



**Henderson Land MTN (S) Pte. Limited
(Incorporated in Singapore)**

Registration Number: 201120227N

Annual Report
Year ended 31 December 2016

Directors' statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2016.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS18 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

Share options

During the financial year, there were:

- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

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

Directors

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

Fung Lee Woon King
Kwok Ping Ho
Lee Ka Shing
Lee King Yue
Lee Wei Hsiung

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly owned subsidiaries) are as follows:

	<i>Direct interest</i>		<i>Deemed interest</i>	
	<i>At the beginning of the year</i>	<i>At the end of the year</i>	<i>At the beginning of the year</i>	<i>At the end of the year</i>
Ultimate holding company				
<i>Henderson Development Limited</i>				
Lee Ka Shing				
Ordinary A shares	-	-	8,190	8,190
Non-voting B shares	-	-	3,510	3,510
Non-voting deferred shares	-	-	15,000,000	15,000,000
Intermediate holding company				
<i>Henderson Land Development Company Limited</i>				
Ordinary shares				
Lee Ka Shing	-	-	2,368,258,714	2,645,951,081
Lee King Yue	363,145	399,459	28,501	31,351
Fung Lee Woon King	1,702,847	1,873,132	-	-

Directors' interests (continued)

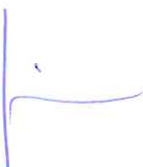
	<i>Direct interest</i>		<i>Deemed interest</i>	
	<i>At the beginning of the year</i>	<i>At the end of the year</i>	<i>At the beginning of the year</i>	<i>At the end of the year</i>
Related Corporations				
<i>Henderson Investment Limited</i>				
Ordinary shares				
Lee Ka Shing	-	-	2,115,274,943	2,115,274,943
Lee King Yue	1,001,739	1,001,739	-	-
<i>Best Homes Limited</i>				
Ordinary shares				
Lee Ka Shing	-	-	26,000	26,000
<i>Fordley Investment Limited</i>				
Ordinary shares				
Fung Lee Woon King	2,000	2,000	-	-
<i>Gain Base Development Limited</i>				
Ordinary shares				
Fung Lee Woon King	50	50	-	-
<i>Heyield Estate Limited</i>				
In member's voluntary winding-up on 30 December 2016				
Ordinary shares				
Lee Ka Shing	-	-	100	100

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

Auditors

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

On behalf of the Board of Directors



Director
LEE King Yue

Director
KWOK Ping Ho



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Hong Leong Building
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Independent auditors' report

Member of the Company
Henderson Land MTN (S) Pte. Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Henderson Land MTN (S) Pte. Limited ('the Company'), which comprise the statement of financial position as at 31 December 2016, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS18.

In our opinion, the accompanying financial statements 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 financial position of the Company as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

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

Key audit matters

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



Independent auditors' report (continued)

Recoverability of amount due from a fellow subsidiary	
Refer to note 4 and note 8(i) to the financial statements.	
The Key Audit Matter	How the matter was addressed in our audit
The Company's principal activity is raising funds through the issue of guaranteed notes to external parties and lending the funds raised to a fellow subsidiary, which serves as the central treasury unit of Henderson Land Development Company Limited ("HLDCL") and its subsidiaries. The amount due from the fellow subsidiary is not secured by any assets of the fellow subsidiary, but HLDCL, the intermediate holding company of the fellow subsidiary has undertaken to repay this receivable should the fellow subsidiary fail to make payment when required. The guaranteed notes are unconditionally and irrevocably guaranteed by HLDCL. We identified the recoverability of the amount due from the fellow subsidiary as a key audit matter because the amount due from the fellow subsidiary represented 98% of the Company's the total assets as at 31 December 2016 and because the ability of the Company to meet its financial obligations as and when they fall due in respect of the guaranteed notes it has issued is dependent on the timely repayment of the amount due from the fellow subsidiary as and when required.	We considered management's assessment of whether there was any indication that the fellow subsidiary may not be able to settle the amount due to the Company as and when required, taking into consideration the fellow subsidiary's past payment track record and latest financial position. We also evaluated HLDCL's ability to repay the amount owing by the fellow subsidiary should the fellow subsidiary fail to make the payment when required, taking into consideration HLDCL's latest financial position.



Independent auditors' report (continued)

Other information

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

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

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

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

Responsibilities of the 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

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



Independent auditors' report (continued)

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

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

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

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



Independent auditors' report (continued)

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

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Lo Mun Wai.

KPMG LLP

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

13 June 2017

Statement of financial position at 31 December 2016

(Expressed in Singapore dollars)

	Note	2016	2015
Non-current assets			
Amount due from a fellow subsidiary	4	\$ 200,000,000	\$ 200,000,000
Amount due from an intermediate holding company	5	4,610,349	7,959,130
		<u>\$ 204,610,349</u>	<u>\$ 207,959,130</u>
Current assets			
Amount due from a fellow subsidiary	4	\$ -	\$ 400,000,000
Cash at bank		162,491	47,218
		<u>\$ 162,491</u>	<u>\$ 400,047,218</u>
Current liabilities			
Interest payable		\$ (2,279,456)	\$ (6,139,536)
Accrued expense		(6,454)	(6,255)
Guaranteed notes	6	-	(399,826,410)
Current tax liabilities		(9,376)	(65,919)
		<u>\$ (2,295,286)</u>	<u>\$ (406,038,120)</u>
Net current liabilities		<u>\$ (2,132,795)</u>	<u>\$ (5,990,902)</u>
Total assets less current liabilities		\$ 202,477,554	\$ 201,968,228
Non-current liability			
Guaranteed notes	6	(199,823,828)	(199,721,108)
NET ASSETS		<u>\$ 2,653,726</u>	<u>\$ 2,247,120</u>
CAPITAL AND RESERVE			
Share capital	7	\$ 1	\$ 1
Retained profits		2,653,725	2,247,119
TOTAL EQUITY		<u>\$ 2,653,726</u>	<u>\$ 2,247,120</u>

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

Statement of comprehensive income
for the year ended 31 December 2016
(Expressed in Singapore dollars)

	<i>Note</i>	<i>2016</i>	<i>2015</i>
Revenue	9	\$ 16,388,645	\$ 24,230,005
Direct costs		<u>(15,869,326)</u>	<u>(23,517,920)</u>
		\$ 519,319	\$ 712,085
Other net income		1,433	102
Administrative expenses		<u>(21,483)</u>	<u>(19,788)</u>
Profit before tax	10	\$ 499,269	\$ 692,399
Tax expense	11	<u>(92,663)</u>	<u>(153,910)</u>
Profit and total comprehensive income for the year		<u>\$ 406,606</u>	<u>\$ 538,489</u>

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

Statement of changes in equity
for the year ended 31 December 2016
(Expressed in Singapore dollars)

	<i>Share capital</i>	<i>Retained profits</i>	<i>Total</i>
Balance at 1 January 2015	\$ 1	\$ 1,708,630	\$ 1,708,631
Profit and total comprehensive income for the year	<u>-</u>	<u>538,489</u>	<u>538,489</u>
Balance at 31 December 2015 and 1 January 2016	\$ 1	\$ 2,247,119	\$ 2,247,120
Profit and total comprehensive income for the year	<u>-</u>	<u>406,606</u>	<u>406,606</u>
Balance at 31 December 2016	<u><u>\$ 1</u></u>	<u><u>\$ 2,653,725</u></u>	<u><u>\$ 2,653,726</u></u>

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

Statement of cash flows for the year ended 31 December 2016 (Expressed in Singapore dollars)

	2016	2015
Operating activities		
Profit before tax	\$ 499,269	\$ 692,399
Adjustments for:		
Interest income	(16,388,645)	(24,230,005)
Interest expenses	15,593,016	23,030,000
Amortisation of loan arrangement fee	276,310	487,920
Net foreign exchange gain	(1,433)	(102)
Operating loss before changes in working capital	<u>\$ (21,483)</u>	<u>\$ (19,788)</u>
Increase in accrued expense	532	239
Cash used in operations	<u>\$ (20,951)</u>	<u>\$ (19,549)</u>
Tax paid	(148,106)	(125,544)
Net cash used in operating activities	<u><u>\$ (169,057)</u></u>	<u><u>\$ (145,093)</u></u>
Investing activity		
Interest received	<u>\$ 13</u>	<u>\$ 5</u>
Net cash generated from investing activity	<u><u>\$ 13</u></u>	<u><u>\$ 5</u></u>
Financing activities		
Payment for redemption of guaranteed notes	\$(400,000,000)	\$ -
Repayment from/(advanced to) an intermediate holding company	<u>400,284,317</u>	<u>(325,431)</u>
Net cash used in financing activities	<u><u>\$ 284,317</u></u>	<u><u>\$ (325,431)</u></u>

Statement of cash flows for the year ended 31 December 2016 (continued)

(Expressed in Singapore dollars)

	2016	2015
Net increase/(decrease) in cash and cash equivalents	\$ 115,273	\$ (470,519)
Cash and cash equivalents at 1 January	<u>47,218</u>	<u>517,737</u>
Cash and cash equivalents at 31 December	<u>\$ 162,491</u>	<u>\$ 47,218</u>
Analysis of the balance of cash and cash equivalents		
Cash at bank	<u>\$ 162,491</u>	<u>\$ 47,218</u>

Note to statement of cash flows:

Major non-cash transactions:

Pursuant to intra-group financing arrangements, the following major receipts and payments were received and settled by the intermediate holding company on the Company's behalf and were recorded as movements in the current account with the intermediate holding company:

	2016	2015
Interest received	\$ 16,388,632	\$ 24,230,000
Interest paid	<u>(19,453,096)</u>	<u>(23,030,000)</u>
	<u>\$ (3,064,464)</u>	<u>\$ 1,200,000</u>

In addition, in 2016, the intermediate holding company assumed the amount due from a fellow subsidiary of \$400,000,000. The intermediate holding company repaid this amount to the Company during the year.

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

Notes to the financial statements

(Expressed in Singapore dollars)

These notes form an integral part of the financial statements. The financial statements were authorised for issue by the Board of Directors on 13 June 2017.

1 Domicile and activities

Henderson Land MTN (S) Pte. Limited (the "Company") is a company incorporated in Singapore. The address of the Company's registered office is 1 Marina Boulevard, #28-00 One Marina Boulevard, Singapore 018989.

The principal activity of the Company is the provision of financial services to group companies.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS").

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except as otherwise stated below.

(c) Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

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

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

(e) Changes in accounting policies

Various new standards, amendments to standards and interpretations are effective for annual periods beginning 1 January 2016. These new standards, amendments to standards and interpretations do not have a significant impact on the accounts of the Company.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

(a) *Financial instruments*

(i) Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets:

Loans and receivables

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

Loans and receivables comprise cash at bank and amounts due from a fellow subsidiary and an intermediate holding company.

3 Significant accounting policies (continued)

(a) Financial instruments (continued)

(ii) Non-derivative financial liabilities

All financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise interest payable, accrued expense and guaranteed notes.

(b) Share capital

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

(c) Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative impact on the estimated future cash inflows of that asset that can be estimated reliably.

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

3 Significant accounting policies (continued)

(c) Impairment (continued)

Loans and receivables

The Company considers objective evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(d) Provisions

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

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, interest income is recognised as it accrues using the effective interest method.

3 Significant accounting policies (continued)

(f) Finance costs

Finance costs comprise interest expense and loan arrangement fee on borrowings.

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

(g) Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income, in which case the relevant amounts of tax are recognised directly in equity or in other comprehensive income, respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at the end of the reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3 Significant accounting policies (continued)

(g) Tax (continued)

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

(h) New standards and interpretations not adopted

A number of new standards, amendments to standard interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. The Company is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it is concluded that, except for FRS 109 *Financial Instruments* in relation to which it is not practicable to provide a reasonable estimate about the impact on the Company's financial statements until the Company performs a detailed review, none of these are expected to have a significant effect on the financial statements of the Company.

4 Amount due from a fellow subsidiary

At 31 December 2016, the amount due from a fellow subsidiary is unsecured, bears interest at fixed rate of 4.2% per annum and has no fixed terms of repayment. The balance is not expected to be recovered within one year after the end of the reporting period.

At 31 December 2015, the amount due from a fellow subsidiary was unsecured, bore interest rates ranging from 3.85% to 4.2% per annum. Apart from a balance of \$400,000,000 classified under current assets which was recoverable on demand, the remaining balance was not expected to be recovered within one year after the end of the reporting period.

5 Amount due from an intermediate holding company

The amount due from an intermediate holding company is unsecured, interest-free and has no fixed terms of repayment. The balance is not expected to be recovered within one year after the end of the reporting period.

6 Guaranteed notes

The carrying amount of guaranteed notes outstanding at 31 December 2016 represents the guaranteed notes issued by the Company on 19 September 2011 with an aggregate principal amount of \$200,000,000 under the Medium Term Note Programme established by the Company's intermediate holding company on 30 August 2011. These notes bear a fixed coupon rate of 4% per annum payable semi-annually in arrears, are guaranteed by its intermediate holding company and will mature on 19 September 2018.

The carrying amount of guaranteed notes outstanding at 31 December 2015 included the following guaranteed notes under the Medium Term Note Programme established by the Company's intermediate holding company on 30 August 2011:

- (i) On 19 September 2011, the Company issued guaranteed notes with an aggregate principal amount of \$200,000,000. These notes bear a fixed coupon rate of 4% per annum payable semi-annually in arrears, are guaranteed by its intermediate holding company and will mature on 19 September 2018.
- (ii) On 11 November 2011, the Company issued guaranteed notes with an aggregate principal amount of \$200,000,000. These notes bear a fixed coupon rate of 3.865% per annum payable semi-annually in arrears, are guaranteed by its intermediate holding company and will mature on 11 November 2016. These notes are fully repaid during the year.
- (iii) On 15 February 2012, the Company issued guaranteed notes with an aggregate principal amount of \$200,000,000. These notes bear a fixed coupon rate of 3.65% per annum payable semi-annually in arrears, are guaranteed by its intermediate holding company and will mature on 15 February 2016. These notes are fully repaid during the year.

At 31 December 2016, the guaranteed notes were repayable as follows:

	2016	2015
Within 1 year	\$ -	\$ 399,826,410
After 1 year but within 5 years	199,823,828	199,721,108
	<u>\$ 199,823,828</u>	<u>\$ 599,547,518</u>

7 Share capital

	2016	2015
Fully paid ordinary share, with no par value:		
1 ordinary share	US\$ 1	US\$ 1
Equivalent to	\$ 1	\$ 1

The holder of ordinary share is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company.

8 Financial instruments

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- interest rate risk

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

Risk management framework

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from amounts due from a fellow subsidiary and an intermediate holding company.

8 Financial instruments (continued)

Risk management framework (continued)

(i) Credit risk (continued)

The amount due from a fellow subsidiary represents a significant portion of the Company's financial assets. Henderson Land Development Company Limited ("HLDCL"), an intermediate holding company of the fellow subsidiary, has undertaken to repay the Company the outstanding amount due from the fellow subsidiary in the event the fellow subsidiary is unable to make the repayment when required. Except as disclosed, there is no significant concentration of credit risk. The carrying amount of financial assets in the statement of financial position represents the Company's maximum exposure to credit risk, before taking into account any collateral held. The Company does not hold any collateral in respect of its financial assets.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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

2016					
<i>Contractual undiscounted cash outflow</i>					
	<i>Within 1 year or on demand</i>	<i>More than 1 year but less than 2 years</i>	<i>More than 2 years but less than 5 years</i>	<i>Total</i>	<i>Carrying amount</i>
Guaranteed notes	\$ 8,000,000	\$ 205,720,544	\$ -	\$ 213,720,544	\$ 199,823,828
Interest payable	2,279,456	-	-	2,279,456	2,279,456
Accrued expense	6,454	-	-	6,454	6,454
	<u>\$ 10,285,910</u>	<u>\$ 205,720,544</u>	<u>\$ -</u>	<u>\$ 216,006,454</u>	<u>\$ 202,109,738</u>
2015					
<i>Contractual undiscounted cash outflow</i>					
	<i>Within 1 year or on demand</i>	<i>More than 1 year but less than 2 years</i>	<i>More than 2 years but less than 5 years</i>	<i>Total</i>	<i>Carrying amount</i>
Guaranteed notes	\$ 415,593,016	\$ 8,000,000	\$ 205,720,544	\$ 629,313,560	\$ 599,547,518
Interest payable	6,139,536	-	-	6,139,536	6,139,536
Accrued expense	6,255	-	-	6,255	6,255
	<u>\$ 421,738,807</u>	<u>\$ 8,000,000</u>	<u>\$ 205,720,544</u>	<u>\$ 635,459,351</u>	<u>\$ 605,693,309</u>

The maturity analyses show the undiscounted cash flows of the Company's financial liabilities on the basis of their earliest possible contractual maturity.

8 Financial instruments (continued)

Risk management framework (continued)

(v) *Capital management (continued)*

The Company was not subject to externally imposed capital requirements during the year and at 31 December 2016.

9 Revenue

Revenue represents interest income earned during the year. Major items are analysed as follows:

	2016	2015
Interest income received from a fellow subsidiary	\$ 16,388,632	\$ 24,230,000
Bank interest income	<u>13</u>	<u>5</u>
	<u>\$ 16,388,645</u>	<u>\$ 24,230,005</u>

10 Profit before tax

The following items have been included in arriving at profit before tax for the year:

	2016	2015
Interest expenses (included under direct costs)	\$ 15,593,016	\$ 23,030,000
Amortisation of loan arrangement fee (included under direct costs)	276,310	487,920
Net foreign exchange gain	(1,433)	(102)
Auditor's remuneration	<u>6,454</u>	<u>6,255</u>

11 Tax expense

(a) Tax recognised in profit or loss

	2016	2015
Current tax expense for the year		
– Singapore	\$ 11,742	\$ 42,366
– Hong Kong	82,196	114,189
	<u>\$ 93,938</u>	<u>\$ 156,555</u>
Under-provision in respect of prior year		
– Singapore	\$ 1,746	\$ 547
– Hong Kong	563	401
	<u>\$ 2,309</u>	<u>\$ 948</u>
One-off rebate of Profits Tax		
– Hong Kong	<u>\$ (3,584)</u>	<u>\$ (3,593)</u>
	<u>\$ 92,663</u>	<u>\$ 153,910</u>

(b) Reconciliation of effective tax rate

	2016	2015
Profit for the year	\$ 406,606	\$ 538,489
Total tax expense - Singapore	13,488	42,913
Total tax expense - Hong Kong	79,175	110,997
Profit before tax	<u>\$ 499,269</u>	<u>\$ 692,399</u>
Tax using the Singapore tax rate of 17%	\$ 84,875	\$ 117,708
Tax exemption	(119,863)	(158,270)
Tax using the Hong Kong tax rate of 16.5%	82,379	114,245
Tax effect of non-deductible expense	46,972	82,946
Tax effect of non-taxable revenue	(425)	(74)
Under-provision in respect of prior year - Singapore	1,746	547
Under-provision in respect of prior year - Hong Kong	563	401
One-off rebate of Profits Tax - Hong Kong	<u>(3,584)</u>	<u>(3,593)</u>
	<u>\$ 92,663</u>	<u>\$ 153,910</u>

12 Related party transaction

Other than as disclosed elsewhere in the financial statements, the Company entered into the following related party transaction during the year:

	2016	2015
Accountancy fee payable to a fellow subsidiary	\$ <u>634</u>	\$ <u>584</u>

13 Transactions with key management personnel

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

No consideration is paid by the Company for the services rendered by the directors.

14 Parent and ultimate holding companies

At 31 December 2016, the directors consider the immediate parent of the Company to be Henderson Land Finance Limited, a company incorporated in the British Virgin Islands which is a subsidiary of the intermediate holding company, Henderson Land Development Company Limited, and the ultimate holding company to be Henderson Development Limited, both of which are incorporated in Hong Kong. Henderson Land Development Company Limited produces financial statements available for public use.