000	5.108
City Developments Limited ⁸	–	33,355,000	33,355,000	5.108
Hong Leong Investment Holdings Pte. Ltd. ⁹	–	123,648,000	123,648,000	18.937
Kwek Holdings Pte Ltd ¹⁰	–	123,648,000	123,648,000	18.937
Davos Investment Holdings Private Limited ¹⁰	–	123,648,000	123,648,000	18.937
Ong Kay Eng ¹¹	48,635,000	35,460,000	84,095,000	12.879
Ong Hoo Eng	46,994,753	–	46,994,753	7.197

Notes:

- Ong Choo Eng is deemed under Section 7 of the Act to have an interest in the shares held by Ely Investments (Pte) Ltd. ("Ely Investments"), in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- Ong Kwee Eng is deemed under Section 7 of the Act to have an interest in the shares held by his spouse and Astute Investment Holdings Pte. Ltd., in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- Ong Eng Loke is deemed under Section 7 of the Act to have an interest in the shares held by OME Investment Holding Pte Ltd, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- Ong Eng Yaw is deemed under Section 7 of the Act to have an interest in the shares held by Ely Investments, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- Ong Bee Leem is deemed under Section 7 of the Act to have an interest in the shares held by Ely Investments, in which she and/or her associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- The aggregate interest of Hong Leong Enterprises Pte. Ltd. ("HLE") is based on its last notification to the Company on 14 April 2011. HLE is deemed under Section 7 of the Act to have an interest in the shares held by Starich Investments Pte. Ltd. ("Starich"), being a company in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof. As per the Company's Register of Substantial Shareholders as at 9 March 2018, Starich is holding 9,409,000 Ordinary Shares in the Company. HLE is not required to notify the Company on any disposal that has not resulted in a percentage level change in its shareholding.
- The aggregate interest of City Developments Realty Limited ("CDRL") is based on its last notification to the Company on 13 February 2006.
- The aggregate interest of City Developments Limited ("CDL") is based on its last notification to the Company on 13 February 2006. CDL is deemed under Section 7 of the Act to have an interest in the shares held by its wholly owned subsidiary, CDRL.
- The aggregate interest of Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is based on its last notification to the Company on 13 April 2011. HLIH is deemed under Section 7 of the Act to have an interest in the shares held by Tudor Court Gallery Pte Ltd, Welkin Investments Pte Ltd and CDRL, and the 39,057,000 Ordinary Shares held directly and indirectly by HLE, being companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- The aggregate interest of each of Kwek Holdings Pte Ltd ("KH") and Davos Investment Holdings Private Limited ("Davos") is based on their last notification to the Company on 13 April 2011. Each of KH and Davos is deemed under Section 7 of the Act to have an interest in the 123,648,000 Ordinary Shares held directly and indirectly by HLIH, in which each is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- The aggregate interest of Ong Kay Eng is based on his last notification to the Company on 5 March 2018. Ong Kay Eng is deemed to have an interest in 2,000,000 Ordinary Shares held by Altrade Investments Pte Ltd, 5,430,000 Ordinary Shares registered in the name of his spouse, Chen Wah Chi @ Chen Rosy and 28,030,000 Ordinary Shares registered in the name of Ong Eng Hui David.
- The percentage of interest is calculated based on the total issued Ordinary Shares excluding treasury shares (i.e. 652,958,000 Ordinary Shares).
- The above information is based on the notifications received from the respective substantial shareholders as at 9 March 2018.

NOTICE OF ANNUAL GENERAL MEETING

HWA HONG CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 195200130C)

NOTICE IS HEREBY GIVEN that the Sixty-Fifth Annual General Meeting of Hwa Hong Corporation Limited (the “**Company**”) will be held at Grand Copthorne Waterfront Hotel, Galleria Ballroom, Level 3, 392 Havelock Road, Singapore 169663 on Wednesday, 25 April 2018 at 10.00 a.m. for the following purposes:

ORDINARY BUSINESS

- | | |
|---|---------------------|
| 1. To receive and adopt the Directors’ Statement and Audited Financial Statements for the financial year ended 31 December 2017 and the auditors’ report thereon. | Resolution 1 |
| 2. To declare a one-tier tax exempt final ordinary dividend of 1 cent per ordinary share and one-tier tax exempt special dividend of 0.1 cent per ordinary share in respect of the financial year ended 31 December 2017. | Resolution 2 |
| 3. To approve the payment of Directors’ fees of S\$306,000 in aggregate to the Non-Executive Directors of the Company for the financial year ending 31 December 2018 (FY2017: S\$306,000), such fees to be paid on a quarterly basis in arrears at the end of each calendar quarter.
<i>[See Explanatory Note (i)]</i> | Resolution 3 |
| 4. To re-elect Mr Hans Hugh Miller, who is retiring by rotation in accordance with Article 113 of the Constitution of the Company.
<i>[See Explanatory Note (ii)]</i> | Resolution 4 |
| 5. To re-elect Ms Ong Wui Leng, Linda, who is retiring by rotation in accordance with Article 113 of the Constitution of the Company.
<i>[See Explanatory Note (iii)]</i> | Resolution 5 |
| 6. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. | Resolution 6 |
| 7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting. | |

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modifications, the following resolutions as **Ordinary Resolutions**:

- | | |
|---|---------------------|
| 8. Authority to issue shares | Resolution 7 |
| <p>“That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors of the Company be authorised and empowered to:</p> <p>(a) (i) issue shares in the capital of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or</p> | |

NOTICE OF ANNUAL GENERAL MEETING

- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may, in their absolute discretion, deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares excluding treasury shares and subsidiary holdings shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities;
 - (ii) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (iii) any subsequent consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”
[See Explanatory Note (iv)]

NOTICE OF ANNUAL GENERAL MEETING

9. **Authority to issue shares under Hwa Hong Corporation Limited (2001) Share Option Scheme** **Resolution 8**
- “That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company or any committee appointed by the Directors of the Company be authorised and empowered to offer and grant options over shares in the Company under the prevailing Hwa Hong Corporation Limited (2001) Share Option Scheme (the “**Schemes**”) approved by shareholders of the Company in general meeting on 29 May 2001 and extended for a further period of 10 years from 29 May 2011 to 28 May 2021 and as may be amended from time to time and to allot and issue shares in the Company upon the exercise of any such options (notwithstanding that the exercise thereof or such allotment and issue may occur after the conclusion of the next or any ensuing Annual General Meeting of the Company), and to do all acts and things which they may consider necessary or expedient to carry the same into effect, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed five per cent (5%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.”
- [See Explanatory Note (v)]*
10. **Authority to issue shares under Hwa Hong Corporation Limited Scrip Dividend Scheme** **Resolution 9**
- “That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to issue such shares in the Company as may be required to be issued pursuant to the Hwa Hong Corporation Limited Scrip Dividend Scheme (“**Scrip Dividend Scheme**”) from time to time in accordance to the “Terms and Conditions of the Scrip Dividend Scheme” approved by shareholders of the Company in general meeting on 7 November 2003, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.”
- [See Explanatory Note (vi)]*
11. **Renewal of the Share Purchase Mandate** **Resolution 10**
- “That:
- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore, as may be amended or modified from time to time (the “**Companies Act**”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary shares in the capital of the Company (the “**Shares**”) not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
- (i) market purchases (each a “**Market Purchase**”) on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”); and/or

NOTICE OF ANNUAL GENERAL MEETING

- (ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate in paragraph (a) of this Resolution may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

- (i) the date on which the next Annual General Meeting of the Company is held; or
- (ii) the date by which the next Annual General Meeting of the Company is required by law to be held; or
- (iii) the date on which purchases or acquisitions of Shares are carried out to the full extent mandated;

- (c) in this Resolution:

"Prescribed Limit" means, subject to the Companies Act, 10% of the total number of issued Shares of the Company (excluding any Shares which are held as treasury shares and subsidiary holdings) as at the date of the passing of this Resolution; and

"Maximum Price", in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (ii) in the case of an Off-Market Purchase, 120% of the Highest Last Dealt Price (as defined hereinafter),

where:

"Average Closing Price" means the average of the Closing Market Prices of the Shares over the last five Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase, or as the case may be, the date of the making of the offer pursuant to Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-Market Day period;

"Closing Market Price" means the last dealt price for a Share transacted through the SGX-ST's trading system as shown in any publication of the SGX-ST or other sources;

NOTICE OF ANNUAL GENERAL MEETING

"Highest Last Dealt Price" means the highest price transacted for a Share as recorded on the SGX-ST on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase;

"day of the making of the offer" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"Market Day" means a day on which the SGX-ST is open for trading in securities; and

- (d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution."

[See Explanatory Note (vii)]

BY ORDER OF THE BOARD

Gwendolin Lee Soo Fern
Company Secretary

Singapore, 3 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Note

A Member (other than a member who is a relevant intermediary as defined below) entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote in his stead. Where a Member appoints more than one proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a Member of the Company. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 38 South Bridge Road, Singapore 058672 at least forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint more than 2 proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either –

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares on that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Explanatory Notes to Ordinary Business

- (i) Resolution 3, if passed, will authorise the Company to effect payment of Directors' fees to the Non-Executive Directors (including fees payable to members of the various committees of the Board) for the financial year ending 31 December 2018, such payment to be made on a quarterly basis in arrears at the end of each calendar quarter. This Resolution will facilitate the payment by the Company of the Directors' fees during the financial year in which they are incurred.
- (ii) Mr Hans Hugh Miller, if re-elected, will remain as the Chairman of the Board of Directors and the Audit and Risk Committee and as a member of the Nominating Committee and the Remuneration Committee. He is considered an Independent Non-Executive Director. In line with Guideline 4.7 of the Code of Corporate Governance: (a) there are no relationships including immediate family relationships between Mr Miller and the other Directors, the Company or its 10% shareholders; and (b) the list of all current directorships held by Mr Miller in other listed companies, as well as the details of his other principal commitments can be found in the FY2017 Annual Report, under the Board of Directors section.
- (iii) Ms Ong Wui Leng, Linda, if re-elected, will remain as the Chairman of the Nominating Committee and as a member of the Audit and Risk Committee. She is considered an Independent Non-Executive Director. In line with Guideline 4.7 of the Code of Corporate Governance: (a) there are no relationships including immediate family relationships between Ms Ong and the other Directors, the Company or its 10% shareholders; and (b) the list of all current directorships held by Ms Ong in other listed companies, as well as the details of her other principal commitments can be found in the FY2017 Annual Report, under the Board of Directors section.

Explanatory Notes to Special Business

- (iv) Resolution 7, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever

NOTICE OF ANNUAL GENERAL MEETING

is the earlier, to issue shares, make or grant instruments convertible to shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders of the Company.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (v) Resolution 8, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) five percent (5%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.
- (vi) Resolution 9, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or when such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares in the Company from time to time pursuant to the Scrip Dividend Scheme approved at the Extraordinary General Meeting of the Company held on 7 November 2003.
- (vii) Resolution 10, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases and/or off-market purchases of up to 10 percent (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in the Appendix.

The Company intends to use the Group's internal resources to finance its purchases or acquisitions of Shares pursuant to the Share Purchase Mandate. The amount of funding required for the Company to purchase or acquire the Shares under the Share Purchase Mandate will depend on, inter alia, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time.

The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the Audited Consolidated Financial Statements of the Group for the financial year ended 31 December 2017 are set out in greater detail paragraphs 2.3 to 2.7 of the Appendix.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the **"Purposes"**), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/ or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Proxy Form

IMPORTANT:

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50, may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in Hwa Hong Corporation Limited, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. CPF investors who wish to vote should contact their CPF Approved Nominees.

*I/We, _____ (Name)

of _____ (Address)

being *a Member/Members of **HWA HONG CORPORATION LIMITED** (the “Company”) hereby appoint :

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%
*and/or (delete as appropriate)				

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting, as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the **Sixty-Fifth Annual General Meeting (“AGM”)** of the Company to be held at Grand Copthorne Waterfront Hotel, Galleria Ballroom, Level 3, 392 Havelock Road, Singapore 169663 on Wednesday, **25 April 2018 at 10.00 a.m.** and at any adjournment thereof.

(*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the AGM and at any adjournment thereof.)

Resolution No.	Resolutions relating to:	No. of Votes For ⁽¹⁾	No. of Votes Against ⁽¹⁾
ORDINARY BUSINESS			
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017 together with the auditors' report thereon		
2	Payment of proposed final ordinary dividend and special dividend		
3	Approval of payment of Directors' fees to Non-Executive Directors for the financial year ending 31 December 2018		
4	Re-election of Mr Hans Hugh Miller as a Director		
5	Re-election of Ms Ong Wui Leng, Linda as a Director		
6	Re-appointment of Messrs Ernst & Young LLP as Auditors and authorising Directors to fix their remuneration		
SPECIAL BUSINESS			
As Ordinary Resolutions			
7	Authority to issue shares		
8	Authority to issue shares under the Hwa Hong Corporation Limited (2001) Share Option Scheme		
9	Authority to issue shares under Hwa Hong Corporation Limited Scrip Dividend Scheme		
10	Renewal of Share Purchase Mandate		

⁽¹⁾ Please indicate your vote “For” or “Against” with a ✓ within the box provided. If you wish to exercise all your votes “For” or “Against”, please indicate your vote with a ✓ within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2018

Total Number of Shares Held	
CDP Register	
Members' Register	

Signature(s) of Shareholder(s)
or Common Seal of Corporate Shareholder
* Delete as appropriate

IMPORTANT: PLEASE SEE NOTES PRINTED ON THE REVERSE

Please affix
postage
stamp

The Company Secretary
HWA HONG CORPORATION LIMITED
38 South Bridge Road
Singapore 058672

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Notes

1. Please insert total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.
"Relevant intermediary" means:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a Member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.
6. This instrument appointing a proxy or proxies must be under the hand of the appointor or of his duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A body corporate which is a Member may authorise by resolution of its directors or other governing body such persons as it thinks fit to act as its representative or representatives at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
8. This instrument appointing a proxy or proxies, duly executed, together with the power of attorney (if any) under which it is signed or a certified copy thereof, must be deposited at the Registered Office of the Company at 38 South Bridge Road, Singapore 058672 at least forty-eight (48) hours before the time appointed for the AGM.

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Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 April 2018.

General:

The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a Member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the Member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.



HWA HONG CORPORATION LIMITED

Company Registration No. 195200130C
38 South Bridge Road Singapore 058672
www.hwahongcorp.com