HL Global Enterprises Limited

2017 ANNUAL REPORT

Contents

CORPORATE DIRECTORY

Board of Directors

Chairman
Dato' Gan Khai Choon - *Non-executive*

Lead Independent Director
Andrew Goh Kia Teck

Non-Executive Directors
Philip Ting Sii Tien
Hoh Weng Ming
Michael Yeo Chee Wee - *Independent*
Loo Hwee Fang - *Independent*
Goh Kian Chee - *Independent*

Executive Committee

Dato' Gan Khai Choon - *Chairman*
Philip Ting Sii Tien
Andrew Goh Kia Teck

Audit and Risk Committee

Andrew Goh Kia Teck - *Chairman*
Loo Hwee Fang
Goh Kian Chee

Nominating Committee

Loo Hwee Fang - *Chairman*
Andrew Goh Kia Teck
Goh Kian Chee

Remuneration Committee

Andrew Goh Kia Teck - *Chairman*
Loo Hwee Fang
Goh Kian Chee

HL Global Enterprises Share Option Scheme 2006 Committee

Andrew Goh Kia Teck - *Chairman*
Loo Hwee Fang
Goh Kian Chee

Secretaries

Nor Aishah Binte Nasit
Yeo Swee Gim, Joanne

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Far Eastern Bank Building
Singapore 069544
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Fax: (65) 6339 0218

Auditor

Ernst & Young LLP
Public Accountants and
Chartered Accountants, Singapore
One Raffles Quay
Level 18 North Tower
Singapore 048583
(Partner-in-charge: Tan Swee Ho, appointed from financial year ended 31 December 2016)

Principal Bankers

DBS Bank Ltd
HL Bank
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

HOSPITALITY OPERATIONS

Copthorne Hotel Cameron Highlands

Copthorne Hotel Cameron Highlands

Perched at 1,628 meters above sea level and surrounded by majestic mountains and gentle undulating valleys, **Copthorne Hotel Cameron Highlands** is the only hotel situated at the highest accessible point of the highlands. The year-long cool climate makes it an ideal holiday retreat.

The 269 guestrooms and suites offer beautiful views of the highland landscapes. The hotel is famous in the highlands for its capability in hosting events ranging from company incentive trips to conventions and seminars.

Guests are also welcome to stay in the Tudor-styled resort located next to the hotel, where 74 units have been leased by the hotel from the owners of the resort for use by its guests. Spreading over 13 acres, the resort offers attractive and self-contained low-rise and high-rise apartment suites. Each suite comes with a living room, a kitchenette and a spacious balcony which provides a spectacular view of the valley.

Equatorial Hotel Shanghai

Equatorial Hotel Shanghai

Equatorial Hotel Shanghai is managed by a joint venture of the Group. Located in the heart of Shanghai, the hotel is at the junction of Hua Shan Road and West Yanan Road and only minutes away from the Shanghai Exhibition Centre, major tourist attractions and key intersections like East Nanjing Road, People's Square and Huaihai Road.

The 506 guest rooms and suites offer stunning city views, and have been beautifully furnished and renovated. The rooms offer glamorous and intelligent features, which ensures a comfortable and relaxing stay.

There are 15 function rooms that can be used for various social and business events, and are able to accommodate up to 800 people. The versatile function and meeting rooms offer a wide range of facilities, services and packages for every occasion.

The well-recognized Shanghai International Club Fitness Centre is situated on the 4th floor, easily accessible to all patrons. The centre offers a range of top-of-the-line fitness facilities from Life Fitness, the Fei Spa and a pool.

CHAIRMAN'S STATEMENT

The Group ended the year 2017 with the successful disposals of (i) the Group's 60% equity interest in Copthorne Hotel Qingdao Co., Ltd. ("CHQ"), held through the Company's wholly-owned subsidiary, LKN Investment International Pte. Ltd. ("LKNII") which was completed in October 2017; and (ii) the Group's entire interests in LKNII which was completed in November 2017 (the "LKNII Disposal"), (collectively, the "Disposals"). The Company recorded a gain of $86.8 million from the Disposals. The Company had utilised part of the net proceeds from the Disposals to prepay in full the unsecured loan of $68 million due to Venture Lewis Limited (the "Loan"). With the early prepayment of the Loan, a reduction of Loan interest amounting to $650,000 was granted and resulted in a substantial reduction in the interest expense for 2017.

Arising from the gain on the Disposals, the net profit attributable to shareholders of the Company was $86.2 million for 2017 compared to the net loss of $0.2 million for 2016. As at 31 December 2017, the Group turned around with net tangible assets of $78.6 million versus net liabilities of $4.9 million as at 31 December 2016.

As CHQ had been loss-making for most years since the commencement of its operations in 1997, it was critical for the Company to undertake the disposal of the Group's interest in CHQ, so that the significant recurring losses from CHQ would no longer appear in subsequent financial results of the Group, which would otherwise negate or materially reduce any positive financial impact arising from any future initiatives which may be undertaken by the Company.

The LKNII Disposal had also enabled the Company to realise and unlock the value of its investment in LKNII including its indirect stake in Shanghai Hutai Real Estate Development Co., Ltd, and strengthen its balance sheet.

Review of the Group's performance

The Group's revenue declined by 15% from $13.8 million in 2016 to $11.7 million in 2017. The decrease was partly due to lower revenue recorded by Elite Residences Shanghai ("Elite") (which was owned by LKNII) as a consequence of the LKNII Disposal. Revenue from Copthorne Hotel Cameron Highlands ("CHCH") also declined due to the increased supply of hotel rooms and serviced apartments in the vicinity of CHCH.

Consequently, the Group's operating profit in the hospitality segment decreased by $1 million to $2.3 million in 2017. During the year under review, the property development segment incurred an operating loss of $0.7 million compared to $0.3 million in the preceding year. The increase was mainly due to the provision for impairment loss on receivables and maintenance charge for the apartment units in Cameron Highlands. After taking into account the corporate expenses of $1.5 million incurred in 2017, the Group's operating profit before the share of results of joint ventures and associate, other income and finance costs reduced from $1.7 million in 2016 to $108,000 in 2017.

The Group shared a net profit of $163,000 from joint ventures and associate for 2017 against the share of net loss of $0.7 million for 2016. This was mainly due to the Group's discontinued recognition of the share of loss incurred by CHQ in view of the decision to dispose of its equity interest in CHQ.

Besides the gain on the Disposals, other income also included interest income and licence fees. The Group recognised a net currency exchange loss of $0.4 million mainly due to the revaluation of the net foreign currency monetary assets and liabilities arising from the weakening of the US Dollar and Chinese Renminbi against the Singapore Dollar.

Hospitality Operations

The occupancy rate at Elite (which was owned by LKNII) dropped by 20 percentage points, from 84% in 2016 to 64% in 2017 in view of the introduction of shorter tenancy leases during the period when the LKNII Disposal was on-going. Consequently, Elite's average room rate ("ARR") also decreased from RMB637 in 2016 to RMB627 in 2017.

The increased supply of hotel rooms and serviced apartments in the vicinity of CHCH had adversely impacted the performance of CHCH which saw a decline in its occupancy rate by 4 percentage points, from 71% in 2016 (adjusted to reflect the same basis for comparison against the occupancy rate for 2017) to 67% in 2017. For the year under review, ARR for CHCH registered a marginal increase to RM226 from RM225 in 2016.

Outlook

Following the Disposals, the Group's remaining hospitality operation is CHCH which continues to face challenges as new hotels and serviced apartments were set up in Cameron Highlands. The Group is reviewing the proposed development of its property in Melaka and will continue its efforts to source for sustainable and viable businesses.

As the Group's assets are substantially located in Malaysia, it will continue to be exposed to currency fluctuation risks.

The Company was placed on the watch-list of Singapore Exchange Securities Trading Limited ("SGX-ST") on 4 June 2014 (the "Watch-List") and was given further extension up to 3 June 2018 ("Expiry Date"). The Company will apply to SGX-ST for removal from the Watch-List and will announce the outcome of such application in due course. In the event that the circumstances as set out in the Company's announcement on 1 August 2017 occur in relation to the Company being unable to exit the Watch-List by the Expiry Date, the Company has undertaken to SGX-ST that the Company will take steps to provide a reasonable exit offer to the minority shareholders of the Company in compliance with Rule 1309 of SGX-ST's Listing Manual.

Acknowledgements

We welcomed Mr Goh Kian Chee as the latest member of the Board of Directors ("Board"), pursuant to his appointment as an Independent Non-Executive Director in March 2018. The Board is confident that Mr Goh's accounting and finance related experience will strengthen the core competencies of the Board.

Mr Michael Yeo Chee Wee who has served on the Board since his appointment in 1985 will be retiring from the Board upon conclusion of this year's annual general meeting. I would like to express my sincere appreciation to Mr Yeo for his invaluable contributions to the Company over the past 33 years.

On behalf of the Board, I would like to thank our stakeholders, including our investors, suppliers, customers, bankers and business associates for their continuing support. I would also like to thank my fellow Directors, management and employees of the Group for their commitment, involvement and contributions throughout the year.

Dato' Gan Khai Choon
Chairman
21 March 2018

BOARD OF DIRECTORS

Dato' Gan Khai Choon, *Age 71*

Non-Executive and Non-Independent Director

Appointed Chairman of HL Global Enterprises Limited ("HLGE" or the "Company") since 21 September 2007 and last re-elected on 29 April 2016, Dato' Gan is also the Chairman of the Executive Committee ("Exco").

He is also the Managing Director of Hong Leong International (Hong Kong) Limited ("HLIHK") and Non-Executive Director of China Yuchai International Limited ("CYI") and Safety Godown Company Limited. HLIHK and CYI are related companies under the Hong Leong group of companies, Singapore. In the preceding 3-year period, he was an Executive Director of City e-Solutions Limited ("CES") until his resignation in September 2016 after CES ceased to be a subsidiary of City Developments Limited, which in turn is a subsidiary of Hong Leong Investment Holdings Pte. Ltd.

Dato' Gan has extensive experience in the banking, real estate investment and development sectors and has been involved in a number of international projects for the Hong Leong Group of companies, which include the management and development of the Grand Hyatt Taipei and the Beijing Riviera.

Dato' Gan holds a Bachelor of Arts Degree (Honours) in Economics from the University of Malaya.

Michael Yeo Chee Wee, *Age 80*

Non-Executive and Independent Director

Appointed a Director of the Company since 1 January 1985, Mr Yeo was last appointed as a Director on 29 April 2016. Having served on the Board for more than 33 years, Mr Yeo who is due for retirement by rotation at the 2018 Annual General Meeting ("AGM"), would not be seeking re-election as a Director. He had stepped down as the Lead Independent Director, as Chairman of the Audit and Risk Committee ("ARC"), Remuneration Committee ("RC") and Committee of the HL Global Enterprises Share Option Scheme 2006 ("SOSC") and as a member of the Nominating Committee ("NC"), with effect from 1 March 2018.

Mr Yeo has over 38 years of extensive experience including finance-related matters in the Singapore Administrative Service, Budget Division, Ministry of Finance and with Yeo Hiap Seng Ltd, a food and beverage public listed company, where he served as Executive Director until 1998. During his time with Yeo Hiap Seng Ltd, he was also Director of its other listed companies in Malaysia and Hong Kong.

He has previously served on a number of government organisations and was awarded the Public Service Medal - PBM in 1992 and the Public Service Star - BBM in 1999.

Mr Yeo holds a BA (MOD) Honours Degree in Economics and Political Science and a Master of Arts Degree from Trinity College, University of Dublin.

Philip Ting Sii Tien @ Yao Sik Tien, *Age 63*

Non-Executive and Non-Independent Director

Appointed a Director of the Company since 6 March 2009 and last re-elected on 28 April 2017, Mr Ting is also a member of the Exco.

Mr Ting is the Executive Director and Chief Executive Officer ("CEO") of Hong Leong Asia Ltd. ("HLA"). He is also the Group General Manager of Hong Leong Corporation Holdings Pte Ltd ("HLCH") (the immediate holding company of HLA), and Executive Director and Group CEO of Tasek Corporation Berhad ("TCB"). He was previously the Group Chief Financial Officer ("CFO") of HLA and the CFO of CYI. HLCH, HLA, TCB and CYI are related companies under the Hong Leong group of companies, Singapore. In the preceding 3-year period, he was a Non-Executive Director of Thakral Corporation Ltd until his resignation in January 2015.

Mr Ting has over 25 years of experience as a financial controller in various companies including Deutsche Bank Aktiengesellschaft (Singapore) and Bank of Montreal, Singapore. He is an associate member of the Institute of Chartered Accountants in England and Wales.

Hoh Weng Ming, *Age 56*

Non-Executive and Non-Independent Director

Mr Hoh was appointed as a Director of the Company since 16 February 2011 and was last re-elected on 29 April 2016.

He is currently the President and Director of CYI. He was previously the CFO of HLA from November 2011 to July 2013. HLA and CYI are related companies under the Hong Leong group of companies, Singapore.

Mr Hoh has more than 25 years of working experience in Malaysia, New Zealand, Hong Kong, China and Singapore. He has worked in various roles with companies including Johnson Electric Industrial Manufactory Limited as well as Henan Xinfei Electric Co., Ltd. and CYI, both subsidiaries of HLA. He was previously with CYI as the Financial Controller from 2002 to 2003 and CFO from May 2008 to November 2011.

Mr Hoh holds a Bachelor of Commerce Degree majoring in Accountancy from the University of Canterbury and a Master of Business Administration from the Massey University (both in New Zealand). He is a Chartered Accountant in New Zealand and Malaysia and a Fellow Member of the Hong Kong Institute of Certified Public Accountants.

Loo Hwee Fang, *Age 43*

Non-Executive and Independent Director

Appointed a Director of the Company since 1 March 2012 and last re-elected on 28 April 2017, Ms Loo was appointed the Chairman of the NC on 1 March 2018 and is a member of the ARC, RC and SOSC.

Ms Loo is currently the Group General Counsel of Yoma Strategic Holdings Ltd. She was previously with Messrs Lee & Lee where she served as a Partner in the Corporate Department of the firm until March 2013. Ms Loo has extensive legal experience particularly in the area of corporate finance, capital markets and fund management, fund raising, mergers and acquisitions, stock exchange procedures, compliance and corporate governance issues. Ms Loo is listed in The Legal 500's first ever GC Powerlist for South-East Asia which was launched in February 2017. She was also previously included in The Legal 500's GC Powerlist for Asia Pacific in 2014. In the preceding 3-year period, she was a Non-Executive and Independent Director of Terracom Limited until her resignation in March 2017.

Ms Loo graduated from the University of Sheffield, England, with an LL.B (Hons) Degree in 1996. She is also a Barrister-at-law, having been called to the English Bar at Gray's Inn, England and Wales, in 1997 and was admitted to the Singapore Bar in 1998.

Andrew Goh Kia Teck, *Age 68*

Non-Executive and Lead Independent Director

Mr Goh was appointed as a Director of the Company since 1 September 2014 and was last re-elected on 21 April 2015. He was appointed the Chairman of the ARC, RC and SOSC on 1 March 2018 and is a member of the Exco and the NC after stepping down from his role as Chairman of the NC on 1 March 2018. He was also appointed as Lead Independent Director of the Company in place of Mr Michael Yeo with effect from 1 March 2018. Mr Goh will be seeking re-election as a Director at the 2018 AGM.

Mr Goh is currently a Consultant with PI ETA Consulting Company and the Vice President of the Board of Management of St. Andrew's Mission Hospital, a voluntary welfare organisation. He has more than 30 years of banking experience having held senior positions in both international and local banks, handling *inter alia* corporate banking, trade finance, specialised lending, lending to Small & Medium Enterprises and credit audit. He was Head of Corporate Banking with American Express Bank for 13 years, before joining Oversea-Chinese Banking Corporation as the Senior Audit Manager in Credit Risk Review. Mr Goh has also worked with United Overseas Bank, first as head of Consumer Banking and Credit Administration before assuming the position of Head of Corporate Banking.

Mr Goh graduated from the University of Adelaide, South Australia with a degree in Economics.

Goh Kian Chee, *Age 64*

Non-Executive and Independent Director

Appointed to the Board as a Director on 1 March 2018, Mr Goh also sits on the ARC, NC, RC and SOSC. He will be retiring at the 2018 AGM in accordance with the Company's Constitution and being eligible, will be seeking re-election as a Director at the said AGM.

Mr Goh presently serves as a Part-Time Consultant to the Centre For the Arts of the National University of Singapore, a position held since 2005. He is also an Independent Director of Indofood Agri Resources Ltd. and AsiaMedic Limited. In the preceding 3-year period, Mr Goh was a Non-Executive and Independent Director of China Minzhong Food Corp Ltd which had been delisted from the mainboard of Singapore Exchange Securities Trading Limited in March 2017.

Prior to his retirement from full-time employment in 2004, Mr Goh worked in a few multi-national corporations, including Mobil Oil Singapore Pte Ltd and Mobil Petrochemicals International Ltd, mainly in accounting and finance related areas. He was with John Hancock International Pte Ltd as their Regional Vice President & Controller from 2000 to 2004 and also served as an Executive Director of John Hancock International Pte Ltd in 2004.

Mr Goh holds a Bachelor of Arts (Honours) Degree in Accounting and Economics from Middlesex University, United Kingdom.

KEY MANAGEMENT PERSONNEL

Foo Yang Hym

Ms Foo joined HL Global Enterprises Limited ("HLGE") in 1984 as an Accountant and became the Group Accountant in 1994 and thereafter, the Financial Controller in 2004. She was re-designated as Senior Vice President (Finance/Administration) in April 2006 and subsequently as Chief Financial Officer of HLGE on 1 September 2015. Ms Foo has also been overseeing the Group's operations in Malaysia following the demise of the General Manager – Malaysia Operations in August 2016. Prior to joining HLGE, she was an Audit Senior at Deloitte Haskins & Sells (now known as Deloitte & Touche LLP).

Ms Foo is a Fellow Member of the Institute of Singapore Chartered Accountants.

Yam Kit Sung

Mr Yam joined HLGE as Vice President (Finance) in June 2006 and was re-designated as Vice President – Asset Management (China) on 1 March 2013 and subsequently as General Manager – Asset Management (China) on 1 September 2015. He is also the General Manager of Grand Plaza Hotel Corporation which owns The Heritage Hotel Manila, since April 2000. Prior to joining HLGE, he was an internal auditor at CDL Hotels International Limited (until 1996). He also worked at Price Waterhouse (now known as PricewaterhouseCoopers LLP) as an auditor (until 1995) and was an Operations Analyst with The Heritage Hotel Manila from 1996 to 1999.

Mr Yam obtained his Bachelor of Accountancy (Honours) Degree from the Nanyang Technological University, Singapore.

CORPORATE GOVERNANCE REPORT

HL Global Enterprises Limited ("HLGE" or the "Company") is committed to maintaining good corporate governance and business integrity in all its business activities.

The Company has complied with Listing Rule 710 by describing in this report its corporate governance ("CG") practices with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 ("2012 Code") ("CG Report"). Where the Company's practices differ from the principles or guidelines of the 2012 Code, these differences and the Company's position in respect of the same are set out in this report.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Primary Functions of the Board

The Board oversees the Company's business. Its primary functions are to provide leadership, set corporate policy, provide guidance on and approve strategic objectives, and ensure that necessary financial and human resources are in place for the Company to meet its objectives, review the Company's and Management's performance, satisfy itself as to the adequacy and effectiveness of the framework and processes for internal controls (including financial, operational, compliance and information technology ("IT") controls) and risk management for the safeguarding of shareholders' interests and the Company's assets, and assume responsibility for good corporate governance.

Sustainability

The Board notes the importance of including sustainability issues as part of its overall review of the Company's strategic objectives and performance. In this regard, the Board has delegated to the Audit and Risk Committee ("ARC") the general oversight on sustainability issues and sustainability reporting. The ARC's terms of reference set out, *inter alia,* the roles and responsibilities of the ARC and include its purview over matters relating to the environmental, social and governance ("ESG") framework, ESG targets, the sustainability reporting framework and the Company's policies, practices and performance on its material ESG factors which are significant and contribute to the Company's performance, business activities, and/or reputation as a corporate citizen. Further information on the Board Statement and the Company's sustainability practices are set out in the Company's inaugural Sustainability Report on pages 30 to 38 of this Annual Report ("AR"). The Sustainability Report addresses the social and environmental impacts that are pertinent to the Group's business, identifying the various stakeholders which comprise the Company's investors, suppliers, customers, bankers and business partners. It has been prepared in accordance with the internationally recognised Global Reporting Initiative (GRI) Standards.

Independent Judgment

All Directors are required to objectively discharge their duties and responsibilities in the interests of the Company. This ability to exercise objectivity is one of the assessment criteria in the Nominating Committee's ("NC") annual evaluation of the Directors.

Directors who are in any way, directly or indirectly, interested in a transaction or proposed transaction will declare the nature of their interests in accordance with the provisions of the Companies Act, Chapter 50 of Singapore (the "Companies Act") and voluntarily abstain from deliberation on such transactions, with abstention duly recorded within the minutes and/or the resolutions of the Board and/or the various committees of the Board.

Delegation by the Board

The primary functions of the Board are either carried out directly by the Board or through committees established by the Board, namely, the Executive Committee ("Exco"), the ARC, the NC, the Remuneration Committee ("RC") and the HL Global Enterprises Share Option Scheme 2006 ("SOS") Committee ("SOSC"), all collectively referred to hereafter as the Board Committees.

Except for the SOSC which purpose is to grant options to eligible participants to subscribe for shares in the Company pursuant to the rules of the SOS, specific written terms of reference for each of the Board Committees set out the authority and responsibilities of each of the Board Committees. All terms of reference for the Board Committees are approved by the Board and reviewed periodically to ensure their continued relevance taking into consideration the changes in the governance and regulatory environment.

The composition of each Board Committee is set out below.

Board Committee	Composition
Executive Committee	Dato' Gan Khai Choon (chairman) Philip Ting Sii Tien Andrew Goh Kia Teck
Audit and Risk Committee	Andrew Goh Kia Teck (chairman) Loo Hwee Fang Goh Kian Chee
Nominating Committee	Loo Hwee Fang (chairman) Andrew Goh Kia Teck Goh Kian Chee
Remuneration Committee	Andrew Goh Kia Teck (chairman) Loo Hwee Fang Goh Kian Chee
HL Global Enterprises Share Option Scheme 2006 Committee	Andrew Goh Kia Teck (chairman) Loo Hwee Fang Goh Kian Chee

The delegation of authority by the Board to the Board Committees enables the Board to achieve operational efficiency by empowering these committees to decide on matters within their respective written terms of reference and/or limits of delegated authority, and yet without abdicating the Board's overall responsibility.

Please refer to sections on Principles 4, 5, 7, 8, 11 and 12 in the CG report for further information on the activities of the ARC, NC and RC. Information on the activities of the Exco can be found under Principle 1 in this report while those of the SOSC's can be found in the Directors' Statement on pages 39 and 40 and in the Financial Statements on page 95 and 96 of the AR.

Board Processes

Board and Board Committee meetings are held regularly, with the Board meeting no less than four times a year. Thirteen Board meetings were held in 2017.

The proposed meetings for the Board and all Board Committees except for the Exco for each new calendar year are set out in a schedule of meetings and notified to all Board members before the start of that calendar year. Additional meetings are convened as and when circumstances warrant. Records of all such meetings including discussions on key deliberations and decisions taken are maintained by the Company Secretary. The Company's Constitution allows for the meetings of its Board and Board Committees to be held *via* teleconferencing and/or videoconferencing. The Board and Board Committees may also make decisions by way of circulating written resolutions.

CORPORATE GOVERNANCE REPORT

The attendance of the Directors at the annual general meeting ("AGM"), at the extraordinary general meeting ("EGM") and at meetings of the Board, Board Committees and Independent Directors ("IDs"), as well as the frequency of such meetings in 2017, are disclosed below. Notwithstanding such disclosure, the Board is of the view that the contribution of each Director should not be focused only on his or her attendance at the AGM, EGM and at meetings of the Board, Board Committees and/or IDs. A Director's contribution also extends beyond the confines of the formal environment of such meetings, through the sharing of views, advice, experience and through strategic networking relationships which would further the interests of the Company.

Directors' Attendance at the AGM, EGM and Meetings of the Board, Board Committees and the IDs in 2017

A.

	Board	ARC	NC	RC	IDs
Number of Meetings held in 2017:	**13**	**4**	**1**	**1**	**1**
Name of Directors	**Number of Meetings Attended in 2017**				
Dato' Gan Khai Choon	9	1[(a)]	N.A.	N.A.	N.A.
Philip Ting Sii Tien	12	1[(a)]	N.A.	N.A.	N.A.
Hoh Weng Ming	13	1[(a)]	N.A.	N.A.	N.A.
Michael Yeo Chee Wee	13	4	1	1	1
Loo Hwee Fang	12	4	1	1	1
Andrew Goh Kia Teck	13	4	1	1	1

Notes:

(a) Attendance by invitation for all or part of the meeting.

B. All the Directors were present at the Company's AGM and EGM held in April 2017 and August 2017 respectively.

The SOSC did not convene any meeting in 2017. Although no formal meetings of the Exco were held in 2017, regular informal discussions were held by its members to discuss, amongst other matters, the Group's operations and potential investment opportunities.

Board Approval

The Board has in place an internal guide wherein certain key matters are specifically reserved for approval by the Board and this includes the setting of strategic direction or policies or financial objectives which have or may have material impact on the profitability or performance of the Group, decisions to commence, discontinue or modify significantly any business activity or to enter into or withdraw from a particular market sector, material acquisition and disposal of assets, adoption of corporate governance policies and any other matters which require Board approval as prescribed under the relevant legislation as well as the provisions of the Company's Constitution.

The Company also has in place an authorisation matrix for various matters including limits for investments, capital expenditure and operation of bank accounts.

The Exco comprises three Directors, one of whom is an independent director. The Exco's principal responsibility as set out in its written terms of reference approved by the Board, is to assist the Board in the discharge of its duties by deliberating on matters requiring Board review that may arise between full Board meetings, and in carrying out any Board functions as delegated down and tasked by the Board from time to time. It also assists the Board in its general oversight of Management and objectively evaluates the performance of Management. It reviews and recommends to the Board, the HLGE Group's (the "Group") initiatives on strategic development and direction on new investments.

Management is fully apprised of such matters which require the approval of the Board or the Board Committees.

CORPORATE GOVERNANCE REPORT

Board Orientation and Training

Every newly appointed Director receives a formal letter, setting out his general duties and obligations as a Director pursuant to the relevant legislation. The new Director will also receive an induction pack containing information and documents relating to the role and responsibilities of a director and where applicable, a member of the relevant Board Committees, the Group's businesses, Board processes, corporate governance practices, relevant Company policies and procedures as well as a meeting calendar for the year with a brief of the routine agenda for each meeting of the Board and Board Committees.

The Company also conducts a comprehensive induction programme for newly appointed Directors and for existing Directors pursuant to their appointments to any of the Board Committees, which seeks to familiarise Directors with the Group's businesses, board processes, internal controls and governance practices. The induction programme includes meetings with Management to allow the new Directors to be acquainted with Management and to facilitate their independent access in future to Management. The programme also includes briefings by the CFO on key areas of the Group's operations. Management currently comprises the Chief Financial Officer ("CFO"), Ms Foo Yang Hym and Mr Yam Kit Sung, the General Manager – Asset Management (China).

Mr Goh Kian Chee who was appointed to the Board on 1 March 2018 was given detailed briefings and induction by Mr Philip Ting Sii Tien, a member of the Exco, and the CFO on the Group's business and operations. Mr Goh was also briefed by the Company Secretary on the Company's corporate governance practices, and key duties and responsibilities of a director under the relevant legislation. In addition, Mr Goh who was appointed a member of the ARC, NC, RC and SOSC, was briefed on the scope and responsibilities of the relevant Board Committees by the chairmen of the respective Board Committees.

For a first time Director who has no prior experience as a director of a listed company, in addition to the induction as detailed above, he or she will be encouraged to also attend the Listed Company Director ("LCD") Programme conducted by the Singapore Institute of Directors ("SID") in order to acquire the relevant knowledge of what is expected of a listed company director. Completion of the LCD Programme Module 1, which focuses on comprehensive training of company directors on compliance, regulatory and corporate governance matters, should provide the first time Director with a broad understanding of the roles and responsibilities of a director of a listed company under the requirements of the Companies Act, the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST") and the 2012 Code.

The Directors are also provided with updates and/or briefings from time to time by professional advisers, auditors, Management and the Company Secretary in areas such as directors' duties and responsibilities, corporate governance practices, relevant legislation, risk management and financial reporting standards. The Directors are regularly kept informed by the Company Secretary of the availability of appropriate courses, conferences and seminars such as those run by the SID and the Directors are encouraged to attend such training at the Company's expense. The NC and the Board are kept informed of the training attended by the Directors during the year. As part of the NC's annual assessment of the skills set of the Board and the respective Board Committees, the NC would also recommend further training for the Directors in specific areas, if so required, to supplement the regular updates/briefings provided to the Directors from time to time.

Three in-house seminars were conducted by invited speakers in 2017 on topics relating to emerging risks, trends and outlook for the real estate sector, data protection and cybersecurity and emerging sustainability trends touching on impact investing, green financing, integration of sustainable development goals and gender diversity. In addition to the training courses/programmes, Directors are also at liberty to approach Management should they require any further information or clarification concerning the Group's operations.

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Guidance

Board Independence

The Board currently comprises seven members, all of whom are non-executive Directors ("NEDs"). The NC has recommended and the Board has determined four of them, being more than half the Board, to be independent ("4 IDs"), thus providing for a strong and independent element on the Board capable of exercising objective judgment on the corporate affairs of the Company. No individual or small group of individuals dominates the Board's decision making. The Board concurred with the NC's determination of the independence of the 4 IDs.

When determining the independence of the 4 IDs, the NC has considered the guidelines for independence set out in Guideline 2.3 of the 2012 Code. As part of the consideration, the NC also considered their other directorships, annual declaration regarding their independence, their ability to avoid any apparent conflicts of interests especially by abstaining from deliberation on such transactions, and their ability to maintain objectivity in their conduct as Directors of the Company. The 4 IDs are Mr Michael Yeo, Ms Loo Hwee Fang, Mr Andrew Goh and Mr Goh Kian Chee.

In determining the independence of Mr Michael Yeo Chee Wee who has served on the Board for more than nine years, the NC and the Board have given due consideration to the recommendation under Guideline 2.4 of the 2012 Code that the independence of any director who has served on the Board beyond nine years be subject to particularly rigorous review. The Board members had provided their views on the independence of Mr Yeo by taking into consideration factors such as whether Mr Yeo had expressed his individual viewpoints and debated issues constructively, whether he has constructively challenged and sought clarification from Management as and when necessary and whether he has avoided apparent conflict of interest by abstaining from deliberation on matters in which he has an interest in, during meetings of the Board and Board Committees. Having considered the feedback from the Board members, Mr Yeo's other directorship, annual declaration regarding his independence, his ability to maintain objectivity in his conduct as a Director of the Company, and the NC's recommendation, the Board (with Mr Yeo abstaining in respect of the deliberation of his own independence) has determined him to be independent notwithstanding that he has served on the Board beyond nine years as he has continued to demonstrate strong independence in character and judgment in the discharge of his responsibilities as a Director of the Company. The Company had also benefited from Mr Yeo's years of experience with his different business backgrounds and also the historical perspective on matters concerning the Company which he can provide. Mr Yeo who will be retiring at the Company's forthcoming AGM ("2018 AGM") in accordance with the Company's Constitution, will not be seeking re-election as Director at the said meeting.

The Board is also not aware of any other relationship or circumstances that could interfere, or be reasonably perceived to interfere, with the exercise of each of the 4 IDs' independent business judgment with a view to the best interests of the Company.

Board Composition and Size

The NC reviews the size and composition mix of the Board and Board Committees annually. The Board comprises business leaders and professionals with accounting, financial, legal and business management backgrounds. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction. Further information on the individual Directors' background, experience and skills can be found in the 'Board of Directors' section in the AR.

With consideration of the scope and nature of the operations of the Group, the Board is satisfied that the current composition mix and size of the Board provide for sufficient diversity and yet allow for effective decision making at meetings of the Board and Board Committees.

The NC is supportive of diversity on the Board including gender diversity. Ms Loo Hwee Fang, the Company's current female Director has been appointed to the Board since March 2012. Ms Loo's extensive legal experience further complements and strengthen the core competencies of the Board. To formalise the process, the Board on the recommendation of the NC has adopted a Board diversity policy which sets out the policy and framework for promoting diversity on the Board.

NEDs' Participation

The Board comprises all NEDs who participate actively in Board meetings. They also constructively challenge and help to develop proposals on strategy and review and monitor Management's performance against budgets. To facilitate this, they are kept informed of the Group's business and performance through monthly reports from Management, and have unrestricted access to Management. They also sit on various Board Committees established by the Board to provide constructive input and the necessary review and monitoring of performance of the Group and Management. No separate meetings of the NEDs were convened as the NEDs have been expressing and putting forward their views ardently, freely and openly at all meetings of the Board and Board Committees.

The NEDs also meet regularly to discuss operational matters and governance issues. In 2017, the Board held an additional nine ad-hoc meetings besides the scheduled quarterly Board meetings to discuss the disposals of LKN Investment International Pte. Ltd. and Copthorne Hotel Qingdao Co., Ltd. (the "Disposals") and the Company's application for extension of the cure period to SGX-ST for removal from the watch-list on financial exit criteria (the "Cure Period"). The NEDs had actively participated in the decision making process which had led to the successful completion of the Disposals and the grant by SGX-ST of a further extension of the Company's Cure Period to 3 June 2018.

Principle 3: Chairman and Chief Executive Officer

Role of Chairman

The Chairman of the Board is Dato' Gan Khai Choon who is a NED. The Chairman bears primary responsibility for the workings of the Board, by ensuring effectiveness in all aspects of its role including promoting high standards of corporate governance, setting agenda for Board meetings with input from Management, ensuring sufficient allocation of time for thorough discussion of each agenda item, promoting an open environment within the Board room for constructive debate, encouraging all the Directors to speak freely and contribute effectively, and exercising control over the quality, quantity and timeliness of information flow between the Board and Management. As the Chairman of the Board with written terms of reference approved by the Board, he also promotes and leads the Company in its commitment to achieve and maintain good corporate governance. At AGMs and other shareholder meetings, he plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management.

The Company does not have any Executive Director and the Exco is tasked to undertake the overall management of the Group's operations and investments. The Exco is assisted by the Management team which currently comprises the CFO, Ms Foo Yang Hym and Mr Yam Kit Sung, the General Manager – Asset Management (China). The CFO has been overseeing the Group's operations in Malaysia since the demise of the General Manager – Malaysia Operations in August 2016.

Lead Independent Director

There are internal controls in place to allow for effective oversight by the Board of the Company's business to ensure an appropriate balance of power and authority is exercisable by the Board to enable objective decision making in the interests of the Company. In view that the Chairman of the Board, Dato' Gan Khai Choon is not an ID, the Board in line with the recommendation under the 2012 Code has appointed Mr Michael Yeo Chee Wee as Lead Independent Director ("Lead ID") on 2 November 2012 to serve as a

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sounding board for the Chairman of the Board and also as an intermediary between the Directors and the Chairman of the Board. With the impending retirement of Mr Yeo at the 2018 AGM, Mr Andrew Goh Kia Teck has been appointed as the Lead ID in place of Mr Yeo with effect from 1 March 2018. The role of the Lead ID is set out under the written terms of reference of the Lead ID, which has been approved by the Board. The Lead ID is available to shareholders where they have concerns and for which contact through the normal channels of the Chairman or the Management has failed to resolve or is inappropriate. A meeting of the IDs, chaired by the Lead ID may be held as often as may be warranted by circumstances. No query or request on any matter which requires the Lead ID's attention was received from the shareholders in 2017. Under chairmanship of the Lead ID, a meeting of the IDs was convened in 2017 without the presence of Management or the Chairman of the Board, and the views expressed by the IDs at the meeting was provided by the Lead ID to the Chairman of the Board, and the Management as appropriate. The minutes of meetings of the IDs are also circulated to all Board members.

Principle 4: Board Membership

NC Composition and Role

The NC comprises three NEDs, all of whom including the chairman of the NC, are independent. The Lead ID is also a member of the NC. Please refer to the 'Corporate Directory' section on page 1 of the AR, for the composition of the NC.

The NC's responsibilities as set out in its written terms of reference approved by the Board, are to review all Board and Board Committee composition and membership, board succession plans for the Directors, determine each Director's independence annually and as and when circumstances require, evaluate performance of the Board as a whole, its Board Committees and the individual Directors, review appointments and reasons for resignations and termination of Senior Management, review and confirm the induction programme for newly appointed Directors and for existing Directors in respect of their appointments to any of the Board Committees, and review training and continuous professional development programme for the Directors. One NC meeting was held in 2017. The Company Secretary maintains records of all NC meetings including records of discussions on key deliberations and decisions taken.

For the financial year under review, the NC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("NC Self-Assessment Checklist"). The NC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the NC under its terms of reference, and considered also the contribution of NC members to the deliberation and decision making process at NC meetings.

Based on the self-assessment, the NC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

Re-nomination of Directors

The NC reviews annually the nomination of the relevant Directors for election/re-election as well as the independence of Directors. When considering the nomination of Directors for election/re-election, the NC takes into account their contribution to the effectiveness of the Board as well as their time commitment especially for Directors who have multiple listed company board representations and/or other principal commitments, and also reviews their independence. The recommendation of the NC on the annual nomination of the Directors for election/re-election is submitted to the Board for decision and thereafter put to the shareholders for approval at the AGM.

The Constitution of the Company provides that at least one-third of the Directors for the time being, shall retire as Directors at each AGM. All new Directors appointed by the Board shall hold office until the next AGM, and be eligible for election at the said AGM of the Company. Excluding the new Directors who are seeking appointment at the AGM or who will be seeking election at the first AGM immediately after their initial appointment, the remaining Directors of the Company will retire about once in every two to three years.

In accordance with the Constitution of the Company, Mr Andrew Goh Kia Teck and Mr Michael Yeo Chee Wee will be retiring by way of rotation while Mr Goh Kian Chee who was appointed by the Board on 1 March 2018 will also be retiring at the 2018 AGM. Mr Andrew Goh and Mr Goh Kian Chee being eligible, have offered themselves for re-election/election whilst Mr Michael Yeo will not be seeking re-election.

Criteria and Process for Nomination and Selection of New Directors

Searches for and selection of candidates to be considered for appointment as Directors are facilitated through recommendations from the Directors, Management or external parties including the Company's contacts in the related industries, finance, legal and accounting professions, and identified based on the needs of the Company and the relevant expertise required. Assistance may also be obtained from SID and professional executive search firms engaged to source for suitable candidates for the NC's consideration.

The NC meets with the proposed candidates to assess their suitability before formally considering and recommending them for appointment to the Board and where applicable, to the Board Committees.

In reviewing and recommending to the Board any new Director appointments, the NC considers: (a) the candidate's age, gender, track record, experience and capabilities or such other factors as may be determined by the NC to be relevant and which would contribute to the Board's collective skills and diversity; (b) any competing time commitments if the candidate has multiple listed company board representations and/or other principal commitments; (c) the candidate's independence, in the case of the appointment of an independent NED; and (d) the composition requirements for the Board and Board Committees after matching the candidate's skills set to the requirement of the relevant Board Committees (if the candidate is proposed to be appointed to any of the Board Committees).

Mr Goh Kian Chee was appointed as an independent NED and a member of the ARC, NC, RC and SOSC on 1 March 2018. In recommending the appointment of Mr Goh to the Board, the NC took into consideration his accounting and finance related experience which it felt would provide further diversity to the core competencies of the Board.

Directors' Time Commitments

When considering the re-nomination of Directors for election/re-election, the NC also takes into account the competing time commitments faced by Directors with multiple listed company board representations and/or other principal commitments. An analysis of the directorships (which includes directorships within corporate groups and executive appointments) held by the Directors is reviewed annually by the NC. Each Director is also required to confirm annually to the NC as to whether he or she has any issue with competing time commitments which may impact his or her ability to provide sufficient time and attention to his or her duties as a Director of the Company. Based on the analysis, the Directors' annual confirmation and the Directors' commitments and contributions to the Company which are also evident in their level of attendance and participation at Board and Board Committee meetings, the NC is satisfied that all Directors are able to carry out and have been adequately carrying out their duties as Directors of the Company.

It is recommended under the 2012 Code that the Board consider providing guidance on the maximum number of listed company board representations which each Director of the Company may hold in order to address competing time commitments faced by Directors serving on multiple boards. Excluding the directorship held in the Company, the number of listed company board representations currently held by

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each of the Directors ranged from nil to two and those held by Dato' Gan Khai Choon, Mr Philip Ting Sii Tien and Mr Hoh Weng Ming are mainly on the boards of the related companies of the Company. Having considered this issue, the NC does not recommend setting a maximum number of listed company board representations that a Director may hold. The Board considers an assessment of the individual Directors' participation as described above to be more effective for the Company than to prescribe a numerical limit on the number of listed company directorships that a Director may hold. It would not wish to omit from consideration suitable individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board.

Alternate Directors

The Company has no Alternate Directors on its Board.

Key Information on Directors

Please refer to the 'Board of Directors' section in the AR for key information on the Directors, and additional information in the notice of AGM for Directors proposed for re-election/election at the 2018 AGM.

Succession Planning for the Board and the Chairman of the Board

The Board believes in carrying out succession planning for itself and the Chairman of the Board ("Board Chairman") to ensure continuity of leadership. Board renewal is a continuing process and in this regard, the NC reviews the composition of the Board, which includes size and mix, annually and recommends to the Board the selection and appointment of new Directors, whether in addition to existing Board members or as replacement of retiring Board members, with a view to identifying any gaps in the Board's skills sets taking into account the Group's business operations. The Board will be able to function smoothly notwithstanding any resignation or retirement of any Director given the present number of members and mix of competencies on the Board.

Board Development

The NC reviews the training and development of the Directors to ensure that Directors receive appropriate development on a continuing basis, to perform their roles on the Board and where applicable, the Board Committees. The Directors are provided with updates and/or briefings to assist them to properly discharge their duties. Further training for the Directors in specific areas are also being recommended by the NC, where required, based on the NC's review of the annual evaluation checklists from the Board and the Board Committees. The briefings are conducted either internally with invited speakers, or externally, at the Company's expense. A separate programme is established for new Directors, details of which as well as the internal briefing and updates provided for the Directors in 2017 are set out in the paragraph above under the subject heading "Board Orientation and Training".

The Board is kept apprised twice yearly on a list of training programmes attended by the Directors during the year.

Principle 5: Board Performance

Board Evaluation Process

The Company has in place a formal process for assessment of the effectiveness of the Board as a whole, the various Board Committees and the contribution by each Director to the effectiveness of the Board and the Board Committees, where applicable. No external facilitator has been used. The NC assesses the Board's performance as a whole annually using criteria which were recommended by the NC and approved by the Board. When assessing the overall Board performance, the NC takes into consideration the Board composition, the Directors' independence, feedback from individual Directors on areas relating to the

Board's strategy and performance, process, governance (including risk management and internal controls) and the effectiveness of the Chairman of the Board. The results of the overall evaluation of the Board by the NC including its recommendation, if any, for improvements are presented to the Board.

The NC's assessment of performance of the Board Committees is assisted by the self-assessment checklists of the NC, RC and ARC, and a report provided by the Exco.

The annual evaluation process for each individual Director's performance comprises two parts: (a) the background information concerning the Director including his attendance records at Board and Board Committee meetings; and (b) NC's evaluation based on certain assessment parameters. The assessment parameters were recommended by the NC and approved by the Board.

When deliberating on the performance of a particular Director who is also a member of the NC, that member abstains from the discussions in order to avoid any conflict of interests.

The results of the individual evaluation of each of the Directors are also used by the NC, in its consultation with the Board Chairman, to review, where appropriate, the composition of the Board and Board Committees, and to support its proposals, if any, for appointment of new members and its recommendations for the election/re-election of retiring Directors. Comments from the Directors, if any, concerning the Board as a whole and the general performance of the Directors, are also presented to the Board.

Board Evaluation Criteria

The criteria used by the NC to evaluate the Board covers six main areas relating to Board composition, Board independence, the Board's review of the Company's strategy and performance, the Board's oversight of the Company's governance including risk management and internal controls, and the effectiveness of the Chairman of the Board and Board processes.

Individual Director Evaluation Criteria

Factors taken into account in the assessment of a Director's performance include his abilities and competencies, his objectivity and the level of participation at Board and Board Committee meetings including his contribution to Board processes and the business strategies and performance of the Company.

Principle 6: Access to Information

Complete, Adequate and Timely Information and Access to Management

Prior to each meeting, members of the Board and the Board Committees are provided with the meeting agenda and the relevant papers submitted by Management, containing where possible and practicable, complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings. Management, the Company's auditors and professional advisers who can provide additional insight into the matters for discussion, are also invited from time to time to attend Board and Board Committees' meetings. Directors also have separate and independent access to Management.

Management provides all Directors with monthly financial reports of the Group's performance including analysis of the same. Any material variances between the month and year-to-date ("YTD") under review as compared to the corresponding month and the YTD of the preceding year, are disclosed and explained.

Draft agendas for Board and Board Committee meetings are circulated to the Board Chairman and the chairmen of the Board Committees, in advance, for them to review and suggest items for the agenda. Each of the chairmen of the Exco, ARC, NC and RC provides an annual report of the respective committees' activities during the year under review to the Board. The minutes of meetings of the Board Committees are circulated to all Board members.

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Company Secretary

The Company Secretary, whose appointment and removal are subject to the Board's approval, attends all meetings of the Board, Board Committee and IDs and ensures that all Board procedures are followed. The Company Secretary, together with Management, also ensures that the Company complies with all applicable statutory and regulatory rules. Together with Management, she also advises the Board Chairman, the Board and Board Committees on corporate governance matters and assists to implement and strengthen corporate governance practices and processes, including ensuring good information flows within the Board and the Board Committees and between Management and the Directors, facilitating orientation for newly appointed Directors and appointments to Board Committees, and continuing training and development for the Directors.

On an on-going basis, the Directors have separate and independent access to the Company Secretary.

Independent Professional Advice

The Directors, whether as a group or individually, are entitled to take independent professional advice at the expense of the Company, in furtherance of their duties and in the event that circumstances warrant the same. The Company has in place internal guidelines allowing the Directors to seek independent professional advice.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

RC Composition and Role

The RC comprises three NEDs, all of whom including the chairman of the RC, are independent. The RC's principal responsibilities as set out in its written terms of reference approved by the Board are to review and recommend, for the endorsement of the Board, a framework of remuneration and the specific remuneration packages for each Board member and the Company's key management personnel ("KMP").

The Company has in place a remuneration framework (which covers all aspects of remuneration) for the Directors and the KMP. The Company currently identifies its CFO and General Manager – Asset Management (China) as its KMP. On an annual basis, the RC reviews and approves the remuneration packages including annual increments and year-end bonuses to be granted to the KMP. There were no changes in the Company's KMP in 2017. The KMP's contracts of service which have been reviewed by the RC do not contain any unfair or unreasonable termination clauses.

All the members of the RC also sit on the SOSC and the chairman of the RC is also the chairman of the SOSC. The RC has access to appropriate advice from the CFO who assists to provide human resources support to the Group. No remuneration consultants from outside the Company were appointed.

One RC meeting was convened in 2017. The Company Secretary maintains records of all RC meetings including records of discussions on key deliberations and decisions taken.

For the financial year under review, the RC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("RC Self-Assessment Checklist"). The RC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the RC under its terms of reference, and considered also the contribution of RC members to the deliberation and decision making process at RC meetings.

Based on the self-assessment, the RC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

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Principle 8: Level and Mix of Remuneration

Remuneration of Directors and KMP

The Company currently does not have any Executive Director.

When reviewing the structure and level of Directors' fees, the RC takes into consideration the Directors' respective roles and responsibilities in the Board and Board Committees and the changes in the business, corporate governance practices and regulatory rules, as well as corporate performance for the financial year under review and the corporate and economic outlook in the new financial year. No Director is involved in deciding his own remuneration.

Each of the Directors receives a base Director's fee, with the Chairman of the Board receiving an additional fee for serving as Board Chairman. Directors who serve on the ARC, NC and RC also receive additional fees in respect of each of these Board Committees that they serve on, with the chairmen of these Board Committees receiving a higher fee in respect of their service as chairman of these Board Committees. The structure of fees payable to Directors of the Company for the financial year ended 31 December 2017 ("FY 2017") is as follows:

Appointment	Fees per annum ($)
Director	15,000 (Basic fee)
	Additional Fees:
Chairman of the Board	15,000
Audit and Risk Committee (ARC)	
– ARC Chairman	40,000
– ARC Member	20,000
Nominating Committee (NC)	
– NC Chairman	5,000
– NC Member	2,000
Remuneration Committee (RC)	
– RC Chairman	5,000
– RC Member	3,000
Lead Independent Director	Nil

The compensation packages of the KMP comprise a fixed component (in the form of a base salary and fixed allowances) and a variable component (comprising short-term incentives in the form of year-end bonus). In reviewing the remuneration packages of the KMP, the RC considers the level of remuneration based on the Company's remuneration policy which gives due regard to the economic climate, market conditions and financial position of the Company.

The Company has established the SOS in 2006 but no options had been granted since the commencement of the said scheme which details can be found on pages 39 and 40 of this AR. In view of pending opportunities to grow the Group's earning base which remains a priority of the Board, the RC does not think it is appropriate at this juncture to consider the grant of options under the SOS.

For the same reason, the RC also does not think that it is currently appropriate to adopt the use of a claw-back mechanism in the variable components of the remuneration of the KMP for exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss or other losses to the Company.

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Principle 9: Disclosure of Remuneration

Disclosure of Remuneration

When reviewing the structure and level of Directors' fees, the RC takes into consideration the Directors' respective roles and responsibilities in the Board and Board Committees and the changes in the business, corporate governance practices and regulatory rules, as well as corporate performance for the financial year under review and the corporate and economic outlook in the new financial year.

The compensation packages for the KMP comprise a fixed component (in the form of a base salary and fixed allowances) and a variable component (comprising short-term incentives in the form of a year-end bonus). In reviewing the remuneration packages of the KMP, the RC considers the level of remuneration based on the Company's remuneration policy which gives due regard to the economic climate, market conditions and financial position of the Company. There were no changes in the KMP in 2017.

There were no termination, retirement or post-employment benefits granted to any Director or KMP in 2017.

Directors' Remuneration for FY 2017

All the Directors of the Company are NEDs. Details of the Board and Board Committee fees for FY 2017 are set out below:

Directors	Board/Board Committee Fees [1] $
1. Dato' Gan Khai Choon	30,000
2. Michael Yeo Chee Wee	62,000
3. Philip Ting Sii Tien	15,000
4. Hoh Weng Ming	15,000
5. Loo Hwee Fang	40,000
6. Andrew Goh Kia Teck	43,000

Notes:

1. These fees for FY 2017 are subject to approval by shareholders as a lump sum at the 2018 AGM.

The Board, on the recommendation of the RC, has proposed to make an ex-gratia payment ("Ex-Gratia Payment") to all the Directors of the Company as a token of appreciation for their efforts and contributions which had led to the successful completion of the Disposals and attendance at the additional Board meetings in 2017.

Directors	Proposed Ex-Gratia Payment [1] $
1. Dato' Gan Khai Choon	30,000
2. Michael Yeo Chee Wee	15,000
3. Philip Ting Sii Tien	15,000
4. Hoh Weng Ming	15,000
5. Loo Hwee Fang	15,000
6. Andrew Goh Kia Teck	15,000

Notes:

1. The proposed Ex-Gratia Payment is subject to approval by shareholders as a lump sum at the 2018 AGM.

None of the Directors receive any other remuneration in FY 2017 other than the Board and Board Committee fees and the proposed Ex-Gratia Payment.

Remuneration of KMP (not being a Director or Chief Executive Officer) for FY 2017

The Company does not have a Chief Executive Officer. The Company currently identifies its CFO and the General Manager – Asset Management (China) as its KMP. The KMP's remuneration for FY 2017 in bands of $250,000 is set out below.

	Base Salary [1] %	Bonuses/ Allowances [1] %	Other Benefits %	Total %
$250,000 to below $500,000				
KMP				
1. Foo Yang Hym	44	54	2	100
2. Yam Kit Sung	9	91	–	100

Notes:

1. The salary and bonuses/allowances are inclusive of employer's contribution to defined contribution plans.

Due to the highly competitive human resource environment, the Board does not believe it is in the interest of the Company to disclose the aggregate remuneration paid to its KMP.

Remuneration of Director's Immediate Family Member for FY 2017

During FY 2017, none of the Directors had immediate family members who were or are employees of the Company.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

Accountability of Board and Management

The Board and Management are committed to conducting business with integrity and consistent with high standards of business ethics (see paragraph on page 29 for more details), and in compliance with all applicable laws and regulatory requirements.

The Board provides shareholders with quarterly and annual financial results. Results for the first three quarters are released to shareholders within 45 days of the end of each quarter whilst the annual results are released within 60 days from the financial year end. In presenting the Group's annual and quarterly results, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's performance and financial position with a commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which it operates.

For the financial year under review, the Board was provided with a representation letter by the CFO and the General Manager - Asset Management (China) in connection with the issue of the quarterly and full year unaudited financial statements of the Group confirming that to the best of their knowledge and belief, nothing has come to their attention which may render the financial statements to be false or misleading in any material aspect. The Board, in turn, provided a negative assurance confirmation to shareholders in respect of the Company's unaudited financial statements for the first, second and third quarters of 2017 in accordance with the regulatory requirements.

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Management provides all Directors with monthly financial reports of the Group's performance including analysis of the same. Any material variances between the month and year-to-date ("YTD") under review as compared to the corresponding month and the YTD of the preceding year, are disclosed and explained.

Principle 11: Risk Management and Internal Controls

Risk Management

An organisational risk management framework has been established by Management to formalise and document the internal processes, many of which are already currently in place, to enable significant business risks within the Group to be identified, assessed, monitored, managed and evaluated. The Company recognises that risk management process is an on-going process and will thus continuously ensure that the Company's current risk management system and processes are in line with industry practices.

To assist the Board in its risk management oversight, the ARC reviews the Group's risk management processes and practices. Regular updates on the Group's risk management are provided to the ARC by the Risk Management Committee ("RMC") comprising members of the key management team, which was established to spearhead and be responsible for the implementation and management of the Group's risk management framework.

Internal Controls

The Directors recognise that they have overall responsibility to ensure proper financial reporting for the Group and effectiveness of the Group's system of internal controls including financial, operational, compliance and IT controls, and risk management policies and systems.

Having regard to the risks to which the business is exposed, the likelihood of such risks occurring and the risk tolerance accepted by the Group, the Company's internal controls structure has been designed and put in place by Management to provide reasonable assurance against material financial misstatements or loss, for the safeguarding of assets, for the maintenance of proper accounting records, on the reliability, relevance and integrity of the information (including financial information) used within the business and for publication, and in compliance with applicable laws and regulations. However, no internal controls system can provide absolute assurance in view of inherent limitations of any internal controls system against the occurrence of human and system errors, poor judgment in decision making, losses, fraud or other irregularities.

The internal controls structure which is established includes:

– a risk management framework for the identification, assessment and monitoring of the Group's key risks;

– policies and procedures and approved authorisation matrix in place, which are reviewed from time to time, that govern and allow from time to time the monitoring of financial and operational controls;

– a programme of external and internal audits; and

– a whistle-blowing programme, whereby staff of the Company or other persons can raise in confidence, whether anonymously or otherwise, concerns on possible improprieties relating to accounting, financial reporting, internal controls and auditing matters without fear of reprisals in any form, and the provision of internal arrangements for the investigation of matters raised thereunder.

The Board has received written assurance from the CFO and the General Manager - Asset Management (China) that:

(a) 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

(b) the system of internal controls and risk management systems in place were adequate and effective to address in all material aspects the financial, operational, compliance and IT risks in the context of the current scope of the Group's business operations.

The ARC reviewed the adequacy and effectiveness of the Group's material internal controls that address its financial, operational, compliance and IT controls, and risk management systems, with the assistance of the internal audit provider ("IA") and external auditors ("EA") and Management, including the RMC, who provide regular updates to the ARC.

Based on the work performed by IA and the RMC during the financial year, as well as the statutory audit by the EA, Ernst & Young LLP ("EY"), and the written assurance from Management, the Board, with the concurrence of the ARC, is of the opinion that the system of internal controls and risk management system in place as at 31 December 2017 are adequate and effective to address in all material aspects, the financial, operational, compliance and IT risks within the current scope of the Group's business operations.

Principle 12: Audit Committee

Composition of ARC

The ARC comprises three NEDs, all of whom including the chairman of the ARC, are independent. Two members including the ARC Chairman possess the relevant accounting or related financial management expertise and experience. None of the members of the ARC were former partners or directors of or have any financial interest in the Company's existing audit firm. The role of the ARC also includes the oversight of the Company's risk management framework and processes.

With the current composition, the ARC believes that it has the relevant accounting or related financial management and risk management expertise and experience to discharge its functions within its written terms of reference which has been approved by the Board.

Powers and Duties of the ARC

The ARC is authorised by the Board to investigate any matters it deems appropriate within its terms of reference and has direct and unrestricted access to the EA, the internal auditors and Management. It may invite any Director, Management, any officer or employee of the Group, the EA and internal auditors to attend its meetings. It is also authorised to engage any firm of accountants, lawyers or other professionals as it sees fit to provide independent counsel and advice to assist in the review or investigation on such matters within its terms of reference as it deems appropriate, at the Company's expense.

The principal responsibility of the ARC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the Group's financial reporting process and material internal controls, including financial, operational, compliance, IT and risk management controls. Other duties within its written terms of reference include:

– to review significant financial reporting issues and judgments so as to ensure the integrity of the Group's financial statements, and of announcements relating to the Group's financial performance and recommend changes, if any, to the Board;

– to review the adequacy and effectiveness of the Company's internal controls including financial, operational, compliance and IT controls and report to the Board;

– to review the effectiveness of the IA function;

– to review annually the scope and results of the EA's audit and the independence and objectivity of the EA, and make recommendations to the Board on the proposal to the Company's shareholders on the appointment, re-appointment and removal of the EA, and to approve the remuneration of the EA;

CORPORATE GOVERNANCE REPORT

– to review interested person transactions to ensure that they are entered on normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders; and

– to oversee the establishment and operation of the whistle-blowing process in the Company.

The ARC held four meetings during the year and carried out its duties as set out within its terms of reference. The Company Secretary maintains records of all ARC meetings including records of discussions on key deliberations and decisions taken. The ARC meets with the IA and EA, each separately without the presence of Management, annually.

The ARC members continually keep themselves abreast of changes to accounting standards and issues which have a direct impact on financial statements.

For the financial year under review, the ARC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities. The assessment was facilitated through the use of a self-assessment checklist ("ARC Self-Assessment Checklist").

The ARC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the ARC under its terms of reference, and also considered the contribution of ARC members to the ARC's deliberation and decision-making process.

Based on the self-assessment, the ARC is of the view that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

ARC's Commentary on Significant Financial Reporting Matters

In the review of the financial statements for FY 2017, the ARC had discussed with both the Management and the EA the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with Management and the EA:

Significant matters	**How the ARC reviewed these matters and what decisions were made**
Valuation of Investment Property	The ARC took into consideration the approach and methodology and key underlying assumptions in formulating the valuation by the external real estate valuer. The ARC also considered deferred tax consequences arising from the fair value adjustments.
Carrying Values of Development Properties	In evaluating the net realisable value of the development property at Melaka, Malaysia, the ARC assessed the reasonableness of the expected development cost, budgeted selling price and current market prices of comparable properties. The ARC also considered the valuation report for the past few years and compared it with the net realisable value recorded in the accounts. The ARC also received the report from the external auditors on their assessment of the estimation of net realisable value to form a view on the appropriateness of the carrying value of the development property. The ARC was satisfied with the approach of the estimation of net realisable value for the said property as adopted and disclosed in the financial statements.

CORPORATE GOVERNANCE REPORT

External Auditors

Taking cognizance that the EA should be free from any business or other relationships with the Group that could materially interfere with their ability to act with integrity and objectivity, the ARC undertook a review of the independence of EY and gave careful consideration to the Group's relationships with them during 2017. In determining the independence of EY, the ARC reviewed the Group's relationship with EY and considered the nature of the provision of the non-audit services provided by the firm during the year. Having considered the nature and extent of the non-audit services rendered by EY for FY 2017, the ARC is satisfied that EY is, and is perceived to be, independent for the purpose of the Group's statutory financial audit. Please refer to note 24 of the Notes to the Financial Statements for details of the fees paid and/or payable by the Group to EY in respect of the audit and non-audit services for FY 2017.

In reviewing the nomination of EY for re-appointment as the Company's auditor for the financial year ending 31 December 2018, the ARC had considered the adequacy of the resources and experience of EY. Consideration was also given to the audit engagement partner assigned to the audit, EY's other audit engagements, the size and complexity of the audit exercise for the Group, and the number and experience of the supervisory and professional staff assigned to the Group's audit.

EY has confirmed that they are registered with the Accounting and Corporate Regulatory Authority. The Company is thus in compliance with Rule 712 and Rule 715 (read with Rule 716) of the SGX-ST Listing Manual in relation to the appointment of the Group's auditors.

On the basis of the above, the ARC has recommended to the Board the nomination of EY for re-appointment as EA at the 2018 AGM.

Disclosure of Interested Person Transactions

The Company ensures that interested person transactions are undertaken on an arm's length basis, on normal commercial terms consistent with the Group's usual business practices and policies, and are not prejudicial to the interests of the Company and its minority shareholders and on terms which are generally no more favourable to the interested persons, as defined in Chapter 9 of the SGX-ST Listing Manual, than those extended to or received from unrelated third parties.

Particulars of interested person transactions required to be disclosed under Rule 907 of the SGX-ST Listing Manual are as follows:

Name of Interested Person	**Aggregate value of all interested person transactions in FY 2017 (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) ($'000)**	**Aggregate value of all interested person transactions conducted in FY 2017 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) ($'000)**
China Yuchai International Limited group of companies – Loan of $68 million (the "Loan")	272 [1]	Not applicable [2]
City Developments Limited group of companies – Receipt of corporate secretarial services	194	

CORPORATE GOVERNANCE REPORT

Notes:

1. The amount at risk to the Company under the Loan is the interest margin of 0.4% which the Company has agreed to pay over and above the prevailing 12-month Singapore inter-bank offer rate fixed by the Association of Banks in Singapore as at the date immediately preceding the date of the loan agreement. The Company had, on 26 December 2017, made a full prepayment of the outstanding Loan to Venture Lewis Limited.
2. The Company has not sought any shareholders' mandate for interested person transactions pursuant to Rule 920.

The above interested person transactions were carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders.

Whistle-blowing Policy

HLGE has in place a whistle-blowing policy where staff of the Company or other persons can raise in confidence, whether anonymously or otherwise, concerns on possible improprieties relating to accounting, financial reporting, internal controls and auditing matters without fear of reprisals in any form. The ARC has the responsibility of overseeing this policy. Under these procedures, arrangements are in place for independent investigation of such matters raised (where appropriate) and for appropriate follow up action to be taken.

Principle 13: Internal Audit

Reporting Line and Qualifications

The primary role of the IA is to assist the Board to evaluate the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Group's hospitality operations, ensuring that the internal controls of such operations result in prompt and proper recording of transactions and safeguarding of assets. The IA function for FY 2017 in respect of the Group's hospitality operations in Malaysia, namely Copthorne Hotel Cameron Highlands ("CHCH") was outsourced to Deloitte Enterprise Risk Services Sdn Bhd ("Deloitte"). The Company did not undertake an IA review of the Group's hospitality operations in China in view of the Disposals which had been completed in 2017.

The ARC reviews the IA plans to ensure that it incorporates the high priority risk areas identified in the risk management framework of the Company in relation to the Group's hospitality operations. IA reports are extended to the ARC and the CFO. Processes are in place such that material control weaknesses raised in the IA reports are dealt with in a timely manner, with outstanding exceptions or recommendations being closely monitored and reported back to the ARC on a periodic basis.

The ARC reviews the effectiveness and adequacy of the IA function through a review of the IA activities on a periodic basis. In reviewing the services of Deloitte, the ARC had reviewed the adequacy of the resources and the qualifications and experience of the professional staff assigned to the IA work for CHCH. Deloitte has also confirmed that the provision of IA services was performed in accordance with the Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors. The ARC also reviews the internal auditors' fees and their ability to deliver the IA services objectively and according to the IA plans approved by the ARC. The internal auditors have unfettered access to the ARC, the Board and Management. The ARC meets the internal auditors at least once annually without the presence of Management and the Company Secretary.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Being committed to good corporate practices, the Company treats all shareholders fairly and equitably. To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Company and its financial performance is disclosed in an accurate and timely manner *via* SGXNET.

CORPORATE GOVERNANCE REPORT

All shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules, including the voting procedures, are set out in the notice of general meetings. Shareholders who are not relevant intermediaries may appoint one or two proxies each to attend, speak and vote at general meetings in their absence, and shareholders who are relevant intermediaries may appoint more than two proxies to attend, speak and vote at general meetings. Proxy forms must be deposited at such place or places specified in the notice or document accompanying the notice convening the general meetings at least forty-eight (48) hours before the time set for the general meetings.

Principle 15: Communication with Shareholders

The Company ensures that shareholders are notified of all material information in an accurate and timely manner. Should there be an inadvertent disclosure made to a select group, the Company will release the same information promptly *via* SGXNET. The Company's quarterly and full year results are announced within the mandatory period. All shareholders of the Company receive the annual report of the Company and the notice of AGM, which notice is also advertised in the press and released *via* SGXNET.

Given the current scope and size of the Group's operations, the Company does not think it is feasible to maintain a corporate website or to adopt an investor relations policy. Shareholders and investors who wish to contact the Company, may do so *via* the contact details provided in the Corporate Directory on page 1 of this AR.

Notwithstanding that the Company does not have an investor relations policy, shareholders are also encouraged to attend the Company's general meetings where the Board Chairman and the chairmen of the respective Board Committees will be present to engage shareholders in dialogues and to address their queries.

Dividend Policy

The Group remains committed in its focus to strengthen its core capabilities and to explore growth opportunities with prudent management and a long-term view towards sustainability. Before proposing any dividends, the Board of Directors will consider a range of factors, including the Group's results of operations, long-term and short-term capital requirements, current balance sheet, future investment plans and general business conditions and other macro environment factors.

The Board has recommended the payment of a final one-tier tax exempt ordinary dividend for FY 2017 for shareholders' approval at the 2018 AGM.

Principle 16: Conduct of Shareholder Meetings

At general meetings of the Company, shareholders are given the opportunity to communicate their views and encouraged to ask the Directors and Management questions regarding matters affecting the Group. The chairmen of all the Board Committees and the external auditors were present at the last AGM, and will endeavour to be present at the 2018 AGM to assist the Directors in addressing queries raised by the shareholders.

Shareholders are given the opportunity to vote in person or by proxy at general meetings. However, as the authentication of shareholder identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means. Pursuant to Rule 730A(2) of the SGX-ST Listing Manual, all resolutions proposed at the 2018 AGM and at any adjournment thereof shall be put to the vote by way of poll. The Company will announce the detailed results showing the number of votes cast for and against each resolution and the respective percentages *via* SGXNET after the 2018 AGM. The rules including voting procedures that govern general meetings of shareholders are set out within the notice of the 2018 AGM.

CORPORATE GOVERNANCE REPORT

The Company provides for separate resolutions at general meetings on each substantial issue, including treating the election/re-election of each Director as a separate subject matter. Detailed information on each item in the AGM agenda is provided in the explanatory notes to the notice of AGM in the AR. The Company also maintains minutes of the AGM, which includes the key comments and queries raised by shareholders and the responses from the Board, Management and/or the external auditors. The Company will furnish the minutes of the AGM upon request of any member. Such request shall be made after one month from the date of the AGM.

Corporate Values and Conduct of Business

The Company has in place an Internal Code of Business and Ethical Conduct crystallising the Company's business principles and practices with respect to matters which may have ethical implications. The code provides a communicable and understandable framework for staff to observe the Company's principles such as honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of the Company's business in their relationships with customers, suppliers and amongst employees, including situations where there are potential conflicts of interests.

Internal Code on Dealing in Securities

The Company has in place an internal code on securities trading which sets out the implications of insider trading and provides guidance and internal regulation with regard to dealings in the Company's securities by its Directors and officers. These guidelines prohibit dealing in the Company's securities (a) on short-term considerations; (b) while in possession of unpublished material price-sensitive information in relation to such securities; and (c) during the "closed period", which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Company's financial year and one month before the date of announcement of the full year financial results, and ending on the date of the announcement of the relevant results. The Directors and employees of the Company are notified prior to the commencement of the "closed periods" relating to dealing in the Company's securities.

21 March 2018

SUSTAINABILITY REPORT

Board Statement

The Group has been practising sustainability throughout the organisation over the years, and this is the first time these actions are being consolidated into a report prepared in compliance with the Singapore Exchange's ("SGX") requirements on sustainability reporting. The Board provides strategic direction for the Group, including considering sustainability issues as part of its strategic formulation. Through the Audit and Risk Committee ("ARC"), the Board oversees the Sustainability Committee which was established to manage the Group's material environmental, social and governance ("ESG") issues.

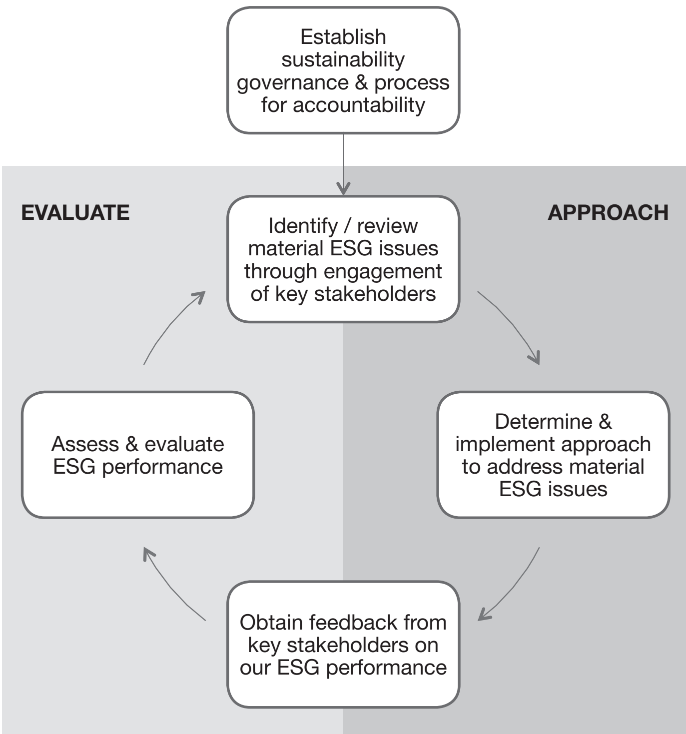
The Sustainability Committee developed an internal system to determine the approach to manage and evaluate the Group's various material ESG issues. In this report, stakeholders will see the efforts made by the Group towards a sustainable future. The Board endeavours to continue growing the business amidst challenging economic times, and hope to have the enduring support of key stakeholders on this journey.

About This Report

This inaugural sustainability report has been prepared in accordance to the internationally recognised Global Reporting Initiative ("GRI") Standards – Core option, and its reporting principles for defining report content and quality. This report also complies with the SGX's requirements on sustainability reporting ("SR"). The report focuses on the sustainability performance of the Group's main business operations, Copthorne Hotel in Cameron Highlands, Malaysia ("the Hotel"), from 1 January 2017 to 31 December 2017, unless otherwise stated. In this report, the Group (or "HLGE") refers to HLGE's Corporate Office and the Hotel. A historical comparison to the previous year has been presented where information is available. The Group will continue to assess and improve the data collection systems over time to enable us to publish an accurate and reliable sustainability report. All sustainability related queries can be sent to sustainability@hlge.com.sg.

Our Sustainability Framework

Figure 1: HLGE's Sustainability Framework

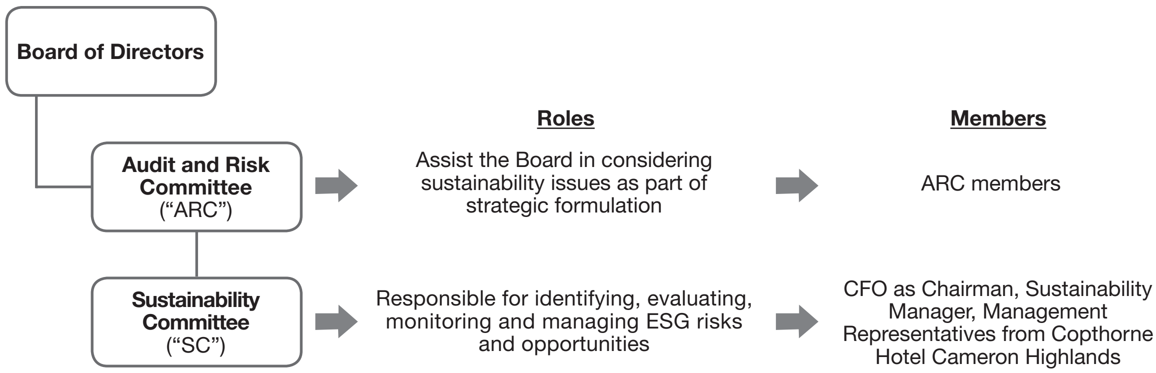


SUSTAINABILITY REPORT

The Group developed a framework to formalise the procedures and implemented the structures to manage our sustainability practices and reporting aspects during the year (Figure 1). We established the Sustainability Committee to identify and manage the material ESG issues, including target-setting and reporting aspects.

On a quarterly basis, the Sustainability Committee provides a progress update on performance to the ARC, and makes recommendations to improve the sustainability of the business. This process and performance is evaluated and reviewed by the ARC annually. The ARC in turn, reports to the Board to ensure that all requirements for sustainability compliance are met and assists the Board in considering sustainability issues as part of strategic formulation for the Group. Refer to Figure 2 for the sustainability governance structure of the Group's sustainability framework.

Figure 2: HLGE's Sustainability Governance – Structure, Roles and Members



The Group's Stakeholders & Materiality Assessment Process

Key Stakeholder Groups

Through the Group's on-going activities, and applying the GRI stakeholder inclusiveness principle, the key stakeholder groups identified are employees, guests, suppliers, relevant government agencies, and shareholders (Figure 3). The business relationships with these key stakeholders result in the value creation business model for the Group. Their feedback is critical for the Group to enhance the business by identifying important improvement and developmental areas, including the ESG issues, through regular interaction.

Materiality Assessment

In order to prioritise our efforts to manage the Group's ESG issues, we conducted a materiality assessment with the senior management in April 2017 to determine our most critical matters, and they acted as proxies for the relevant key stakeholders. The process followed the procedures outlined in Figure 4 below.

Figure 3: HLGE's Key Stakeholder Groups – Impacts & Significance

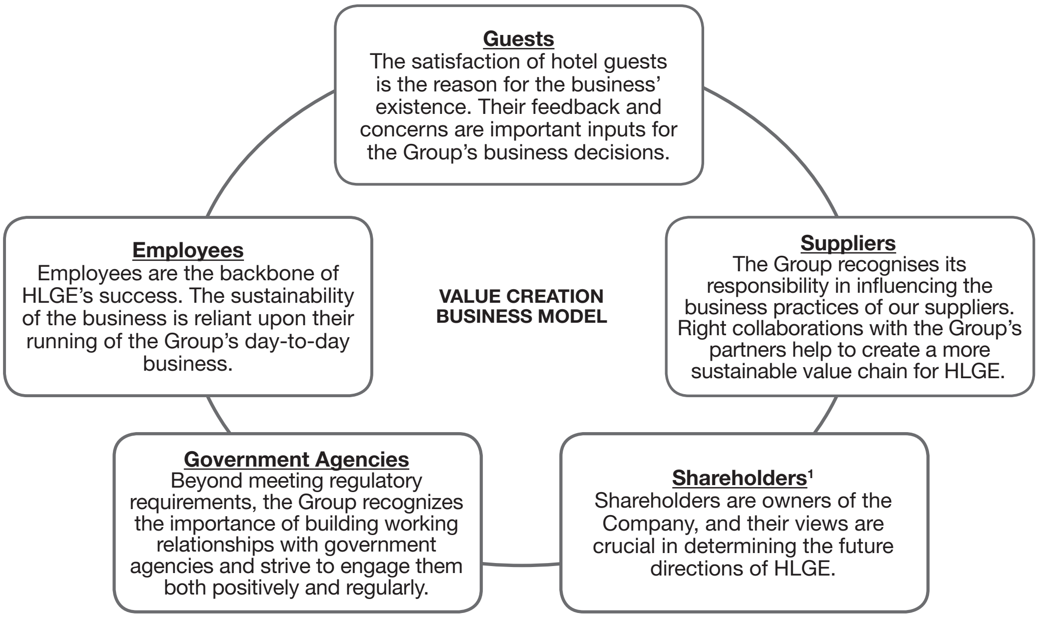
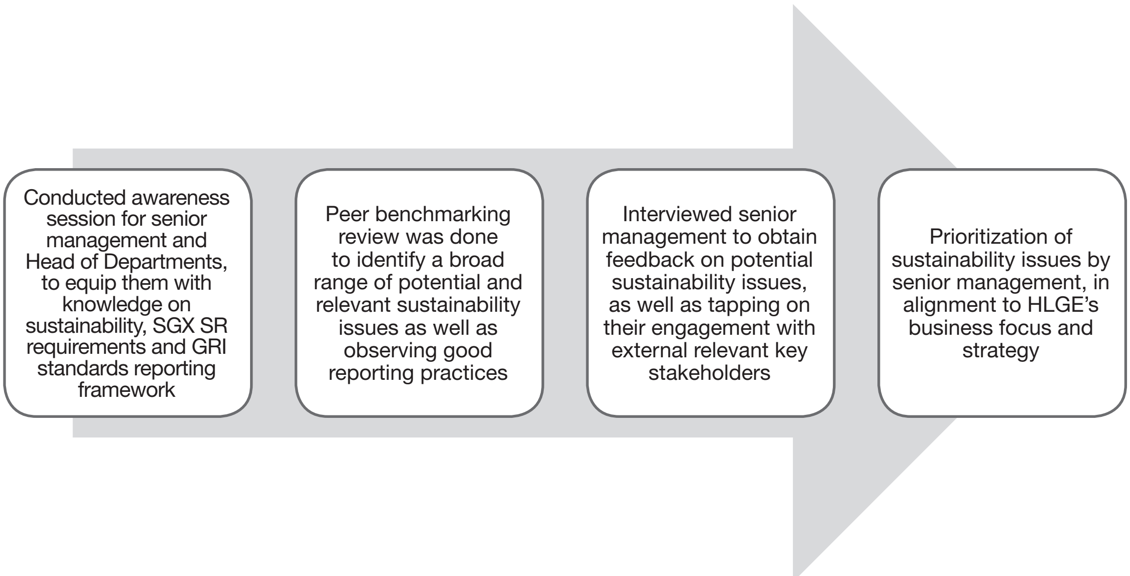


Figure 4: HLGE's Materiality Assessment Process



Based on the materiality assessment, 7 items were determined to be of critical importance and made as priority for our sustainability journey. These items are reported in Figure 5 and the mapping of these items to the GRI Standards can be found on Table 1. Throughout this sustainability report, the approach, targets, and evaluation of performance for all material items have been described in accordance with the GRI Standards requirements, unless otherwise stated.

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[1] Refer to the Corporate Directory for shareholders' contact point for the Group

SUSTAINABILITY REPORT

Figure 5: HLGE's Materiality Matrix

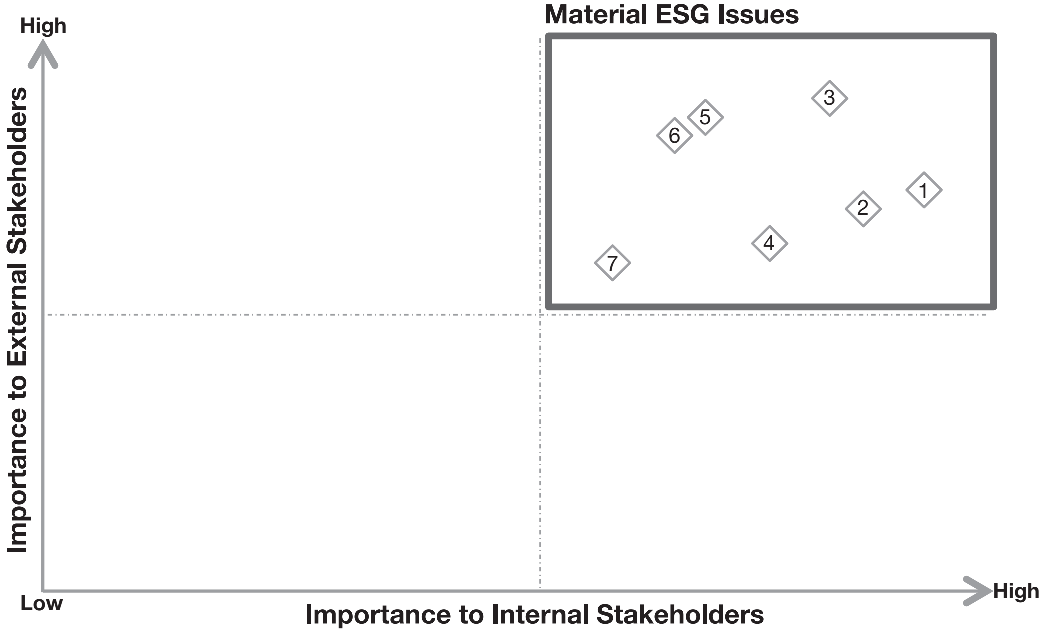

Table 1: Mapping of Material Issues to GRI Standards

S/N	Material Issues	Definition	GRI Aspects	Report Section	Topic Boundary
1	Ethical Conduct and Anti-corruption	Practicing responsible business policies including anti-corruption and fair competition behaviour	Anti-corruption	Business Environment	HLGE, Suppliers
2	Enterprise Risk Management	Management of financial, operational, investment, IT, human resource, environmental, safety and crisis risks for business continuity	Precautionary Principle or Approach	Refer to Principle 11 of the Corporate Governance Report for details	
3	Service Quality and Guest Experience	Avenues to obtain guest feedback, setting benchmarks to meet guest expectations and improving service quality	Approach to Stakeholder Engagement; Key topics and Concerns Raised	Understanding Our Guests' Needs	HLGE, Guests
4	Creating a Positive Working Environment	Creating a great place to work through welfare and benefits, and regular engagement with employees	Management Approach; Approach to Stakeholder Engagement; Key Topics and Concerns Raised; Employment	Looking After Our People	HLGE, Employees
5	Guest Wellness and Safety	Ensure the Hotel complies with mandatory or voluntary wellness and safety requirements	Customer Health and Safety	Understanding Our Guests' Needs	HLGE, Guests
6	Regulatory and Environmental Compliance	Compliance to regulatory, environmental and other core operational regulations	Environmental Compliance; Socioeconomic Compliance	Business Environment	HLGE, Government Agencies
7	Occupational Health and Safety	Provide for and promote the health and safety of employees and contractors	Occupational Health and Safety	Looking After Our People	HLGE, Employees

Our Business Environment

It is the goal of HLGE to build a healthy business which benefits its key stakeholders as they are impacted the most by the performance of the Group. Any lapse in governance can have far-reaching impacts to our key stakeholders both within and outside the Group.

<u>Ethical Conduct and Anti-corruption</u>

Approach

The Group is committed to upholding a high standard of ethical requirements to remain accountable and fair to key internal and external stakeholders. At our Hotel, employees are required to sign the employee's code of conduct upon joining, and this policy is managed by the Human Resource ("HR") Department and approved by the General Manager of the Hotel. A similar ethical business conduct ("EBC") policy is currently communicated informally to our suppliers, and the Group is underway to put into writing the EBC policy for suppliers in 2018.

HLGE has in place a whistle-blowing policy[2], overseen by the ARC, where employees or any other persons can raise concerns on possible breach of ethical business conduct.

Performance

There has been no confirmed incident of corruption during the reporting year. The Group's employees and business partners were not involved in any such cases, and no legal cases have been brought against HLGE, the Hotel or any employees for such incidents. The Group targets to maintain the good governance trend at HLGE.

<u>Regulatory & Environmental Compliance</u>

Approach

To maintain the Group's license to operate, it is critical for us to meet regulatory requirements. This responsibility is delegated to the respective heads of departments ("HODs") to make certain that regulations within their scope of work are complied with. They liaise with the relevant government agencies and coordinate periodic inspections as required. The HODs will then report to the Hotel General Manager and the Group CFO for an annual evaluation, or as and when there are significant regulatory changes.

Performance

The Group did not incur any significant fines or any stop work orders during the reporting year regarding regulatory or environmental compliance. We will continue to work hard to ensure full compliance with rules and regulations.

Understanding Our Guests' Needs

The Hotel's business revolves around providing quality services to guests from start to end. Our employees are dedicated to bringing about a seamless suite of services from front to back-end, and from making reservations to receiving feedback after our guests have completed their stay.

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[2] Refer to Principle 12 of the Corporate Governance Report for more on the Group's Whistle-blowing Policy

SUSTAINABILITY REPORT

Service Quality and Guest Experience

Approach

At Copthorne Cameron Highlands, enhancing guest experience is a priority, and obtaining guest feedback is critical to helping us achieve our goal. We will keep up the good work in the areas we have done well, and prioritise efforts in the areas we can improve on.

The Hotel's staff remain our most valuable ambassadors, as they are ready to attend to our guests' needs at any time. At the end of their stay, guests are encouraged to fill in feedback forms, and those who made reservations over the internet will be prompted by the Online Travel Agent ("OTA") to leave a review for the Hotel.

The Hotel sets internal benchmarks to meet guest expectations on a timely basis, and our Front Office team is on-call 24 hours a day, 7 days a week. Performance is evaluated at daily morning briefings attended by the HODs and led by the Hotel General Manager.

Performance

The most common compliment amongst our guests goes to our Hotel staff who our guests find as friendly, polite and always happy to oblige to their requests. In 2017 specifically, the Hotel worked with the local tourism board to host MICE[3] events and guests, and we received very positive feedback from them. The most common area of improvement is the age of our facilities. Therefore, our facilities are currently undergoing improvements, to ensure a more pleasant stay by our guests.

We take our public ratings very seriously as it is a direct indication of our guests' experience at our Hotel. We endeavour to respond to all guests' feedback via email and the respective OTA platforms. Our ratings are monitored closely and we hope to improve them year-on-year.

Guest Wellness and Safety

Approach

The well-being and safety of our guests is our top concern. We safeguard the facilities around the Hotel are functioning properly through daily inspections by the Manager on Duty ("Duty Manager"). The Duty Manager also conducts spot-checks on guest rooms randomly to determine that everything is in working order.

Daily routine and unscheduled security patrols are carried out to protect the safety of our guests. Anything out of the ordinary is reported to the Safety & Security Manager for review; the Safety & Security Manager will decide whether any action is needed or requires immediate escalation to the Duty Manager. Non-urgent matters are reported to the Management team at daily morning briefings.

The Food and Beverage ("F&B") Department maintains the strictest standards and quality for all food and drinks served at the Hotel's cafés and restaurants. Any guest feedback is attended to immediately.

Performance

There were no non-compliance with regulations or voluntary codes concerning health and safety impacts of products and services provided during the reporting period. Our team at the Hotel is diligent in ensuring that we are compliant with the requirements.

[3] Meetings, incentives, conferencing, exhibitions

Looking After Our People[4]

Creating a positive work environment, one that is fair and open, for employees is the obligation of a responsible enterprise. It also motivates employees to perform better, resulting in better operations of the Hotel and enhanced guests' experience.

Creating a Positive Work Environment

Approach

To ensure timely reward of good performance for our staff, every permanent employee is evaluated quarterly using the Hotel's STAR Recognition Program where targets are set according to the department and job scope of each employee.

The HODs can nominate high-performing employees to be the Hotel's STAR employee of the month or the year, and the winners are published in the Hotel's main lobby as part of the recognition program. On top of recognition amongst colleagues and guests, there are additional incentives for the STAR employees, especially if they have been given a personal compliment from a guest.

An annual appraisal is performed for each employee to determine salary increment, promotion or identify their career development plan. Our relationship with our staff is a two-way street and they have the option to raise feedback directly to their supervisors, the Head of HR, or anonymously through the "Suggestion Box".

The Hotel's work force is partially supported by trainees from hospitality education institutions around Malaysia, especially during peak holiday seasons. They are also provided an evaluation for their work at the end of their traineeship which typically lasts between 4 to 6 months.

Performance

As of 31 December 2017, the Hotel had 214 full-time employees of whom 66% were permanent (80 males and 61 females), and the rest were temporary employees (35 males and 38 females). As a common trend in the hotel industry, most of the temporary trainees hired were under the age of 30, hence the high turnover rates in that category (Table 2). Absenteeism rate remained low with 6 absentees (5 males, 1 female) during the year who were promptly counselled by the HR Department. Retaining high-performing permanent employees is a priority for the Hotel to keep operations stable and the turnover rate for the year is 6.8%, which is lower than the national average of approximately 9.5%[5].

Table 2: New Employees and Employee Turnover at Copthorne Hotel Cameron Highlands

	New Hires				Departures			
Age Group	**Male**	**%**	**Female**	**%**	**Male**	**%**	**Female**	**%**
<30	141	59%	98	41%	138	64%	79	36%
30-50	3	100%	0	0%	5	71%	2	29%
>50	2	67%	1	33%	2	67%	1	33%
Total	**146**	**60%**	**99**	**40%**	**145**	**64%**	**82**	**36%**

Responses from our employees indicate that they appreciate the activities organised by the Hotel to engage employees and foster team spirit within the various Hotel departments. They also raised feedback regarding the welfare benefits package provided by the Hotel, therefore the Management conducted a review and made some changes to the packages during the year which our employees have reacted positively to. We will continue to work on our relationship with our employees as they are one of the most important stakeholders to the sustainability of the Group's business.

4 Information provided in this section specifically refer to our Hotel operations
5 Source: Key Insights to Attract, Reward and Retain Talent in Malaysia: Aon Hewitt's Views

SUSTAINABILITY REPORT

Employee Health & Safety

Approach

Ensuring that our employees are working in a healthy and safe environment is very important to the Group. Our Hotel Safety Committee oversees all health and safety aspects of the Hotel. It is chaired by the Hotel General Manager and comprises of HODs, including the Security & Safety Manager, meeting at least once a quarter.

We have safe work procedures designed for specific work stations and functions, especially for our colleagues working in the higher risk areas such as Facilities Maintenance and Food Preparation Departments. Employees are also responsible for reporting any unsafe acts or facilities to their supervisors, who will then report them to the Hotel Safety Committee for further action.

The Group has a zero-tolerance policy on accidents and every incident is to be reported to the Safety & Security Manager for investigation. The report is then submitted to the Hotel General Manager. Where corrective actions are required, recommendations will be put forth to the Safety Committee.

Performance

As of 31 December 2017, the injury rate was 2.61 and 2.01 respectively for every 100 male and 100 female employees, and 3.57 for male contractors (no female contract staff). The lost day rate for male and female employees was almost nil as each incident was minor. There were no fatalities or occupational diseases reported during the reporting year. The Hotel will remain conscientious in providing our employees a safe place to work in by keeping a low injury and lost day rate.

Engaging Our Suppliers & Vendors

Approach

Majority of the Hotel's supply chain is made up of small-business owners from Cameron Highlands, Ipoh and Kuala Lumpur. Our supply chain is mainly made up of daily purchases of replenishment for our F&B outlets, and maintenance and electrical upgrades or energy supply. To maintain a high level of product service and quality for our guests, we evaluate our significant suppliers quarterly where the end-user, Receiving Department and Procurement Department will provide a rating for the supplier. A supplier which has been given a poor rating will be issued with either a verbal warning on the improvement areas, or a written termination letter should the supplier not make the necessary corrections.

Performance

The Hotel appreciates our suppliers supporting our business over the years, as many of our suppliers have long-standing relationships with us. During the year, most of the Hotel's suppliers achieved the required rating upon evaluation. In order to build a better, fairer business, we call for our suppliers to also behave in an ethical manner, the same that is expected of our employees. A formal EBC policy will be written for suppliers in the year ahead, and it will be shared with our suppliers and business partners.

Going Forward

This is the first year of sustainability reporting for the Group, and we look to improve our systems and processes to achieve the desired results to become a more sustainable business over time. We are open to feedback or queries regarding our sustainability aspects, and they can be directed to sustainability@hlge.com.sg.

GRI Standards Content Index

Disclosure No.	Disclosure Title	Page No.	Omission
GRI Standards – General Disclosures			
102-1	Name of the organization	Cover page	
102-2	Activities, brands, products, and services	2	
102-3	Location of headquarters	1	
102-4	Location of operations	1-2	
102-5	Ownership and legal form	Note 1 of the financial statements	
102-6	Markets served	2	
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102-14	Statement from senior decision-maker	30	
102-16	Values, principles, standards, and norms of behaviour	Corporate Governance Report	
102-18	Governance structure	31	
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102-41	Collective bargaining agreements	None	
102-42	Identifying and selecting stakeholders	31	
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102-47	List of material topics	32-33	
102-48	Restatements of information	None	
102-49	Changes in reporting	None	
102-50	Reporting period	30	
102-51	Date of most recent report	Not applicable as this is our inaugural sustainability report	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	30	
102-54	Claims of reporting in accordance with the GRI Standards	30	
102-55	GRI content index	38	
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GRI Standards – Topic Specific Standards			
Ethical Conduct & Anti-corruption			
103-1	Explanation of the material topic and its Boundary	33-34	
103-2	The management approach and its components	33-34	
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205-3	Confirmed incidents of corruption and actions taken	33-34	
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103-1	Explanation of the material topic and its Boundary	34	
103-2	The management approach and its components	34	
103-3	Evaluation of the management approach	34	
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Service Quality & Guest Experience / Guest Wellness & Safety			
103-1	Explanation of the material topic and its Boundary	34-35	
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103-1	Explanation of the material topic and its Boundary	35-36	
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DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members of HL Global Enterprises Limited (the "Company") together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

In our opinion:

(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 in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards; 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 as follows:

Dato' Gan Khai Choon
Philip Ting Sii Tien
Hoh Weng Ming
Michael Yeo Chee Wee
Loo Hwee Fang
Andrew Goh Kia Teck
Goh Kian Chee (appointed on 1 March 2018)

Directors' interests

No director who held office at the end of the financial year had interests in shares, share options, warrants and/or debentures of the Company, or of its related corporations, either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year.

Neither at the end of nor at any time during the financial year was the Company a party to any arrangements 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.

Share options

(a) HL Global Enterprises Share Option Scheme 2006 (the "Share Option Scheme")

The Share Option Scheme was approved by the shareholders at the extraordinary general meeting of the Company held on 29 September 2006 for an initial duration of 10 years (from 29 September 2006 to 28 September 2016). At the annual general meeting of the Company held on 29 April 2016, the shareholders approved the extension of the duration of the Share Option Scheme for a further period of 10 years from 29 September 2016 to 28 September 2026. Other than the extension of the duration of the Share Option Scheme, all other rules of the Share Option Scheme remain unchanged.

Share options (continued)

(a) HL Global Enterprises Share Option Scheme 2006 (the "Share Option Scheme") (continued)

The Share Option Scheme is administered by a committee (the "Share Option Scheme Committee") comprising the following members:

Andrew Goh Kia Teck	(appointed as Chairman on 1 March 2018)
Loo Hwee Fang	
Goh Kian Chee	(appointed on 1 March 2018)

Under the terms of the Share Option Scheme, the Share Option Scheme Committee may make offers of the grant of options to:

(i) Group Employees and Parent Group Employees (both as defined in the Share Option Scheme) which may be exercisable during an option exercise period commencing from the date that the option vests and expiring on the day preceding the tenth anniversary of its date of grant; and

(ii) Group Non-executive Directors, Parent Group Non-executive Directors, Associated Company Employees and Associated Company Non-executive Directors (all as defined in the Share Option Scheme) which may be exercisable during an option exercise period commencing from the date that the option vests and expiring on the day preceding the fifth anniversary of its date of grant.

The Share Option Scheme provides the Company with the flexibility of granting options to participants at Market Price (as defined in the Share Option Scheme) and/or with a discount (either up-front or a deferred discount) to the Market Price.

The aggregate number of ordinary shares in the capital of the Company ("Shares") over which options may be granted under the Share Option Scheme on any date, when added to the number of Shares issued and issuable in respect of all options granted under the Share Option Scheme shall not exceed 15% of the total number of issued Shares excluding treasury shares, if any, on the day preceding the relevant date of grant. The aggregate number of Shares which may be offered by way of grant of options to Parent Group Employees and Parent Group Non-executive Directors collectively under the Share Option Scheme shall not exceed 20% of the total number of Shares available under the Share Option Scheme.

No option has been granted by the Company since the commencement of the Share Option Scheme.

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares of the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

(b) HL Global Enterprises Share Option Scheme 2006 Trust

HL Global Enterprises Share Option Scheme 2006 Trust (the "Trust") was established pursuant to a trust deed dated 13 January 2012 entered into between the Company and Amicorp Trustees (Singapore) Limited as the trustee of the Trust (the "Trustee") (the "Trust Deed").

DIRECTORS' STATEMENT

Share options (continued)

(b) HL Global Enterprises Share Option Scheme 2006 Trust (continued)

The Trustee had acquired 24,189,170 Series B redeemable convertible preference shares from Grace Star Services Ltd., a controlling shareholder of the Company and a wholly-owned subsidiary of China Yuchai International Limited, which is in turn a subsidiary of Hong Leong Asia Ltd. The said shares were converted into 24,189,170 new Shares in January 2012 and consolidated into 2,418,917 Shares ("Trust Shares") following a share consolidation of every ten (10) issued Shares into one (1) consolidated Share, which became effective on 14 May 2015. Pursuant to the terms of the Trust Deed, the Trust Shares are held by the Trustee for the benefit of participants who are employees of the Company and/or its subsidiaries and who have been granted share options under the Share Option Scheme (excluding directors of the Company and directors and employees of the Company's parent company and its subsidiaries) (the "Beneficiaries") and transfer such Trust Shares to the Beneficiaries upon the exercise of their share options under the Share Option Scheme.

The Trustee has the power to vote or abstain from voting at any general meeting of the Company in its absolute discretion in respect of the Trust Shares.

The Trust will terminate upon the full satisfaction of the outstanding options granted under the Share Option Scheme following the expiry or termination of the Share Option Scheme or if there are no Beneficiaries, upon the Company issuing a notice to the Trustee to terminate the Trust. Upon the termination of the Trust, the Trustee will sell all remaining Trust Shares then held by the Trustee (unless the Trustee is requested by the Company to transfer the remaining Trust Shares to a trustee for the purposes of the Company's future or other employee share schemes), and deal with all funds and investments then held by the Trustee, in accordance with the instructions of the Company.

Audit and Risk Committee

The Audit and Risk Committee ("ARC") comprises three independent non-executive members of the Board. The members of the ARC at the date of this statement are as follows:

Andrew Goh Kia Teck	(appointed as Chairman on 1 March 2018)
Loo Hwee Fang	
Goh Kian Chee	(appointed on 1 March 2018)

The ARC performs the functions of an audit and risk committee under its terms of reference including those specified in the Act, the Listing Manual of Singapore Exchange Securities Trading Limited ("Listing Manual") and the Code of Corporate Governance 2012.

The ARC held four meetings during the financial year. In the performance of its functions, the ARC met with the Company's internal and external auditors to discuss the scope of their work, the results of their examination and their evaluation of the Company's system of internal controls.

The ARC also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly and annual financial statements of the Group and of the Company prior to their submission to the directors of the Company for approval; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual).

DIRECTORS' STATEMENT

Audit and Risk Committee (continued)

The ARC has full access to management and is given the resources required by it to discharge its functions. It has full authority and the discretion to invite any director or executive officer or third party advisor to attend its meetings. The ARC also reviews the nature and level of audit and non-audit fees and recommends the appointment/re-appointment of the external auditors.

The ARC is satisfied with the independence and objectivity of the external auditor and has recommended to the directors that the auditor, Ernst & Young LLP, be nominated for re-appointment as auditor at the forthcoming annual general meeting of the Company.

In appointing the auditor for the Company and its subsidiaries, the Company has complied with Rules 712 and 715 (read with Rule 716) of the Listing Manual.

Auditor

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

On behalf of the Board of Directors

Dato' Gan Khai Choon
Chairman

Philip Ting Sii Tien
Director

Singapore
21 March 2018

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

Independent Auditor's Report to the Members of HL Global Enterprises Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HL Global Enterprises 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 property

As at 31 December 2017, the Group has an investment property of $2,162,000. This property is stated at fair value, of which management used an external real estate valuer to determine the valuation. The valuation of the investment property is dependent on a range of estimates and assumptions used by the external valuer, such as location and size of building, building infrastructure, market and industry knowledge, and historical comparable transactions. Given the magnitude and complexity of the valuation, we identified this as a key audit matter.

Independent Auditor's Report to the Members of HL Global Enterprises Limited (continued)

Key Audit Matters (continued)

Valuation of investment property (continued)

Our audit procedures included, amongst others, evaluating the competency, capabilities and objectivity of the external real estate valuer engaged by management, and discussing with them to understand the rationale of adopting the valuation techniques and the basis of significant estimates and assumptions applied in the valuation. We assessed the appropriateness of the valuation techniques and the significant assumptions and estimates used by the external real estate valuer by comparing to available trade published data, for instance, recent transacted price of comparable properties at similar locations and considering the specific nature, condition, and uses of the property. We also assessed the reasonableness of the deferred tax consequences arising from the fair value adjustments.

We further assessed the adequacy of the Group's disclosures in notes 4 and 28 to the financial statements.

Carrying values of development properties

As at 31 December 2017, the Group has development properties amounting to $4,881,000 which comprised mainly a freehold land in Malaysia and certain development costs incurred to-date. These development properties are carried at lower of cost and net realizable values ("NRV"). We have identified the valuation of development properties in Malaysia to be a key audit matter as the development is at its planning stage and thus, required management to exercise judgment in estimating the NRV at its completion. In ascertaining these NRV, management took into consideration the estimated selling prices based on current market prices of comparable properties as well as prevailing property market conditions in Malaysia, development plan of the properties, and expected development costs to complete.

Our audit procedures included, amongst others, discussion with management to understand their considerations and basis in assessing the NRV of the development properties. We reviewed the appropriateness of management assumptions relating to the estimated selling prices by checking to recently transacted prices for similar properties located in the nearby vicinity, and considered whether these estimated prices should be adjusted based on current property market trends. We compared the budgeted development cost and project margin with publicly available construction cost information for similar properties (taking into account both property type and location). We also tested the sensitivity of the NRV to a reasonable change in estimated selling prices and costs, and considered its effect on the cost and NRV assessment.

We further assessed the adequacy of the Group's disclosures concerning this in note 12 to the financial statements.

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 HL Global Enterprises Limited (continued)

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 to the Members of HL Global Enterprises Limited (continued)

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

- 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 Tan Swee Ho.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
21 March 2018

BALANCE SHEETS

As at 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current assets					
Property, plant and equipment	3	**17,679**	37,140	**–**	–
Investment property	4	**2,162**	2,109	**–**	–
Subsidiaries	5	**–**	–	**34,602**	68,945
Associate	6	**59**	59	**–**	–
Joint ventures	7	**538**	533	**–**	–
Non-trade receivables	8	**127**	330	**5**	5
Other asset	9	**62**	54	**–**	–
		20,627	40,225	**34,607**	68,950
Current assets					
Inventories	11	**113**	91	**–**	–
Development properties	12	**4,881**	4,858	**–**	–
Trade and other receivables	8	**6,494**	6,723	**6,083**	187
Prepayment		**62**	69	**23**	23
Cash and bank balances	13	**60,486**	19,806	**46,525**	4,005
		72,036	31,547	**52,631**	4,215
Asset of disposal group classified as held for sale	16	**–**	30	**–**	–
Total assets		**92,663**	71,802	**87,238**	73,165

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

BALANCE SHEETS

As at 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Equity					
Share capital	14	**129,793**	129,793	**129,793**	129,793
Equity capital contributed by parent	14	**3,980**	3,980	**3,980**	3,980
Reserves	15	**(55,169)**	(141,838)	**(58,254)**	(133,031)
Reserve of disposal group classified as held for sale	16	**–**	3,132	**–**	–
Total equity attributable to owners of the Company		**78,604**	(4,933)	**75,519**	742
Non-current liabilities					
Other payables	17	**1,650**	590	**3,689**	2,851
Loans and borrowings	18	**2,393**	71,384	**–**	68,000
Deferred tax liabilities	10	**28**	147	**–**	–
		4,071	72,121	**3,689**	70,851
Current liabilities					
Trade and other payables	17	**9,981**	3,804	**8,021**	1,563
Loans and borrowings	18	**4**	569	**–**	–
Current tax payable		**3**	241	**9**	9
		9,988	4,614	**8,030**	1,572
Total liabilities		**14,059**	76,735	**11,719**	72,423
Total equity and liabilities		**92,663**	71,802	**87,238**	73,165

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

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000
Revenue	20	**11,675**	13,760
Cost of sales		**(5,302)**	(5,627)
Gross profit		**6,373**	8,133
Other income	21	**87,532**	1,292
Selling and marketing expenses		**(248)**	(304)
Administrative expenses		**(561)**	(618)
Finance costs	22	**(1,224)**	(1,931)
Other expenses		**(5,456)**	(5,517)
Share of results of associate (net of tax)	6	**(1)**	(1)
Share of results of joint ventures (net of tax)	7	**164**	(698)
Profit before tax		**86,579**	356
Income tax	23	**(340)**	(507)
Profit/(loss) for the year attributable to owners of the Company	24	**86,239**	(151)
Earnings/(loss) per share (cents per share)			
– Basic	25	**91.84**	(0.16)
– Diluted	25	**91.84**	(0.16)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Group	
	2017	**2016**
	$'000	**$'000**
Profit/(loss) for the year	**86,239**	(151)
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	**181**	(1,215)
Realisation of foreign currency translation reserves upon disposal of a subsidiary and investment in a joint venture	**(2,883)**	–
Other comprehensive loss for the year, net of tax	**(2,702)**	(1,215)
Total comprehensive income/(loss) for the year attributable to owners of the Company	**83,537**	(1,366)

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

Group	Share capital $'000	Equity capital contributed by parent $'000	Preference shares $'000	Special reserve $'000	Premium paid on acquisition of non-controlling interests $'000	Currency translation reserve $'000	Accumulated losses $'000	Reserve held for sale $'000	Total equity attributable to owners of the Company $'000
At 1 January 2017	**129,790**	**3,980**	**3**	**8,529**	**(192)**	**(2,454)**	**(147,721)**	**3,132**	**(4,933)**
Profit for the year	–	–	–	–	–	–	86,239	–	86,239
Other comprehensive income/(loss), net of tax									
Foreign currency translation differences for foreign operations	–	–	–	–	–	181	–	–	181
Realisation of foreign currency translation reserve upon disposal	–	–	–	–	–	249	–	(3,132)	(2,883)
Other comprehensive income/(loss) for the year, net of tax	–	–	–	–	–	430	–	(3,132)	(2,702)
Total comprehensive income/(loss) for the year	–	–	–	–	–	430	86,239	(3,132)	83,537
At 31 December 2017	**129,790**	**3,980**	**3**	**8,529**	**(192)**	**(2,024)**	**(61,482)**	**–**	**78,604**

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

Group	Share capital $'000	Equity capital contributed by parent $'000	Preference shares $'000	Special reserve $'000	Premium paid on acquisition of non-controlling interests $'000	Currency translation reserve $'000	Accumulated losses $'000	Reserve held for sale $'000	Total equity attributable to owners of the Company $'000
At 1 January 2016	129,790	3,980	3	8,529	(192)	1,893	(147,570)	–	(3,567)
Loss for the year	–	–	–	–	–	–	(151)	–	(151)
Other comprehensive loss, net of tax									
Foreign currency translation differences for foreign operations	–	–	–	–	–	(1,215)	–	–	(1,215)
Total comprehensive loss for the year	–	–	–	–	–	(1,215)	(151)	–	(1,366)
Others									
Reserve held for sale	–	–	–	–	–	(3,132)	–	3,132	–
Contribution by owners									
Conversion of non-redeemable convertible cumulative preference shares ("NCCPS")	#	–	(#)	–	–	–	–	–	–
At 31 December 2016	129,790	3,980	3	8,529	(192)	(2,454)	(147,721)	3,132	(4,933)

less than $1,000

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

Company	Share capital $'000	Equity capital contributed by parent $'000	Preference shares $'000	Special reserve $'000	Accumulated losses $'000	Total equity attributable to owners of the Company $'000
At 1 January 2017	**129,790**	**3,980**	**3**	**12,471**	**(145,502)**	**742**
Profit for the year, representing total comprehensive income for the year	**–**	**–**	**–**	**–**	**74,777**	**74,777**
At 31 December 2017	**129,790**	**3,980**	**3**	**12,471**	**(70,725)**	**75,519**
At 1 January 2016	129,790	3,980	3	12,471	(159,337)	(13,093)
Profit for the year, representing total comprehensive income for the year	–	–	–	–	13,835	13,835
Contributions by owners						
Conversion of NCCPS	#	–	(#)	–	–	–
At 31 December 2016	129,790	3,980	3	12,471	(145,502)	742

less than $1,000

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2017

	Group	
	2017	**2016**
	$'000	**$'000**
Operating activities		
Profit before tax	**86,579**	356
Adjustments for:		
Bad debts written off	**2**	–
Depreciation of property, plant and equipment	**1,921**	2,090
Gain on disposal of investment in a joint venture	**(38,542)**	–
Gain on disposal of a subsidiary	**(48,270)**	–
Fair value gain on an investment property	**–**	(561)
Impairment loss on trade and other receivables	**199**	2
Interest expense	**813**	1,598
Interest income	**(368)**	(398)
Gain on disposal of property, plant and equipment	**–**	(4)
Property, plant and equipment written off	**1**	1
Share of results of associate (net of tax)	**1**	1
Share of results of joint ventures (net of tax)	**(164)**	698
Unrealised foreign exchange losses - net	**247**	332
Write-back of impairment on trade receivables	**–**	(7)
Write-back of trade and other payables	**(6)**	–
Operating cash flows before changes in working capital	**2,413**	4,108
Development properties	**77**	–
Inventories	**(22)**	(4)
Trade and other payables	**1,059**	674
Trade and other receivables	**900**	(531)
Cash from operating activities	**4,427**	4,247
Income tax paid	**(552)**	(468)
Interest paid	**(1,133)**	(1,588)
Interest received	**431**	313
Net cash from operating activities	**3,173**	2,504
Investing activities		
Net cash inflow on disposal of a subsidiary and investment in a joint venture (note 19)	**104,533**	–
Dividend received from a joint venture	**154**	124
Proceeds from disposal of property, plant and equipment	**4**	4
Purchase of property, plant and equipment (note 3)	**(341)**	(544)
Placement of long term fixed deposits and restricted cash at bank	**(12,189)**	–
Repayment of loan due from a joint venture	**2,858**	–
Amount due from a joint venture	**–**	(3,126)
Net cash from/(used in) investing activities	**95,019**	(3,542)

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2017

	Group	
	2017	**2016**
	$'000	**$'000**
Financing activities		
Repayment of finance lease liabilities	**(5)**	(10)
Repayment of borrowings	**(69,634)**	(1,405)
Net cash used in financing activities	**(69,639)**	(1,415)
Net increase/(decrease) in cash and cash equivalents	**28,553**	(2,453)
Cash and cash equivalents at beginning of the year	**19,806**	22,487
Effect of exchange rate changes on balances held in foreign currencies	**(62)**	(228)
Cash and cash equivalents at end of the year (note 13)	**48,297**	19,806

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

1. CORPORATE INFORMATION

HL Global Enterprises 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 of the Company is located at 156 Cecil Street, #09-01 Far Eastern Bank Building, Singapore 069544.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 5 to the financial statements.

The Company's immediate holding company is Grace Star Services Ltd., a company incorporated in the British Virgin Islands and the ultimate holding company is Hong Leong Investment Holdings Pte. Ltd., a company incorporated in Singapore.

The consolidated financial statements relate to the Company and its subsidiaries (collectively, the "Group") and the Group's share of results in its associate and jointly controlled entities.

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 Dollar ("SGD" or "$") and all values are rounded to the nearest thousand ("$'000"), except when otherwise indicated.

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) ("SFRS(I)"), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). On transition to SFRS(I), the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of $2,454,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

The Group expects to elect the option to treat the carrying amount of investment property revalued under previous accounting policy as its deemed cost as at 1 January 2017. The Group expects to treat an amount of $2,109,000 of investment property as its deemed cost as at 1 January 2017.

Other than the effects of the matter as described above and the impact on adoption of SFRS(I) 9 and SFRS(I) 16, the Group expects that the adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 9 and SFRS(I) 16 will be similar to the impact on adoption of FRS 109 and FRS 116 as disclosed in Note 2.3.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual financial periods beginning on or after 1 January 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 that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 102: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40: *Transfers of Investment Property*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Improvements to FRS (December 2016) – Amendments to FRS 28: *Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 110 & FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date 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.

Except for SFRS(I) 9 and SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9 and SFRS(I) 16 are described below.

<u>SFRS(I) 9 *Financial Instruments*</u>

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 the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective (continued)

SFRS(I) 9 *Financial Instruments (continued)*

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects no material impact on loss allowance.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of SFRS(I) 16 and expects that the adoption of SFRS(I) 16 will result in increase in total assets and total liabilities, earnings before interest, taxes, depreciation and amortisation and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying SFRS(I) 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to SFRS(I) 16 and assessing the possible impact of adoption.

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 (continued)

2.4 Basis of consolidation and business combinations (continued)

(a) Basis of consolidation (continued)

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; and
- reclassifies 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 either in profit or loss.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency

The financial statements are presented in SGD, 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.

(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 rates which approximate 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.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations 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.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land are measured at cost less accumulated depreciation and any accumulated impairment losses.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment (continued)

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.

Freehold land has an unlimited useful life and therefore is not depreciated.

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

		Useful lives
Buildings and improvements on freehold land	–	50 years
Leasehold land, buildings and improvements	–	50 years or period of lease, whichever is shorter
Plant and machinery	–	3 to 20 years
Furniture, fittings and office equipment	–	3 to 20 years
Motor vehicles	–	5 to 6 years
Linen, china, glassware and silverware, etc.	–	5 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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 de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2.7 Investment property

Investment property is property owned by the Group that is held to earn rentals, 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 property is initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the year in which they arise.

Investment property is de-recognised 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 gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 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.

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.

2.9 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.

2.10 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.

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 ventures is set out in note 2.11.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 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 associate 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 associate 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 associate or joint ventures. The profit or loss reflects the share of results of the operations of the associate or joint ventures. Distributions received from associate or joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associate or joint ventures, 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 ventures are eliminated to the extent of the interest in the associate or joint ventures.

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

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 ventures 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 ventures and its carrying value and recognises the amount in profit or loss.

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

2.12 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. The Group determines the classification of its financial assets at initial recognition.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

(a) Financial assets (continued)

Initial recognition and measurement (continued)

There is no financial asset designated upon initial recognition as financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale assets.

Subsequent measurement

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 de-recognised or impaired, and through the amortisation process.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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.

(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. 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.

There is no financial liability designated upon initial recognition as financial liabilities at fair value through profit or loss.

Subsequent measurement

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 de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised 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 de-recognition 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

(c) Offsetting of financial instruments

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

2.13 Impairment of financial assets

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

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 asset 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.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Development properties

Development properties are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Development properties are held as inventories and are measured at the lower of cost and net realisable value.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

Costs to complete development include cost of land and other direct and related development expenditure, including borrowing costs incurred in developing the properties.

Net realisable value of development properties is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by using the weighted average cost formula and comprises the costs of purchase.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

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 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Share capital

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.

Non-redeemable convertible cumulative preference shares ("NCCPS")

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

NCCPS holders shall have no voting rights except under certain circumstances referred to in the Singapore Companies Act, Chapter 50 set out in the terms of the NCCPS.

In accordance with the terms and conditions of the NCCPS, the rights of NCCPS holders to convert all or any of their NCCPS into fully paid ordinary shares in the capital of the Company had lapsed on 4 July 2016.

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, including Singapore, China and Malaysia. 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.

The employees of the entities within the Group which operate in China and Malaysia are required to participate in a central pension scheme operated by the local government. These entities are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

2.21 Leases

As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Leases (continued)

As lessee (continued)

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

As lessor

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

2.22 Non-current assets held for sale

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. A component of the Group is classified as '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.

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 Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) Rendering of services

Revenue from rendering services relates to project management contracts, and hotel room and restaurant operations. Revenue is recognised over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

(b) Sale of completed development properties

A development property is regarded as sold when the significant risks and rewards have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue (continued)

(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 assets 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) Licence fee

Licence fee charged for the use of trademark granted by the agreement is recognised as revenue.

(f) Interest income

Interest income is recognised using the effective interest method.

2.24 Finance and borrowing costs

Finance costs comprise interest expenses on borrowings and net foreign currency losses recognised in profit or loss. All borrowing costs are expensed in the period they occur, except to the extent that they 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.

2.25 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Taxes (continued)

(b) Deferred tax (continued)

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.

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 income tax liabilities and the deferred taxes relate to the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Taxes (continued)

(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.

2.26 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 26, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Consolidation of special purpose entity and treasury shares

To facilitate the implementation of the Share Option Scheme, the Company had, on 13 January 2012, established a trust known as the HL Global Enterprises Share Option Scheme 2006 Trust (the "Trust") with Amicorp Trustees (Singapore) Limited as the trustee of the Trust (the "Trustee") pursuant to a trust deed dated 13 January 2012 entered into between the Company and the Trustee (the "Trust Deed").

In connection with the establishment of the Trust, Grace Star Services Ltd. ("Grace Star"), a controlling shareholder of the Company and a wholly-owned subsidiary of China Yuchai International Limited, which is in turn a subsidiary of Hong Leong Asia Ltd., had, on 13 January 2012, transferred 24,189,170 Series B redeemable convertible preference shares ("Series B RCPS"), representing 100% of the remaining unconverted Series B RCPS, to the Trustee for a nominal consideration of $1.00 for the purpose of the Trust. The difference between the carrying amount of the Series B RCPS and the consideration paid is recognised as "Equity capital contributed by parent" within the equity.

Pursuant to the terms of the Trust Deed, the Trustee will, *inter alia*, acquire and hold existing shares in the capital of the Company (collectively, the "Trust Shares") for the benefit of participants who are employees of the Company and/or its subsidiaries and who have been granted share options under the Share Option Scheme (excluding directors of the Company and directors and employees of the Company's parent company and its subsidiaries) (the "Beneficiaries") and transfer such Trust Shares to the Beneficiaries upon the exercise of their share options under the Share Option Scheme.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Consolidation of special purpose entity and treasury shares (continued)

The Company will be entitled, from time to time, during the period commencing from the date of the Trust Deed and ending upon the termination of the Trust, to appoint a new trustee in substitution of the existing Trustee. The Company is entitled to the benefit of any remaining funds, investments or assets which are placed under the control of the Trustee upon termination of the Trust. Based on the foregoing provisions, the Company therefore consolidates the Trust as part of the Company in its separate and consolidated financial statements. The Trust Shares are accounted for as treasury shares as they are issued by the Company and held by the Trust, which is considered as part of the Company. However, the Trust Shares are not regarded as treasury shares pursuant to the Singapore Companies Act, Chapter 50 and the Trustee has the power, *inter alia*, to vote or abstain from voting in respect of the Trust Shares at any general meeting of the Company in its absolute discretion and to waive its right to receive dividends in respect of the Trust Shares as it deems fit.

The Group's own equity instruments, which are reacquired ("treasury shares") are recognised at cost 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Buildings and improvements on freehold land $'000	Leasehold land, buildings and improvements $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Linen, china, glassware and silverware, etc. $'000	Capital work-in-progress $'000	Total $'000
Cost									
At 1 January 2016	2,865	14,801	21,558	8,681	4,515	125	62	–	52,607
Additions	–	–	–	109	435	–	–	–	544
Disposals	–	–	–	–	(6)	–	–	–	(6)
Write-off	–	–	–	–	(1)	–	–	–	(1)
Transfer to development properties (note 12)	–	(79)	–	–	–	–	–	–	(79)
Translation adjustments	(12)	(220)	(989)	(376)	(160)	(4)	(3)	–	(1,764)
At 31 December 2016 and 1 January 2017	2,853	14,502	20,569	8,414	4,783	121	59	–	51,301
Additions	**–**	**–**	**–**	**81**	**118**	**–**	**–**	**142**	**341**
Disposals	**–**	**–**	**–**	**(4)**	**–**	**–**	**–**	**–**	**(4)**
Disposal of a subsidiary	**–**	**–**	**(20,144)**	**(7,244)**	**(2,488)**	**(52)**	**(58)**	**–**	**(29,986)**
Write-off	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**–**	**(1)**
Translation adjustments	**13**	**251**	**(425)**	**(128)**	**390**	**1**	**(1)**	**–**	**101**
At 31 December 2017	**2,866**	**14,753**	**–**	**1,119**	**2,802**	**70**	**–**	**142**	**21,752**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land $'000	Buildings and improvements on freehold land $'000	Leasehold land, buildings and improvements $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Linen, china, glassware and silverware, etc. $'000	Capital work-in-progress $'000	Total $'000
Accumulated depreciation and impairment loss									
At 1 January 2016	99	704	6,705	3,139	1,860	84	62	–	12,653
Depreciation for the year	–	453	462	479	679	17	–	–	2,090
Disposals	–	–	–	–	(6)	–	–	–	(6)
Transfer to development properties (note 12)	–	(5)	–	–	–	–	–	–	(5)
Translation adjustments	(2)	(22)	(306)	(143)	(91)	(4)	(3)	–	(571)
At 31 December 2016 and 1 January 2017	97	1,130	6,861	3,475	2,442	97	59	–	14,161
Depreciation for the year	**–**	**442**	**417**	**413**	**639**	**10**	**–**	**–**	**1,921**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Disposal of a subsidiary	**–**	**–**	**(7,136)**	**(3,070)**	**(1,920)**	**(49)**	**(58)**	**–**	**(12,233)**
Translation adjustments	**2**	**27**	**(142)**	**(42)**	**380**	**–**	**(1)**	**–**	**224**
At 31 December 2017	**99**	**1,599**	**–**	**776**	**1,541**	**58**	**–**	**–**	**4,073**
Net carrying amount									
At 31 December 2016	2,756	13,372	13,708	4,939	2,341	24	–	–	37,140
At 31 December 2017	**2,767**	**13,154**	**–**	**343**	**1,261**	**12**	**–**	**142**	**17,679**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Cost			
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	**69**	**5**	**74**
Accumulated depreciation			
At 1 January 2016	65	5	70
Depreciation charge for the year	4	–	4
At 31 December 2016 and 1 January 2017	69	5	74
Depreciation charge for the year	–	–	–
At 31 December 2017	**69**	**5**	**74**
Net carrying amount			
At 31 December 2016	–	–	–
At 31 December 2017	**–**	**–**	**–**

As of 31 December 2017, the assets of a subsidiary with a carrying amount of $17.1 million (2016: $17.5 million) are mortgaged to secure bank facilities extended to that subsidiary (note 18).

The carrying amount of motor vehicles held under finance lease at the end of the financial year was $9,000 (2016: $14,000). Leased assets are pledged as security for the related finance lease liabilities.

In 2016, 1 unit of high-rise apartment with carrying amount of $74,000 was transferred to development properties from property, plant and equipment as the high-rise apartment is no longer used by the Group for staff accommodation and made available for sale.

Sources of estimation uncertainty

The costs of property, plant and equipment are depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be between 3 to 50 years. The Group reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilisation and internal technical evaluation. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in these factors. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation expense and decrease non-current assets. A 3% difference in the expected useful lives of property, plant and equipment from management's estimates would result in approximately 0.07% (2016: 18%) variance in the Group's profit/(loss) before tax.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Sources of estimation uncertainty (continued)

An impairment exist when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The Group estimates the recoverable amounts of its property, plant and equipment based on the fair value of the property, plant and equipment determined by independent professional valuers or the value in use of the property, plant and equipment determined by management. The fair values are based on market values, being the estimated amount for which an asset 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. The value in use calculation uses cash flows projection based on the expected cash flows over the economic useful life of the asset, discounted at rates which reflect the specific risks relating to the asset. Based on management's assessment at the end of the reporting period, no impairment has been recognised for its property, plant and equipment for both 2017 and 2016. However, the recoverable amounts could change significantly as a result of changes in market conditions and the assumptions used in determining the value in use arising from circumstances beyond control of the Group. With regard to the assessment of value in use of the asset, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the asset to materially exceed its recoverable amount.

4. INVESTMENT PROPERTY

	Group	
	2017	**2016**
	$'000	**$'000**
At 1 January	**2,109**	1,602
Fair value gain on an investment property (note 21)	**–**	561
Translation adjustment	**53**	(54)
At 31 December	**2,162**	2,109
Income Statement:		
Rental income from an investment property		
– Minimum lease payments	**76**	136
Direct operating expenses (including repairs and maintenance) arising from rental generating property	**(53)**	(67)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

4. INVESTMENT PROPERTY (continued)

Details of the investment property as at 31 December 2017 are as follows:

Location	Description	Existing use	Tenure	Land area (m^2)	Floor area (m^2)	Owned by
Kea Farm, Brinchang, Cameron Highlands, Pahang Malaysia	Entertainment complex	Shops	Freehold	5,643	6,375	Augustland Sdn. Bhd.

Investment property is stated at fair value, which has been determined based on valuation as at 31 December 2017 performed by an independent professional valuer that has appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value of investment property is based on market comparison and cost method. In valuing the investment property, due consideration is given to factors such as location and size of building, building infrastructure, market knowledge and historical comparable transactions to arrive at their opinion of value.

5. SUBSIDIARIES

	Company 2017 $'000	Company 2016 $'000
Unquoted shares, at cost	**211,093**	226,586
Preference shares, at cost	**–**	18,850
Impairment loss	**(176,491)**	(176,491)
	34,602	68,945
Impairment loss		
At 1 January	**176,491**	227,163
Written back	**–**	(15,302)
Write-off	**–**	(35,370)
At 31 December	**176,491**	176,491

In 2017, a wholly-owned subsidiary of the Company, LKN Investment International Pte. Ltd. ("LKNII") redeemed 11 million convertible redeemable preference shares ("CRPS") out of the total of 13 million existing CRPS at a redemption price of $1.45 each.

The Company disposed of its entire equity interest, including the remaining CRPS in LKNII in November 2017 (see note 19).

In 2016, the Company recognised a write-back of impairment loss of $15,302,000. The Company assessed that there is an indication that impairment loss previously recognised for the subsidiary, LKN Development Pte. Ltd. ("LKND") has decreased as Augustland Hotel Sdn. Bhd. has been profitable since it was acquired by the Group's subsidiary, Augustland Sdn. Bhd. on 8 July 2014.

5. SUBSIDIARIES (continued)

Two wholly-owned subsidiaries of the Company, LKN Construction Pte. Ltd. and Joo Chiat Holding Pte Ltd were struck off on 7 November 2016. As a result, the cost of investment and impairment loss was reduced by $38,370,000 and $35,370,000 respectively in 2016.

Details of the subsidiaries are as follows:

Name of company	Principal activities	Place of incorporation	Group's effective equity interest 2017 %	2016 %
Held by the Company:				
LKN Development Pte. Ltd. (i)	Property development and investment, project and property management	Singapore	**100**	100
LKN Investment International Pte. Ltd. (ii)	Foreign investment holding	Singapore	**–****	100
Equatorial Hotel Management Pte. Ltd. (i)	Hotel management and consultancy	Singapore	**100**	100
Equality Hotel Management Sdn. Bhd. (iii)	Hotel management and consultancy	Malaysia	**100**	100
Whitebox Computer Pte Ltd (vi)	Dormant	Singapore	**100**	100
Held by LKN Development Pte. Ltd.:				
Mallink Realty Pte Ltd (vi)	Dormant	Singapore	**100**	100
Sims Development Pte Ltd (vi)	Dormant	Singapore	**100**	100
Augustland Sdn. Bhd. (iii)	Property investment and development	Malaysia	**100**	100
Nirwana Properties Sdn. Bhd. (iii)	Investment holding	Malaysia	**100**	100
Shanghai Yu Rong Hotel Equipment and Supplies Co., Ltd (iv)	Dormant	The People's Republic of China (the "PRC")	**100**	100
Victory Heights Sdn. Bhd. (iii)	Property investment and development	Malaysia	**97***	97*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

5. SUBSIDIARIES (continued)

Name of company	Principal activities	Place of incorporation	Group's effective equity interest 2017 %	Group's effective equity interest 2016 %
Held by LKN Investment International Pte. Ltd.:				
Shanghai Hutai Real Estate Development Co., Ltd (v)	Owns and operates a serviced apartment building in Shanghai, the PRC	The PRC	**–****	100
Held by Equatorial Hotel Management Pte. Ltd.:				
Shanghai Fengzhe Hotel Management Co., Ltd (vi)	Hotel and property management	The PRC	**80**	–
Held by Augustland Sdn. Bhd.:				
Augustland Hotel Sdn. Bhd. (iii)	Hotel development and operation	Malaysia	**100**	100
Held by Nirwana Properties Sdn. Bhd.:				
Victory Heights Sdn. Bhd. (iii)	Property investment and development	Malaysia	**3***	3*

* The total effective equity interest held by the Group is 100% (2016: 100%) as 97% (2016: 97%) is held by LKN Development Pte. Ltd. and 3% (2016: 3%) is held by Nirwana Properties Sdn. Bhd., a wholly-owned subsidiary.

** Disposed in 2017.

(i) Audited by Ernst & Young LLP, Singapore.

(ii) Audited by Ernst & Young LLP, Singapore (for Group reporting purpose).

(iii) Audited by member firm of EY Global.

(iv) Audited by Shanghai Zhong Hui Certified Public Accountants Co., Ltd., the PRC.

(v) Audited by member firm of EY Global (for Group reporting purpose).

(vi) Not required to be audited.

6. ASSOCIATE

	Group 2017 $'000	Group 2016 $'000
Unquoted equity shares, at cost	**490**	490
Share of post-acquisition accumulated losses	**(297)**	(296)
Translation adjustments	**(134)**	(135)
	59	59

Movements in the Group's share of the associate's post-acquisition accumulated losses are as follows:

	Group 2017 $'000	Group 2016 $'000
At 1 January	**(296)**	(295)
Share of results after tax	**(1)**	(1)
At 31 December	**(297)**	(296)

Details of the associate are as follows:

Name of company	Principal activities	Place of incorporation	Group's effective equity interest 2017 %	Group's effective equity interest 2016 %
Held through subsidiaries:				
Sinjori Sdn. Bhd. [(i)]	Property investment and development	Malaysia	**28**	28

(i) Audited by member firm of EY Global.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

6. ASSOCIATE (continued)

The summarised financial information in respect of Sinjori Sdn. Bhd., not adjusted by the percentage ownership held by the Group 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

	Group	
	2017	**2016**
	$'000	**$'000**
Current assets	**11**	10
Non-current assets excluding goodwill	**336**	327
Total assets	**347**	337
Current liabilities	**110**	128
Non-current liabilities	**26**	–
Total liabilities	**136**	128
Net assets	**211**	209
Proportion of the Group's ownership	**28%**	28%
Group's share of net assets, representing carrying amount of the investment	**59**	59

Summarised statement of comprehensive income

	Group	
	2017	**2016**
	$'000	**$'000**
Loss after tax	**(3)**	(2)

No impairment loss was recognised in 2017 and 2016.

7. JOINT VENTURES

The Group has interests in the following joint ventures:

Name of company	Percentage of interest held 2017 %	2016 %	Place of Incorporation	Principal activities
Held through subsidiaries:				
Copthorne Hotel Qingdao Co., Ltd ("CHQ")	**–***	60	The PRC	Owns and operates a hotel in Qingdao, the PRC
Shanghai Hengshan Equatorial Hotel Management Co., Ltd. ("SHEHM")[(i)]	**49**	49	The PRC	Hotel and property management
HL Heritage Sdn. Bhd. ("HL Heritage") [(ii)]	**60**	60	Malaysia	Property development and property investment holdings

* Disposed in 2017.

(i) Audited by Baker Tilly China Certified Public Accountants, Shanghai, the PRC.

(ii) Audited by member firm of EY Global.

The Group's investment in CHQ was presented as part of the disposal group classified as held for sale as at 31 December 2016 (note 16) and the disposal was completed on 19 October 2017 (note 19).

The Group has nil% (2016: 60%), 49% (2016: 49%) and 60% (2016: 60%) interests in the ownership and voting rights in joint ventures, CHQ, SHEHM and HL Heritage respectively that are held through subsidiaries. The Group jointly controls these ventures with the other partners under the contractual agreements and requires unanimous consent for all major decisions over the relevant activities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

7. JOINT VENTURES (continued)

Summarised financial information in respect of CHQ, SHEHM and HL Heritage based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	CHQ		SHEHM & HL Heritage		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Summarised balance sheet						
Cash and cash equivalents	–	–	**961**	1,034	**961**	1,034
Trade receivables	–	–	**172**	165	**172**	165
Other current assets	–	–	**184**	33	**184**	33
Total assets	–	–	**1,317**	1,232	**1,317**	1,232
Current financial liabilities	–	–	**188**	116	**188**	116
Other current liabilities	–	–	**39**	36	**39**	36
Total liabilities	–	–	**227**	152	**227**	152
Net assets	–	–	**1,090**	1,080	**1,090**	1,080
Net assets excluding goodwill	–	–	**1,090**	1,080	**1,090**	1,080
Group's share of net assets, representing carrying amount of the investment	–	–	**538**	533	**538**	533

NOTES TO THE FINANCIAL STATEMENTS

7. JOINT VENTURES (continued)

	CHQ		SHEHM & HL Heritage		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Summarised statement of comprehensive income						
Revenue	–	783	**570**	554	**570**	1,337
Cost of sales	–	(882)	**(2)**	(8)	**(2)**	(890)
Gross (loss)/profit	–	(99)	**568**	546	**568**	447
Interest income	–	–	**8**	13	**8**	13
Depreciation	–	(430)	**–**	–	**–**	(430)
Operating expenses	–	(606)	**(127)**	(137)	**(127)**	(743)
Interest expense	–	(285)	**–**	–	**–**	(285)
(Loss)/profit before tax	–	(1,420)	**449**	422	**449**	(998)
Income tax expense	–	–	**(113)**	(107)	**(113)**	(107)
(Loss)/profit for the year, representing total comprehensive (loss)/income for the year	–	(1,420)	**336**	315	**336**	(1,105)
Group's share of results of joint ventures, net of tax	–	(852)	**164**	154	**164**	(698)

Dividend of $154,000 was paid by SHEHM in 2017 (2016: $124,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

7. JOINT VENTURES (continued)

The Company's wholly-owned subsidiary, LKNII, together with the joint venture partner of CHQ, had on 23 February 2016, listed the entire equity interest in CHQ on the Shanghai United Assets and Equity Exchange for sale. As a result, the investment in CHQ was reclassified to asset held for sale and the Group discontinued the use of equity method to recognize the interest in CHQ. Consequently, the Group only shared the loss incurred by CHQ up to 23 February 2016 instead of 31 December 2016. As at 31 December 2016, the interest in CHQ is carried at $30,000 as asset held for sale.

On 19 October 2017, the Group completed the disposal of its interest in CHQ and asset held for sale was transferred to income statement.

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Non-trade receivables				
- joint ventures	**101**	366	**–**	–
- associate	**26**	23	**–**	–
- subsidiaries	**–**	–	**5**	5
Allowance for doubtful debts	**–**	(59)	**–**	–
	127	330	**5**	5
Current				
Trade receivables				
- joint venture	**–**	1,666	**–**	–
- third parties	**280**	440	**–**	–
Allowance for doubtful debts	**(8)**	(1)	**–**	–
	272	2,105	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

8. TRADE AND OTHER RECEIVABLES (continued)

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Current				
Non-trade receivables				
- subsidiaries	**–**	–	**–**	18
- third parties	**6,275**	262	**6,021**	110
Loans to a joint venture	**–**	4,149	**–**	–
Tax recoverable	**9**	6	**9**	6
Allowance for doubtful debts	**(196)**	–	**–**	–
	6,088	4,417	**6,030**	134
Deposits	**134**	201	**53**	53
	6,494	6,723	**6,083**	187
Total trade and other receivables (current and non-current)	**6,621**	7,053	**6,088**	192
Less: Tax recoverable	**(9)**	(6)	**(9)**	(6)
Total trade and other receivables, excluding tax recoverable (note 27)	**6,612**	7,047	**6,079**	186
Add: Cash and bank balances (note 13)	**60,486**	19,806	**46,525**	4,005
Total loans and receivables	**67,098**	26,853	**52,604**	4,191

The non-current non-trade amounts due from joint ventures, associate and subsidiaries are unsecured, non-interest bearing and are to be settled in cash. These amounts are not expected to be repaid within the next 12 months.

The current trade amounts due from joint venture are unsecured, non-interest bearing and repayable upon demand. In 2017, amounts were fully settled in cash.

The current non-trade amounts due from subsidiaries are unsecured, non-interest bearing and repayable upon demand. In 2017, amounts were fully settled in cash.

The current trade and non-trade amounts due from third parties are unsecured, non-interest bearing and repayable upon demand except for an amount of $5,849,000 relating to money deposited in an escrow account pending finalisation of tax payable for the disposal of LKNII.

As at 31 December 2016, loans to a joint venture are unsecured, interest bearing at 62.5% of People's Bank of China base lending rate and repayable in varying period within the next 12 months. In 2017, amounts were fully settled.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

8. TRADE AND OTHER RECEIVABLES (continued)

Credit risk

Concentration of credit risk relating to trade receivables is limited due to the Group's customers are internationally dispersed. The Group's historical experience in the collection of trade receivables falls within the recorded allowances. Due to these factors, the Group believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

The maximum exposure to credit risk for trade and other receivables by type of customer (excluding tax recoverable and deposits) at the end of the reporting period is as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Corporate	**6,061**	384	**5,982**	109
Travel agents	**81**	70	**–**	–
Credit cards	**67**	111	**–**	–
Joint ventures	**101**	6,122	**–**	–
Subsidiaries	**–**	–	**5**	23
Associate	**26**	23	**–**	–
Others	**142**	136	**39**	1
	6,478	6,846	**6,026**	133

The ageing of trade and other receivables (excluding deposits and tax recoverable), amounts due from joint ventures, associate and subsidiaries and loans to a joint venture at the reporting date is as follows:

	2017		2016	
	Gross receivables $'000	Allowance for doubtful debts $'000	Gross receivables $'000	Allowance for doubtful debts $'000
Group				
Not past due	**5,972**	**–**	3,070	–
Past due 0 to 30 days	**310**	**(6)**	478	(1)
Past due 31 to 120 days	**76**	**(3)**	317	–
Past due 121 days to one year	**75**	**(30)**	1,307	–
More than one year	**249**	**(165)**	1,734	(59)
	6,682	**(204)**	6,906	(60)
Company				
Not past due	**5,924**	**–**	17	–
Past due 0 to 30 days	**97**	**–**	93	–
Past due 31 to 120 days	**–**	**–**	–	–
Past due 121 days to one year	**–**	**–**	–	–
More than one year	**5**	**–**	23	–
	6,026	**–**	133	–

8. TRADE AND OTHER RECEIVABLES (continued)

Allowance for doubtful debts

Trade and other receivables that are impaired at the end of the reporting period and the movement of the allowance for doubtful debts are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Current				
At 1 January	**1**	8	**–**	–
Charge for the year	**199**	2	**–**	–
Written back	**–**	(7)	**–**	–
Written off	**(1)**	(1)	**–**	–
Translation adjustment	**5**	(1)	**–**	–
At 31 December	**204**	1	**–**	–
Non-current				
At 1 January	**59**	59	**–**	–
Disposal of investment in a joint venture	**(59)**	–	**–**	–
At 31 December	**–**	59	**–**	–

Trade and other receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The Group maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the receivables. These factors include, but are not limited to, the length of the Group's relationship with the debtors, their payment behaviour and known market factors. The Group reviews the age and status of receivables, and identifies receivables which require allowance to be made on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgement or utilised different estimates.

9. OTHER ASSET

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Non-current asset				
Deferred expenditure	**62**	54	**–**	–

The Company's wholly-owned subsidiary, LKND had on 15 March 2016 signed an option to purchase with a buyer for the sale of lands at Punggol 17th Avenue ("Punggol Lands"). The deferred expenditure relate to the legal fees for the said sale and will be transferred to the profit or loss upon completion of the sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

10. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting and movements during the financial year are as follows:

Group	At 1 January $'000	Recognised in profit or loss (note 23) $'000	Disposal of a subsidiary $'000	Exchange differences $'000	At 31 December $'000
2017					
Deferred tax liabilities					
Unremitted earnings from overseas sourced income	**120**	**–**	**(120)**	**–**	**–**
Fair value adjustments on an investment property	**27**	**–**	**–**	**1**	**28**
	147	**–**	**(120)**	**1**	**28**
2016					
Deferred tax liabilities					
Unremitted earnings from overseas sourced income	120	–	–	–	120
Fair value adjustments on an investment property	–	28	–	(1)	27
	120	28	–	(1)	147

Unrecognised deferred tax assets

At the end of the reporting period, deferred tax assets relating to the following temporary differences have not been recognised:

	Group 2017 $'000	Group 2016 $'000
Unutilised capital and investment tax allowances	**21,995**	22,189
Unutilised tax losses	**66,499**	67,003
	88,494	89,192

The use of the unutilised tax losses and unutilised capital and investment tax allowances is subject to agreement by the tax authorities and compliance with certain provisions of the tax regulations in the respective countries in which the tax losses and capital and investment tax allowances arose. The above temporary differences are available for offset against future taxable profits of the companies in which the temporary differences arose and do not expire under current tax legislation. Deferred tax assets are not recognised in respect of the above items in accordance with the Group's accounting policy as set out in note 2.25 due to uncertainty of its recoverability.

10. DEFERRED TAX (continued)

Unrecognised deferred tax liabilities

As at 31 December 2017, besides the deferred tax liabilities of $28,000 (2016: $147,000) recognised on fair value gain on an investment property held by a subsidiary, there was no recognised deferred tax liability (2016: $nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries or joint ventures as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future and the remittance of earnings of the Group's joint ventures requires consensus from all venture partners.

Source of estimation uncertainty

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provision is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile. If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by $17,601,000 (2016: $17,741,000).

11. INVENTORIES

	Group	
	2017	**2016**
	$'000	**$'000**
Hotel supplies, at cost	**113**	91

12. DEVELOPMENT PROPERTIES

	Group	
	2017	**2016**
	$'000	**$'000**
Freehold land	**3,791**	3,720
Development costs	**11,082**	10,887
Allowance for anticipated losses	**(9,992)**	(9,749)
	4,881	4,858

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12. DEVELOPMENT PROPERTIES (continued)

Movements in the carrying amounts of development properties are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
At 1 January	**4,858**	4,870
Transfer from property, plant and equipment (note 3)	**–**	74
Sale of development property	**(77)**	–
Translation adjustment	**100**	(86)
At 31 December	**4,881**	4,858

No borrowing cost has been capitalised in 2017 and 2016.

Movements in the allowance for anticipated losses are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
At 1 January	**9,749**	9,960
Translation adjustment	**243**	(211)
At 31 December	**9,992**	9,749

Details of the development properties are as follows:

Type of development	Location	Status of completion at 31.12.2017	Tenure/ Group's effective interest in property	Land area (m^2)	Gross floor area (m^2)
Resort development [i]	Kea Farm, Brinchang, Cameron Highlands, Pahang Malaysia	Completed in 1998	Freehold (100%)	–	141
Land	Lot 1046 Mukim Ulu Telom Cameron Highlands, Pahang Malaysia	–	Freehold (100%)	598	–

12. DEVELOPMENT PROPERTIES (continued)

Type of development	Location	Status of completion at 31.12.2017	Tenure/ Group's effective interest in property	Land area (m^2)	Gross floor area (m^2)
Land	Lot 1049 Mukim Ulu Telom Cameron Highlands, Pahang Malaysia	–	Freehold (100%)	7,803	–
Shops and offices	Lot 981 Kawasan Bandar VII, Daerah Melaka Tengah, Malaysia	Work on the project has been suspended at the end of 1998	Freehold (100%)	4,229	41,740
2 plots of land	Plot MK21-U242W and Plot MK21-U243V, Punggol, Singapore	–	Freehold (100%)	675	–

(i) In 2016, 1 unit of high-rise apartment with carrying amount of $74,000 was transferred to development properties from property, plant and equipment as the high-rise apartment is no longer used by the Group for staff accommodation and made available for sale.

Source of estimation uncertainty

The Group estimates the net realizable values of the development properties by taking into consideration the development plan, expected development costs, current market prices of comparable properties and the prevailing property market conditions. Based on management's assessment at the end of the reporting period, no allowance for anticipated losses (2016: $nil) is recognised for its development properties. However, the net realizable values could change significantly as a result of changes in market conditions and the assumptions used in determining the value in use arising from circumstances beyond the control of the Group. Management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the development properties to materially exceed its net realizable values.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

13. CASH AND BANK BALANCES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and on hand	**11,238**	6,752	**8,708**	1,998
Bank deposits	**49,248**	13,054	**37,817**	2,007
Cash and bank balances	**60,486**	19,806	**46,525**	4,005
Less: Long term fixed deposits and restricted cash at bank	**(12,189)**	–	**(12,189)**	–
Cash and cash equivalents	**48,297**	19,806	**34,336**	4,005

As at 31 December 2016, cash and bank balances of the Group includes an amount of $2,846,000 being held by an overseas subsidiary, that is subject to foreign currency remittance restrictions.

As at 31 December 2017, restricted cash at bank amounting to $1,950,000 (2016: nil) relates to retention money deposited in a joint signatory account with the buyer of LKNII pending finalisation of tax payable for the disposal of LKNII.

Fixed deposits are made for varying periods, depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective deposit rates. The weighted average effective interest rates at the end of the reporting period for the Group and the Company are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	%	**%**	**%**	**%**
Singapore Dollar	**1.215**	1.499	**1.224**	1.514
Chinese Renminbi	**–**	1.350	**–**	–
Malaysian Ringgit	**3.261**	3.258	**–**	–

14. SHARE CAPITAL

	Group and Company				
	Ordinary Shares		Preference Shares		
	No. of ordinary shares issued	**Paid-up capital $'000**	**No. of NCCPS issued**	**Paid-up capital $'000**	**Total paid-up capital $'000**
At 1 January 2016	96,318,419*	133,770	158,394	3	133,773
New ordinary shares issued arising from conversion of NCCPS	2,899	#	(28,998)	(#)	#
At 31 December 2016 and 1 January 2017 and 31 December 2017	**96,321,318***	**133,770**	**129,396**	**3**	**133,773**
Trust Shares	**(2,418,917)**	**(3,980)**	**–**	**–**	**(3,980)**
At 31 December 2016 and 1 January 2017 and 31 December 2017	**93,902,401**	**129,790**	**129,396**	**3**	**129,793**

less than $1,000

14. SHARE CAPITAL (continued)

* The ordinary shares issued includes 2,418,917 ordinary shares after Share Consolidation (as defined below) held as Trust Shares by Amicorp Trustees (Singapore) Limited as trustee of the Trust established by the Company to facilitate the implementation of the HL Global Enterprises Share Option Scheme 2006.

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. The ordinary shares have no par value.

In 2015, the Company undertook a share consolidation of every ten (10) existing issued ordinary shares in the share capital of the Company into one (1) consolidated ordinary share, which was approved by the shareholders at the Extraordinary General Meeting of the Company held on 21 April 2015 ("Share Consolidation").

Following the completion of the Share Consolidation, which became effective on 14 May 2015, the number of ordinary shares of the Company as at 31 December 2015 was reduced to 96,318,419 ordinary shares as per the Accounting and Corporate Regulatory Authority's records, after disregarding any fractions of ordinary shares arising from the Share Consolidation.

Non-redeemable convertible cumulative preference shares ("NCCPS")

The Company issued 197,141,190 NCCPS at an issue price of $0.02 each on 4 July 2006, expiring on the tenth anniversary of the NCCPS issue date, and 197,011,794 NCCPS have been converted into ordinary shares in the capital of the Company.

The NCCPS shall, subject to the terms and conditions thereof, carry the right to receive, out of the profits of the Company available for payment of dividends, a fixed cumulative preferential dividend of 10% per annum of the issue price for each NCCPS (the "Preference Dividend"). Other than the Preference Dividend, the NCCPS holders shall have no further right to participate in the profits or assets of the Company. NCCPS holders shall have no voting rights except under certain circumstances referred to in the Singapore Companies Act, Chapter 50 set out in the terms of the NCCPS.

The NCCPS are not listed nor quoted on the Official List of SGX-ST. However, the holders of the NCCPS are able to exercise their rights to convert the NCCPS into new ordinary shares at the adjusted NCCPS conversion ratio of one (1) new ordinary share for every ten (10) NCCPS following the completion of the Share Consolidation, subject to the terms and conditions of the NCCPS. Such new ordinary shares will be listed and quoted on the Official List of the SGX-ST when issued.

In accordance with the terms and conditions of the NCCPS, the rights of NCCPS holders to convert all or any of their NCCPS into fully paid ordinary shares in the capital of the Company had lapsed on 4 July 2016 (being the date of expiry of the NCCPS Conversion Period). NCCPS are perpetual securities and there is no mandatory conversion of the NCCPS upon the expiry of the NCCPS Conversion Period.

In 2016, the Company issued a total of 2,899 new ordinary shares, pursuant to the conversion of 28,998 NCCPS, at an issue price of $0.02 for each NCCPS, thus bringing the total issued and paid-up ordinary share capital as at 31 December 2016 to $133,770,764.03 comprising 96,321,318 ordinary shares. The NCCPS conversion ratio is one (1) new ordinary share for every ten (10) NCCPS converted.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

14. SHARE CAPITAL (continued)

Equity capital contributed by parent

In connection with the establishment of the Trust, Grace Star, a controlling shareholder of the Company and a wholly-owned subsidiary of China Yuchai International Limited, which is in turn a subsidiary of Hong Leong Asia Ltd., had, on 13 January 2012, transferred 24,189,170 Series B RCPS, representing 100% of the remaining unconverted Series B RCPS, to the Trustee for a nominal consideration of $1.00 for the purpose of the Trust.

Pursuant to the Articles of Association of the Company, the 24,189,170 Series B RCPS held by the Trustee were mandatorily converted into 24,189,170 new ordinary shares in the capital of the Company on 16 January 2012, and the new ordinary shares which rank *pari passu* in all respects with the existing ordinary shares, were held by the Trustee as Trust Shares under the Trust. After the Share Consolidation on 14 May 2015, the number of trust shares was reduced to 2,418,917 trust shares.

As disclosed in note 2.27, the Trust Shares are accounted for as treasury shares as they are issued by the Company and held by the Trust, which is considered as part of the Company. The difference between the carrying amount of the Series B RCPS and the consideration paid is recognised as "Equity capital contributed by parent" within the equity.

Capital management

The Group defines "capital" to include funds raised through the issue of ordinary shares and NCCPS, as well as proceeds raised from debt facilities.

	Group	
	2017	**2016**
	$'000	**$'000**
Ordinary shares	**129,790**	129,790
NCCPS	**3**	3
Loans and borrowings (note 18)	**2,397**	71,953
Total capital	**132,190**	201,746

The Group's primary objective in capital management is to maintain an appropriate capital base so as to maintain investor, creditor and market confidence, and to continue to maintain the future development and growth of the business. To maintain or adjust the capital structure, the Group may issue new shares.

There were no changes in the Group's approach to capital management during the financial year.

Share option

The Company has adopted a share option for granting of options to eligible directors and employees of the Group, holding companies and associated companies.

The Share Option Scheme was approved by the shareholders at the extraordinary general meeting of the Company held on 29 September 2006 for an initial duration of 10 years (from 29 September 2006 to 28 September 2016). At the annual general meeting of the Company held on 29 April 2016, the shareholders approved the extension of the duration of the Share Option Scheme for a further period of 10 years from 29 September 2016 to 28 September 2026. Other than the extension of the duration of the Share Option Scheme, all other rules of the Share Option Scheme remain unchanged.

14. SHARE CAPITAL (continued)

Share option (continued)

The Share Option Scheme is administered by a committee (the "Share Option Scheme Committee") comprising the following members:

Andrew Goh Kia Teck	(appointed as Chairman on 1 March 2018)
Loo Hwee Fang	
Goh Kian Chee	(appointed on 1 March 2018)

Under the terms of the Share Option Scheme, the Share Option Scheme Committee may make offers of the grant of options to:

(i) Group Employees and Parent Group Employees (both as defined in the Share Option Scheme) which may be exercisable during an option exercise period commencing from the date that the option vests and expiring on the day preceding the tenth anniversary of its date of grant; and

(ii) Group Non-executive Directors, Parent Group Non-executive Directors, Associated Company Employees and Associated Company Non-executive Directors (all as defined in the Share Option Scheme) which may be exercisable during an option exercise period commencing from the date that the option vests and expiring on the day preceding the fifth anniversary of its date of grant.

The Share Option Scheme provides the Company with the flexibility of granting options to participants at Market Price (as defined in the Share Option Scheme) and/or with a discount (either up-front or a deferred discount) to the Market Price.

The aggregate number of ordinary shares in the capital of the Company ("Shares") over which options may be granted under the Share Option Scheme on any date, when added to the number of Shares issued and issuable in respect of all options granted under the Share Option Scheme shall not exceed 15% of the total number of issued Shares, excluding treasury shares, if any, on the day preceding the relevant date of grant. The aggregate number of Shares which may be offered by way of grant of options to Parent Group Employees and Parent Group Non-executive Directors collectively under the Share Option Scheme shall not exceed 20% of the total number of Shares available under the Share Option Scheme.

No option has been granted by the Company since the commencement of the Share Option Scheme.

15. RESERVES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Special reserve	**8,529**	8,529	**12,471**	12,471
Premium paid on acquisition of non-controlling interests	**(192)**	(192)	**–**	–
Currency translation reserve	**(2,024)**	(2,454)	**–**	–
Accumulated losses	**(61,482)**	(147,721)	**(70,725)**	(145,502)
	(55,169)	(141,838)	**(58,254)**	(133,031)

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For the financial year ended 31 December 2017

15. RESERVES (continued)

Special reserve

At an Extraordinary General Meeting of the Company on 10 September 1990, the shareholders approved a special resolution to cancel $12,471,000 of the sum standing to the credit of the Company's share premium account. This was approved by the Court on 12 October 1990. The amount of share premium cancelled was transferred to a special reserve account.

Premium paid on acquisition of non-controlling interests

The premium paid on acquisition of non-controlling interests represents difference between the consideration and the carrying value of the additional equity interest in a subsidiary acquired from its non-controlling interests.

Currency translation reserve

The currency translation reserve represents foreign 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.

Accumulated losses

As at 31 December 2016, the accumulated losses of the Group include the retained earnings of Group entities established in the PRC. In accordance with PRC laws, an amount of $656,000 that arose from the waiver of certain liabilities of a subsidiary in prior years cannot be used for profit appropriation.

16. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Sale of 60% of the equity interest in the capital of CHQ

The Company's wholly-owned subsidiary, LKNII, together with the joint venture partner of CHQ, had on 23 February 2016, listed the entire equity interest in CHQ on the Shanghai United Assets and Equity Exchange for sale. As a result, the investment in CHQ was reclassified as asset held for sale and the Group discontinued the use of equity method to recognize the interest in CHQ. Consequently, in 2016, the Group only shared the loss incurred by CHQ up to 23 February 2016 instead of 31 December 2016.

The investment in CHQ was previously reported in the PRC segment under geographical information. As at 31 December 2016, the investment in CHQ had been presented in the balance sheet as "Asset of disposal group classified as held for sale".

Balance sheet disclosures

The investment in CHQ classified as held for sale and the related currency translation reserve as at 31 December 2016 were as follows:

	Group 2016 $'000
Assets	
Joint venture	30
Asset of disposal group classified as held for sale	30
Reserve	
Currency translation reserve	3,132

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Amounts due to subsidiaries (non-trade)	**–**	–	**3,689**	2,851
Deferred income	**1,650**	590	**–**	–
	1,650	590	**3,689**	2,851
Current				
Amounts due to				
- subsidiaries (non-trade)	**–**	–	**–**	687
- related companies (non-trade)	**13**	7	**13**	7
Trade payables	**895**	793	**1**	1
Other payables	**545**	624	**24**	6
Deposits from tenants	**79**	874	**–**	–
Deferred income	**–**	61	**–**	–
Accrued expenses	**7,708**	474	**7,504**	215
Accrued employee benefits expense	**741**	651	**479**	327
Accrued interest payable	**–**	320	**–**	320
	9,981	3,804	**8,021**	1,563
Total trade and other payables (non-current and current)	**11,631**	4,394	**11,710**	4,414
Less: Other tax payable and deferred income	**(1,734)**	(935)	**(6)**	(6)
Total trade and other payables, excluding other tax payable and deferred income (note 27)	**9,897**	3,459	**11,704**	4,408
Add: Loans and borrowings (note 18)	**2,397**	71,953	**–**	68,000
Total financial liabilities carried at amortised cost	**12,294**	75,412	**11,704**	72,408

The Company's wholly-owned subsidiary, LKND had on 15 March 2016 signed an option to purchase with a buyer for the sale of Punggol Lands. The non-current deferred income relates to progress payments received for the said sale and will be transferred to the profit or loss upon completion of the sale.

The non-current amounts due to subsidiaries are non-trade in nature, unsecured and non-interest bearing. The current amounts due to subsidiaries and related companies are non-trade in nature, unsecured, non-interest bearing, repayable upon demand. In 2017, all current amounts due to subsidiaries have been fully settled in cash.

Trade payables and other payables are unsecured and non-interest bearing.

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For the financial year ended 31 December 2017

18. LOANS AND BORROWINGS

	Maturity	Group		Company	
		2017	2016	2017	2016
		$'000	$'000	$'000	$'000
Non-current					
Secured loans at bank's cost of funds + 2% p.a.	2019 – 2020	**2,393**	3,381	**–**	–
Finance lease liabilities		**–**	3	**–**	–
Unsecured nil% p.a. (2016: 1.938% p.a.) fixed rate SGD loan		**–**	68,000	**–**	68,000
		2,393	71,384	**–**	68,000
Current					
Secured loans at bank's cost of funds + 2% p.a.		**–**	564	**–**	–
Finance lease liabilities	2018	**4**	5	**–**	–
		4	569	**–**	–
Total loans and borrowings		**2,397**	71,953	**–**	68,000

Secured bank borrowings

The Group's secured bank borrowings relate to a subsidiary's secured bank borrowings in Malaysian Ringgit. These borrowings are interest bearing with different repayment periods, the earliest of which is March 2019 and the latest falling due in December 2020. These facilities are secured on the subsidiary's freehold land and building (note 3).

Unsecured loan

The Company issued $131,427,461 in principal amount of zero coupon unsecured non-convertible bonds due 2009 (the "Unsecured Bonds") in July 2006. The Unsecured Bonds were zero coupon bonds and did not bear any interest, except if on any date when the Unsecured Bonds or any of them become due to be redeemed or repaid. Unless previously redeemed or purchased and cancelled, the Company will redeem each Unsecured Bond at 119.405% of its outstanding principal amount (representing a gross redemption yield of 6% per annum on its principal amount compounded on a semi-annual basis) on the third anniversary of the date of issue of the Unsecured Bonds.

Pursuant to a loan agreement dated 18 February 2009 entered into between Venture Lewis Limited ("Venture Lewis"), a subsidiary of China Yuchai International Limited, and the Company, Venture Lewis had agreed to defer the receipt of $93 million of the redemption monies payable to Venture Lewis upon the redemption of the Unsecured Bonds in July 2009 through the conversion of such outstanding sum into an unsecured loan for a term of one year from 3 July 2009 to 3 July 2010 (the "2009 Loan"). The 2009 Loan was subsequently extended on an annual basis in 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017.

In 2017, the Group has prepaid the unsecured loan in full.

18. LOANS AND BORROWINGS (continued)

Finance lease liabilities

The Group has finance leases for motor vehicles. These leases do not have terms of renewal, purchase options and escalation clauses. The ownership of the leased items will be transferred to the Group at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

Group	Present value of payments $'000	Interest $'000	Minimum lease payments $'000
2017			
Not later than one year	**4**	**–**	**4**
Later than one year but not later than five years	**–**	**–**	**–**
	4	**–**	**4**
2016			
Not later than one year	3	1	4
Later than one year but not later than five years	5	–	5
	8	1	9

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

			Non-cash changes		
Group	2016 $'000	Cash outflows $'000	Foreign exchange movement $'000	Others $'000	2017 $'000
Secured loans					
- current	564	(1,552)	(2)	990	**–**
- non-current	3,381	(82)	84	(990)	**2,393**
Finance lease liabilities					
- current	5	(5)	1	3	**4**
- non-current	3	–	–	(3)	**–**
Unsecured fixed rate SGD loan	68,000	(68,000)	–	–	**–**
Total	71,953	(69,639)	83	–	**2,397**

The "others" column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time.

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For the financial year ended 31 December 2017

19. DISPOSAL OF A SUBSIDIARY AND INVESTMENT IN A JOINT VENTURE

During the financial year, the Group completed the disposal of investment in a joint venture, CHQ and a subsidiary, LKNII on 19 October 2017 and 22 November 2017 respectively. The disposal considerations were settled in cash.

The carrying value of assets and liabilities of CHQ, LKNII and LKNII's subsidiary, Shanghai Hutai Real Estate Development Co., Ltd ("Hutai") as at 19 October 2017 and 22 November 2017 respectively, and the cash flow effect of the disposal were as follows:

	Group 2017 $'000
Property, plant and equipment	**17,753**
Trade and other receivables	**2,295**
Prepayments	**20**
Cash and bank balances	**1,869**
Trade and other payables	**(763)**
Current tax payable	**(9)**
Deferred tax liabilities	**(120)**
Joint venture	**30**
	21,075
Gain on disposal of a subsidiary	**48,270**
Gain on disposal of investment in a joint venture	**38,542**
Gain on disposal of a subsidiary and investment in a joint venture	**86,812**
Realisation of foreign currency translation reserves upon disposal of foreign operations	**(2,883)**
Total consideration less cost of disposal	**105,004**
Less: Cash and bank balances of LKNII and Hutai disposed of	**(1,869)**
Net cash inflow on disposal of a subsidiary and investment in a joint venture upon full collection of sales proceeds and settlement of all expenses on the disposal	**103,135**
Less: Receivable of sales proceeds from buyer	**(5,849)**
Add: Accrued expenses on disposal of a subsidiary	**7,247**
Net cash inflow on disposal of a subsidiary and investment in a joint venture	**104,533**

20. REVENUE

	Group 2017 $'000	Group 2016 $'000
Revenue from hospitality and restaurant	**11,455**	13,624
Rental income from investment property	**76**	136
Revenue from sale of development property	**144**	–
	11,675	13,760

21. OTHER INCOME

	Group 2017 $'000	Group 2016 $'000
Interest income	**368**	398
Sundry income	**41**	29
Write-back of trade and other payables	**6**	–
Licence fee	**305**	293
Gain on disposal of investment in a joint venture (note 19)	**38,542**	–
Gain on disposal of a subsidiary (note 19)	**48,270**	–
Gain on disposal of property, plant and equipment	**–**	4
Write-back of impairment on trade receivables	**–**	7
Fair value gain on an investment property (note 4)	**–**	561
	87,532	1,292

22. FINANCE COSTS

	Group 2017 $'000	Group 2016 $'000
Interest expense:		
- bank borrowings	**196**	302
- unsecured loan from a related party	**616**	1,295
- finance lease liabilities	**1**	1
	813	1,598
Currency exchange losses – net	**411**	333
	1,224	1,931

23. INCOME TAX

	Group 2017 $'000	Group 2016 $'000
Consolidated income statement		
Current income tax		
- current income taxation	**341**	480
- over provision in respect of previous years	**(1)**	(1)
	340	479
Deferred income tax		
- movements in temporary differences	**–**	28
Income tax expense recognised in profit or loss	**340**	507

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For the financial year ended 31 December 2017

23. INCOME TAX (continued)

Statement of comprehensive income

There is no deferred tax expense related to the items recognised directly in other comprehensive income during the year (2016: $nil).

Relationship between tax expense and accounting profit or loss

A reconciliation between tax expense and the product of accounting profit or loss multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 is as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Profit before tax	**86,579**	356
Income tax using the Singapore tax rate of 17% (2016: 17%)	**14,718**	61
Non-deductible expenses	**641**	701
Income not subject to tax	**(14,935)**	(125)
Effect of different tax rates in foreign jurisdictions	**142**	292
Utilisation of tax losses and capital allowances[(i)]	**(500)**	(686)
Deferred tax assets not recognised[(i)]	**189**	203
Over provision in respect of previous years – current	**(1)**	(1)
Withholding tax expense	**86**	62
Income tax expense recognised in profit or loss	**340**	507

(i) Deferred tax assets are not recognised as it is uncertain that future taxable profits will be available against which the Group can utilise the benefits.

24. PROFIT/(LOSS) FOR THE YEAR, NET OF TAX

The following items have been included in arriving at profit/(loss) for the year, net of tax:

	Group	
	2017	**2016**
	$'000	**$'000**
Depreciation of property, plant and equipment	**1,921**	2,090
Bad debts written off	**2**	–
Employee benefits expense:		
- directors' fees	**310**	222
- salaries and bonuses	**2,782**	2,879
- employer's contribution to defined contribution plans	**417**	466
- other short-term benefits	**588**	555
Inventories recognised in cost of sales and other expenses	**1,137**	1,168
Operating lease expense	**228**	231
Property, plant and equipment written off	**1**	1
Impairment loss on trade and other receivables	**199**	2
Gain on disposal of property, plant and equipment	**–**	(4)
Audit fees:		
- auditor of the Company	**91**	85
- other auditors	**40**	49
Non-audit fees to other auditors	**39**	40

25. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing profit/(loss) for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings/(loss) per share is calculated by dividing profit/(loss) for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The NCCPS are considered anti-dilutive and disregarded in the computation of diluted earnings/(loss) per share.

The following table reflects the earnings/(loss) and share data used in the computation of basic and diluted earnings/(loss) per share for the years ended 31 December:

	Group	
	2017	**2016**
	$'000	**$'000**
Profit/(loss) for the year attributable to owners of the Company used in the computation of basic and diluted earnings/(loss) per share	**86,239**	(151)
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares		
Issued ordinary shares at beginning of the year	**96,321**	96,318
Effect of conversion of NCCPS	**–**	2
Less: Trust Shares	**(2,419)**	(2,419)
Weighted average number of ordinary shares for basic and diluted earnings/(loss) per share computation*	**93,902**	93,901
Earnings/(loss) per share attributable to owners of the Company (cents per share)		
Basic	**91.84**	(0.16)
Diluted	**91.84**	(0.16)

* Trust Shares (ordinary shares), held by the Trust, which is considered as part of the Company, were excluded for the earnings/(loss) per share computation as disclosed in note 2.27.

26. SEGMENT INFORMATION

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

26. SEGMENT INFORMATION (continued)

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

Investments and others	:	Investment holding and others
Hospitality and restaurant	:	Operating and management of hotels and restaurants
Property development	:	Development of properties for sale and rental and property and development project management

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment results before interest income and expenses, exchange differences, share of results of associate and joint ventures and income tax, as included in the internal management reports that are reviewed by the Board of Directors. Segment results are used to measure performance as management believes that such information is the most relevant in evaluating the results of each segment.

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

2017	Investments and others $'000	Hospitality and restaurant $'000	Property development $'000	Total $'000
Revenue				
- external revenue	76	11,455	144	11,675
- inter-segment revenue	–	–	41	41
	76	11,455	185	11,716
Elimination				(41)
				11,675
Reportable segment results	(1,472)	2,274	(694)	108
Other income (excluding interest income)	87,132	13	19	87,164
Interest income	87	168	113	368
Interest expense	(616)	(197)	–	(813)
Exchange (loss)/gain - net	(30)	(400)	19	(411)
Share of results of associate and joint ventures	–	165	(2)	163
Profit/(loss) before tax	85,101	2,023	(545)	86,579
Income tax expense				(340)
Profit for the year				86,239

26. SEGMENT INFORMATION (continued)

2017	Investments and others $'000	Hospitality and restaurant $'000	Property development $'000	Total $'000
Other segment items				
Capital expenditure				
- property, plant and equipment	**–**	**341**	**–**	**341**
Depreciation	**–**	**1,894**	**27**	**1,921**
Reportable segment assets	**54,793**	**21,720**	**15,553**	**92,066**
Investment in associate	**–**	**–**	**59**	**59**
Investment in joint ventures	**–**	**523**	**15**	**538**
Consolidated total assets	**54,793**	**22,243**	**15,627**	**92,663**
Consolidated total liabilities	**8,058**	**3,617**	**2,384**	**14,059**

2016	Investments and others $'000	Hospitality and restaurant $'000	Property development $'000	Total $'000
Revenue				
- external revenue	136	13,624	–	13,760
- inter-segment revenue	–	–	42	42
	136	13,624	42	13,802
Elimination				(42)
				13,760
Reportable segment results	(1,305)	3,329	(330)	1,694
Other income (excluding interest income)	885	6	3	894
Interest income	65	191	142	398
Interest expense	(1,295)	(303)	–	(1,598)
Exchange loss - net	(1)	(282)	(50)	(333)
Share of results of associate and joint ventures	–	(696)	(3)	(699)
(Loss)/profit before tax	(1,651)	2,245	(238)	356
Income tax expense				(507)
Loss for the year				(151)

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26. SEGMENT INFORMATION (continued)

2016	Investments and others $'000	Hospitality and restaurant $'000	Property development $'000	Total $'000
Other segment items				
Capital expenditure				
- property, plant and equipment	–	544	–	544
Depreciation	4	2,064	22	2,090
Reportable segment assets	6,306	50,111	14,793	71,210
Investment in associate	–	–	59	59
Investment in joint ventures	–	517	16	533
Consolidated total assets	6,306	50,628	14,868	71,802
Consolidated total liabilities	68,912	6,790	1,033	76,735

Geographical information

The Group operates principally in Singapore, Malaysia and the PRC. In presenting information on the basis of geographical information, segment revenue is based on the geographical location of operations. Segment non-current assets (excluding non-trade receivables and other asset) are based on the geographical location of the assets.

	Revenue 2017 $'000	Revenue 2016 $'000
Malaysia	**8,151**	8,782
The PRC	**3,524**	4,978
	11,675	13,760

	Non-current assets 2017 $'000	Non-current assets 2016 $'000
Malaysia	**19,915**	20,333
The PRC	**523**	19,508
	20,438	39,841

27. 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 credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group and the Company.

Risk management is carried out by the directors under policies approved by the Board of Directors. The Board of Directors provides guidance for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk and liquidity risk. 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.

Foreign currency risk

The Group is exposed to foreign currency risk arising from various currencies other than the respective functional currencies of the entities within the Group, primarily with respect to US Dollar, Chinese Renminbi and Malaysian Ringgit.

The Group has a number of investments in foreign subsidiaries and joint ventures, whose net assets are exposed to currency translation risk. Currency exposure on the net assets of the Group's subsidiaries and joint ventures is managed primarily through borrowings denominated in the relevant foreign currencies.

The Group's and Company's exposures to the various currencies are as follows:

Group	Singapore Dollar $'000	US Dollar $'000	Chinese Renminbi $'000	Malaysian Ringgit $'000	Hong Kong Dollar $'000
2017					
Trade and other receivables	**–**	**5,870**	**96**	**–**	**–**
Cash and bank balances	**–**	**2,210**	**–**	**102**	**–**
Trade and other payables	**(1,725)**	**(271)**	**(7,266)**	**–**	**(5)**
	(1,725)	**7,809**	**(7,170)**	**102**	**(5)**
2016					
Trade and other receivables	–	1,569	6,583	–	–
Cash and bank balances	–	476	–	161	–
Trade and other payables	(1,725)	(502)	(293)	–	–
	(1,725)	1,543	6,290	161	–

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27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

Company	US Dollar $'000	Chinese Renminbi $'000	Hong Kong Dollar $'000
2017			
Trade and other receivables	**5,870**	**96**	**–**
Cash and bank balances	**1,957**	**–**	**–**
Trade and other payables	**–**	**(7,266)**	**(5)**
	7,827	**(7,170)**	**(5)**
2016			
Trade and other receivables	–	110	–
Cash and bank balances	53	–	–
Trade and other payables	–	(15)	–
	53	95	–

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group and Company's profit/loss before tax to a reasonably possible change in the respective functional currencies of the Group entities against the Singapore Dollar, US Dollar, Chinese Renminbi, Malaysian Ringgit and Hong Kong Dollar exchange rates, with all other variables held constant.

A 10% (2016: 10%) strengthening of the functional currencies - Singapore Dollar and Malaysian Ringgit against the following currencies at the reporting date would increase/(decrease) the profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Impact against the following currencies							
	Group					Company		
Functional currencies	Singapore Dollar $'000	US Dollar $'000	Chinese Renminbi $'000	Malaysian Ringgit $'000	Hong Kong Dollar $'000	US Dollar $'000	Chinese Renminbi $'000	Hong Kong Dollar $'000
2017								
Singapore Dollar	**–**	**(781)**	**717**	**(10)**	**1**	**(783)**	**717**	**1**
Malaysian Ringgit	**173**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2016								
Singapore Dollar	–	(154)	(629)	(16)	–	(5)	(10)	–
Malaysian Ringgit	173	–	–	–	–	–	–	–

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

Judgements made in determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings at floating rates. An increase of 100 basis points (2016: 100 basis points) in interest rate at the reporting date would decrease the Group's profit before tax by approximately $24,000 (2016: the Group's profit before tax would decrease by approximately $39,000).

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 exposures to credit risk arises primarily from trade and other receivables. For cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets. The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and bank balances that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default. Information regarding financial assets that are either past due or impaired is disclosed in note 8.

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. Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

NOTES TO THE FINANCIAL STATEMENTS

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27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

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

		Cash flows			
Group	**Carrying amount $'000**	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 2 to 5 years $'000**	**More than 5 years $'000**
2017					
Financial assets					
Trade and other receivables, excluding tax recoverable (note 8)	6,612	6,612	6,485	127	–
Cash and bank balances (note 13)	60,486	60,486	60,486	–	–
Total undiscounted financial assets	67,098	67,098	66,971	127	–
Financial liabilities					
Variable interest rate loans	2,393	2,783	142	2,641	–
Finance lease liabilities	4	4	4	–	–
Trade and other payables, excluding other tax payable and deferred income (note 17)	9,897	9,897	9,897	–	–
Total undiscounted financial liabilities	12,294	12,684	10,043	2,641	–
Total net undiscounted financial assets/(liabilities)	54,804	54,414	56,928	(2,514)	–

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

Group	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000
2016					
Financial assets					
Trade and other receivables, excluding tax recoverable (note 8)	7,047	7,160	6,830	330	–
Cash and bank balances (note 13)	19,806	19,806	19,806	–	–
Total undiscounted financial assets	26,853	26,966	26,636	330	–
Financial liabilities					
Variable interest rate loans	3,945	4,633	808	3,825	–
Fixed interest rate loans	68,000	69,909	1,283	68,626	–
Finance lease liabilities	8	9	6	3	–
Trade and other payables, excluding other tax payable and deferred income (note 17)	3,459	3,459	3,459	–	–
Total undiscounted financial liabilities	75,412	78,010	5,556	72,454	–
Total net undiscounted financial (liabilities)/assets	(48,559)	(51,044)	21,080	(72,124)	–

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27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

		Cash flows			
Company	**Carrying amount $'000**	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 2 to 5 years $'000**	**More than 5 years $'000**
2017					
Financial assets					
Trade and other receivables, excluding tax recoverable (note 8)	6,079	6,079	6,074	5	–
Cash and bank balances (note 13)	46,525	46,525	46,525	–	–
Total undiscounted financial assets	52,604	52,604	52,599	5	–
Financial liabilities					
Trade and other payables, excluding other tax payable and deferred income (note 17)	11,704	11,704	8,015	3,689	–
Total undiscounted financial liabilities	11,704	11,704	8,015	3,689	–
Total net undiscounted financial assets/(liabilities)	40,900	40,900	44,584	(3,684)	–

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

Company	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000
2016					
Financial assets					
Trade and other receivables, excluding tax recoverable (note 8)	186	186	181	–	5
Cash and bank balances (note 13)	4,005	4,005	4,005	–	–
Total undiscounted financial assets	4,191	4,191	4,186	–	5
Financial liabilities					
Fixed interest rate loans	68,000	69,909	1,283	68,626	–
Trade and other payables, excluding other tax payable and deferred income (note 17)	4,408	4,408	1,557	–	2,851
Total undiscounted financial liabilities	72,408	74,317	2,840	68,626	2,851
Total net undiscounted financial (liabilities)/ assets	(68,217)	(70,126)	1,346	(68,626)	(2,846)

28. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value hierarchy

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

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Unobservable inputs for the asset or liability.

There have been no transfers between Level 1 to Level 3 fair value measurements during the financial years ended 31 December 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

28. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

Fair value hierarchy (continued)

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

	Fair value $'000	Valuation techniques	Unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
2017	2,162	Market comparison and cost method	Comparable price: Land $5 to $7 per square foot Retail building $72 to $180 per square foot	The estimated fair value increases with higher comparable price
2016	2,109	Market comparison and cost method	Comparable price: Land $5 to $7 per square foot Retail building $70 to $176 per square foot	The estimated fair value increases with higher comparable price

Assets and liabilities measured at fair value

Other than investment property mentioned above, the Group does not have any assets and liabilities that are measured in accordance with the fair value hierarchy listed above.

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

Non-current non-trade receivables from joint ventures, associate and subsidiaries (note 8) and non-current non-trade amounts due to subsidiaries (note 17)

Non-current non-trade receivables from joint ventures, associate and subsidiaries and non-current non-trade amounts due to subsidiaries have no repayment terms and are not expected to be repaid within the next 12 months. As the timing of the future cash flows arising from these amounts cannot be estimated reliably, the fair values of these amounts cannot be reliably measured.

The non-current loans and borrowings (note 18) are reasonable approximation of fair values as they are floating instruments that are re-priced to market interest rates on or near the reporting period or their interest rates approximate the market lending rate.

29. COMMITMENTS

As at 31 December 2017, the Group has a commitment of $492,000 (2016: $nil) to provide capital injection to its subsidiary, Shanghai Fengzhe Hotel Management Co., Ltd ("Shanghai Fengzhe"). The Group owns 80% interest in Shanghai Fengzhe and the remaining 20% interest is held by a company incorporated in the PRC.

As at 31 December 2017, the Group's commitment in respect of capital expenditure are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Property, plant and equipment		
- approved and contracted for	**348**	39

Operating lease commitment - as lessee

The Group leases office buildings and premises under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Not later than one year		
- with a related company	**36**	33
- with third parties	**186**	207
Later than one year but not later than five years		
- with a related company	**37**	37
- with third parties	**–**	13
	259	290

Operating lease commitment - as lessor

The Group leases out some of its assets. These non-cancellable leases have remaining lease terms of up to three years.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Not later than one year		
- with third parties	**103**	54
Later than one year but not later than five years		
- with third parties	**38**	10
	141	64

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entities within the Group, directly or indirectly, including any director (whether executive or otherwise) of that entities within the Group.

Key management personnel compensation comprises remuneration of directors and other key management personnel as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Short-term employee benefits	**972**	525
Employer's contribution to defined contribution plans	**27**	20
	999	545

Sale and purchase of goods and services

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

	Group	
	2017	**2016**
	$'000	**$'000**
Hotel management fees from joint ventures	**127**	259
Interest income from unsecured loan to a joint venture	**67**	88
Expenses paid/payable to related companies:		
Rental	**(38)**	(38)
Secretarial fees	**(207)**	(148)
General and administrative expenses	**(45)**	(33)
Franchise and sales and marketing fees	**(115)**	(157)
Interest expense on unsecured loan	**(616)**	(1,295)

Related companies exclude entities within the Group. Hong Leong Investment Holdings Pte. Ltd. is a controlling shareholder of these related companies.

Significant outstanding balances with related parties

Details of the outstanding balances with related parties are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Interest bearing loans and borrowings provided to a joint venture	**–**	4,149
Interest bearing loan and borrowing from a related party	**–**	68,000
Bank balances held with a related party	**35**	68

31. DIVIDENDS

	Group and Company	
	2017	2016
	$'000	$'000
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting		
- Final exempt (one-tier) dividend for 2017: 3 cents (2016: nil cents) per share	**2,890**	–
Dividends on NCCPS		
- Final exempt (one-tier) dividend for 2017: 2.3 cents (2016: nil cents) per share	**3**	–
	2,893	–

32. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 21 March 2018.

ANALYSIS OF SHAREHOLDINGS

As at 9 March 2018

Class of Shares	:	Ordinary Shares ("Shares")
Number of Ordinary Shares in issue	:	96,321,318
Number of Ordinary Shareholders	:	4,753
Voting Rights	:	One vote for one Share

As at 9 March 2018, there were no Shares held as treasury shares or as subsidiary holdings in the Company. 'Subsidiary holdings' is defined in the Listing Manual issued by Singapore Exchange Securities Trading Limited ("Listing Manual") to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

Range of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	163	3.43	6,153	0.01
100 – 1,000	2,582	54.32	1,256,318	1.30
1,001 – 10,000	1,680	35.35	6,270,160	6.51
10,001 – 1,000,000	321	6.75	16,593,717	17.23
1,000,001 and above	7	0.15	72,194,970	74.95
	4,753	100.00	96,321,318	100.00

Based on information available to the Company as at 9 March 2018, approximately 39.05% of the total number of issued Shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual is complied with.

Major Shareholders List – Top 20 as at 9 March 2018

No.	Name	No. of Shares Held	% *
1.	Grace Star Services Ltd.	47,107,707	48.91
2.	DBS Nominees (Private) Limited	12,570,506	13.05
3.	Ang Siew Joo	4,336,400	4.50
4.	Teo Teo Lee	3,402,600	3.53
5.	Amicorp Trustees (Singapore) Limited	2,418,917	2.51
6.	Maybank Kim Eng Securities Pte. Ltd.	1,355,720	1.41
7.	Teoh Cheng Chuan	1,003,120	1.04
8.	HL Bank Nominees (S) Pte Ltd	807,700	0.84
9.	United Overseas Bank Nominees (Private) Limited	795,487	0.83
10.	Ding Ping Too @ Ting Sik Chan	705,000	0.73
11.	Lim Sim Beng	532,600	0.55
12.	Raffles Nominees (Pte) Ltd	523,610	0.54
13.	Lim Bak	379,600	0.39
14.	Leung Kai Fook Medical Co Pte Ltd	377,900	0.39
15.	OCBC Nominees Singapore Private Limited	374,970	0.39
16.	Tay Yuan Xin	300,000	0.31
17.	Leong Sin Kuen	221,129	0.23
18.	Tan Kong Giap	215,500	0.22
19.	Helene Kang	200,000	0.21
20.	Ng Chong Kee	200,000	0.21
		77,828,466	80.79

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 9 March 2018.

ANALYSIS OF SHAREHOLDINGS

As at 9 March 2018

Substantial Shareholders

(As shown in the Register of Substantial Shareholders as at 9 March 2018)

Name	Direct Interest No. of Shares	Deemed Interest No. of Shares	Total Interest No. of Shares	Total Interest % [1]
Grace Star Services Ltd. ("Grace Star")	47,107,707	–	47,107,707	48.91
Constellation Star Holdings Limited	–	47,107,707 [2]	47,107,707	48.91
China Yuchai International Limited	–	47,107,707 [2]	47,107,707	48.91
HL Technology Systems Pte Ltd	–	47,107,707 [2]	47,107,707	48.91
Hong Leong (China) Limited	–	47,107,707 [2]	47,107,707	48.91
Hong Leong Asia Ltd.	–	47,107,707 [2]	47,107,707	48.91
Hong Leong Corporation Holdings Pte Ltd	–	47,107,707 [2]	47,107,707	48.91
Hong Leong Enterprises Pte. Ltd.	–	47,107,707 [2]	47,107,707	48.91
Hong Leong Investment Holdings Pte. Ltd.	–	47,107,707 [2]	47,107,707	48.91
Davos Investment Holdings Private Limited	–	47,107,707 [2]	47,107,707	48.91
Kwek Holdings Pte Ltd	–	47,107,707 [2]	47,107,707	48.91
DBS Bank Ltd. ("DBSB")	11,545,425	–	11,545,425	11.99
DBS Group Holdings Ltd ("DBSGH")	–	11,545,425 [3]	11,545,425	11.99
Temasek Holdings (Private) Limited ("Temasek")	–	11,545,425 [4]	11,545,425	11.99

Notes:

(1) The percentage of Shares held is based on the total number of issued Shares of the Company as at 9 March 2018.

(2) Each of these companies is deemed under Section 4 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA") to have an interest in the 47,107,707 Shares held directly by Grace Star, by reason of each of these companies being entitled, directly or indirectly, to exercise or control the exercise of not less than 20% of the votes attached to the voting shares in Grace Star.

(3) DBSGH is deemed under Section 4 of the SFA to have an interest in the 11,545,425 Shares held directly by DBSB.

(4) Temasek is deemed under Section 4 of the SFA to have an interest in the 11,545,425 Shares in which DBSGH has a deemed interest.

ANALYSIS OF SHAREHOLDINGS

As at 9 March 2018

Class of Shares	:	Non-Redeemable Convertible Cumulative Preference Shares ("NCCPS")		
Number of NCCPS in issue	:	129,396		
Number of NCCPS Holders	:	24		
Voting Rights	:	Class Meetings	–	Holders of NCCPS shall be entitled to attend, speak and vote at any class meetings of the holders of the NCCPS. Every holder of a NCCPS who is present in person (or by proxy or attorney or in the case of a corporation, a representative) at such class meetings shall have, on a show of hands, one vote and on a poll, one vote for every NCCPS of which he is the holder.
		General Meetings	–	Holders of NCCPS shall be entitled to attend (in person or by proxy or attorney or in the case of a corporation, a representative) any general meeting of the Company and shall have, on a show of hands, one vote and on a poll, one vote in respect of each NCCPS of which he is the holder if (i) dividends with respect to the NCCPS (or any part thereof) due and payable and accrued is in arrears and has remained unpaid for at least six months; (ii) the resolution in question varies the rights attached to the NCCPS; or (iii) the resolution in question is for the winding up of the Company. Except as provided above, holders of NCCPS shall not be entitled to attend or vote at general meetings of the Company.

Range of Holdings	No. of NCCPS Holders	%	No. of NCCPS Held	%
1 – 99	–	–	–	–
100 – 1,000	5	20.83	2,898	2.24
1,001 – 10,000	14	58.34	41,898	32.38
10,001 – 1,000,000	5	20.83	84,600	65.38
1,000,001 and above	–	–	–	–
	24	100.00	129,396	100.00

ANALYSIS OF SHAREHOLDINGS

As at 9 March 2018

Major NCCPS Holders List – Top 20 as at 9 March 2018

No.	Name	No. of NCCPS Held	%*
1.	Chan Yi Ping (Chen YiPing)	21,000	16.23
2.	Ma Siew Wai	21,000	16.23
3.	Lum Yim Fung	15,999	12.36
4.	Wah Geok Sum	15,000	11.59
5.	United Overseas Bank Nominees (Private) Limited	11,601	8.97
6.	Tey Peng Kee	9,000	6.96
7.	Teo Guat Khim	6,000	4.64
8.	Giam Li Chin	3,900	3.01
9.	Kwek Puay Swan	3,198	2.47
10.	Kiong Boon Tat	3,000	2.32
11.	Tan Yok Kua	3,000	2.32
12.	Teo Phu Puay	3,000	2.32
13.	Chee Chin Why	1,800	1.39
14.	DBS Nominees (Private) Limited	1,800	1.39
15.	Lau Ee Peng	1,800	1.39
16.	Kannanandiyil Anandavalli	1,500	1.16
17.	Tan Nam San	1,500	1.16
18.	Lim Keng Kong	1,200	0.93
19.	Teng Hong Yah	1,200	0.93
20.	Lim Geok Huay	798	0.62
		127,296	98.39

* The percentage of NCCPS held is based on the total number of issued NCCPS of the Company as at 9 March 2018.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Fifth Annual General Meeting (the "Meeting") of HL GLOBAL ENTERPRISES LIMITED (the "Company") will be held at M Hotel Singapore, Anson II, Level 2, 81 Anson Road, Singapore 079908, on Thursday, 26 April 2018 at 12.00 p.m. for the following purposes:

A. Ordinary Business:

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December ("FY") 2017 and the Auditor's Report thereon.

2. To declare a first and final one-tier tax exempt dividend of 3 cents per ordinary share for FY 2017 (FY 2016: Nil) ("First and Final Ordinary Dividend").

3. (a) To approve Directors' Fees of $205,000 for FY 2017 (FY 2016: $221,822).

   (b) To approve an ex-gratia payment of $105,000 to the Directors for FY 2017 (FY 2016: Nil).

4. To elect/re-elect the following Directors retiring in accordance with the Company's Constitution and who, being eligible, offer themselves for election/re-election:

   (a) Mr Andrew Goh Kia Teck

   (b) Mr Goh Kian Chee (appointed on 1 March 2018)

   Note: Mr Michael Yeo Chee Wee, who would be retiring in accordance with the Company's Constitution, has notified the Company that he will not be seeking re-election as a Director at the Meeting.

5. To re-appoint Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix their remuneration.

B. Special Business:

To consider and, if thought fit, to pass, with or without any modifications, the following resolutions as Ordinary Resolutions:

6. That authority be and is hereby given to the Directors to:

   (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (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 into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

   (b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Ordinary Resolution was in force, provided that:

(1) the aggregate number of shares to be issued pursuant to this Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument), does not exceed 50% of the total number of issued shares, excluding treasury shares, 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 (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed 20% of the total number of issued shares, excluding treasury shares, of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares, excluding treasury shares, of the Company shall be based on the total number of issued shares, excluding treasury shares, of the Company at the time this Ordinary Resolution is passed, after adjusting for:

    (i) 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 this Ordinary Resolution is passed; and

    (ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

7. That approval be and is hereby given to the Directors to offer and grant options ("Options") over shares of the Company in accordance with the provisions of the HL Global Enterprises Share Option Scheme 2006 (the "SOS") and to allot and issue from time to time such number of shares of the Company as may be required to be issued pursuant to the exercise of the Options granted under the SOS, provided that the aggregate number of new shares to be issued pursuant to the SOS shall not exceed 15% of the total number of issued shares of the Company from time to time, and provided further that the aggregate number of shares to be issued to certain categories of participants of the SOS collectively and individually during the entire operation of the SOS (subject to adjustments, if any, made under the SOS) shall not exceed such limits or (as the case may be) sub-limits as may be prescribed in the SOS.

NOTICE OF ANNUAL GENERAL MEETING

C. To Transact Any Other Ordinary Business

BY ORDER OF THE BOARD

Nor Aishah Binte Nasit
Yeo Swee Gim, Joanne
Company Secretaries

Singapore
2 April 2018

BOOKS CLOSURE DATE AND PAYMENT DATE FOR FIRST AND FINAL ORDINARY DIVIDEND

Subject to the approval of the shareholders at the Meeting for the payment of the First and Final Ordinary Dividend, the Share Transfer Books and Register of Members of the Company will be closed from 5.00 p.m. on 8 May 2018 up to (and including) 9 May 2018. Duly completed registrable transfers received by the Company's Registrars, KCK CorpServe Pte. Ltd. of 333 North Bridge Road, #08-00 KH KEA Building, Singapore 188721 up to 5.00 p.m. on 8 May 2018 will be registered before entitlements to the First and Final Ordinary Dividend are determined.

The proposed First and Final Ordinary Dividend, if approved by shareholders at the Meeting, will be paid on 23 May 2018.

Explanatory Notes:

1. With reference to item 3(a) of the Ordinary Business above, the structure of fees payable to Directors for FY 2017 can be found on page 20 of the Annual Report.

2. With reference to item 3(b) of the Ordinary Business above, a one-time ex-gratia payment totaling $105,000 is proposed. This is in recognition of the efforts and contributions made by the Directors in 2017 in connection with the disposals of LKN Investment International Pte. Ltd. and Copthorne Hotel Qingdao Co., Ltd. Further information on the proposed ex-gratia payment can be found on page 21 of the Annual Report.

3. With reference to item 4(a) of the Ordinary Business above, Mr Andrew Goh Kia Teck will, upon re-election as a Director of the Company, remain as the Lead Independent Director, Chairman of the Audit and Risk Committee ("ARC"), Remuneration Committee ("RC") and SOS Committee ("SOSC"), and as a member of the Nominating Committee.

   Key information on Mr Andrew Goh Kia Teck is found on page 7 of the Annual Report. Mr Goh has no shareholdings in the Company or any of its related corporations, and has no relationships with the Company, its 10% shareholders or its Directors.

4. With reference to item 4(b) of the Ordinary Business above, Mr Goh Kian Chee will, upon re-election as a Director of the Company, remain as a member of the ARC, NC, RC and SOSC. Mr Goh is considered an independent Director.

   Key information on Mr Goh Kian Chee is found on page 7 of the Annual Report. Mr Goh has no shareholdings in the Company or any of its related corporations, and has no relationships with the Company, its 10% shareholders or its Directors.

5. Mr Michael Yeo Chee Wee, who is due for retirement in accordance with the Company's Constitution, will not be seeking re-election as a Director at the Meeting.

6. The Ordinary Resolution set out in item 6 of the Special Business above, if passed, will empower the Directors of the Company from the date of the Meeting until the next AGM (unless such authority is previously revoked or varied at a general meeting), to issue shares and/or make or grant Instruments that might require new shares to be issued up to a number not exceeding 50% of the Company's total number of issued shares, excluding treasury shares, of the Company, of which up to 20% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued under this Ordinary Resolution will be calculated based on the total number of issued shares, excluding treasury shares, 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 this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

NOTICE OF ANNUAL GENERAL MEETING

7. The Ordinary Resolution set out in item 7 of the Special Business above, if passed, will empower the Directors to offer and grant Options under the SOS and to issue from time to time such number of shares of the Company pursuant to the exercise of such Options under the SOS subject to such limits or sub-limits as prescribed in the SOS. *(see note below on voting restrictions)*

   Voting restrictions pursuant to Rules 859 and 860 of the Listing Manual of SGX-ST:

   Please note that if a shareholder is eligible to participate in the SOS (including a director and/or employee of the Company and its subsidiaries and its designated parent company, Hong Leong Investment Holdings Pte. Ltd. and its subsidiaries), he should abstain from voting at the Meeting in respect of the Ordinary Resolution set out in item 7 in relation to the SOS, and should not accept nominations as proxies or otherwise for voting at the Meeting, in respect of the aforesaid Ordinary Resolution, unless specific instructions have been given in the proxy form on how the vote is to be cast for the aforesaid resolution.

Meeting Notes:

1. (i) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (ii) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore ("Companies Act").

2. A proxy need not be a member of the Company.

3. The form of proxy must be deposited at the office of the Company's Registrars, KCK CorpServe Pte. Ltd. at 333 North Bridge Road, #08-00 KH KEA Building, Singapore 188721, not less than 48 hours before the time appointed for holding the Meeting.

4. Completion and return of the form of proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the form of proxy to the Meeting.

5. Pursuant to Rule 730(A)(2) of the Listing Manual of SGX-ST, all resolutions at the Meeting shall be voted on by way of a poll.

6. With poll voting, members present in person or represented by proxy at the Meeting will be entitled to vote on a 'one-share, one-vote' basis. The detailed procedures for the poll voting will be explained at the Meeting.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

(a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable legislation, the Listing Manual of SGX-ST and/or other regulatory guidelines (collectively, the "Purposes");

(b) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

(c) 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.

NOTICE OF ANNUAL GENERAL MEETING

Statement Pursuant to Section 64A of the Companies Act

Non-Redeemable Convertible Cumulative Preference Shares ("NCCPS")

Class Meetings: Holders of NCCPS shall be entitled to attend, speak and vote at any class meetings of the holders of the NCCPS. Every holder of a NCCPS who is present in person (or by proxy or attorney or in the case of a corporation, a representative) at such class meetings shall have, on a show of hands, one vote and on a poll, one vote for every NCCPS of which he is the holder.

General Meetings: Holders of NCCPS shall be entitled to attend (in person or by proxy or attorney or in the case of a corporation, a representative) any general meeting of the Company and shall have, on a show of hands, one vote and on a poll, one vote in respect of each NCCPS of which he is the holder if (i) dividends with respect to the NCCPS (or any part thereof) due and payable and accrued is in arrears and has remained unpaid for at least six months; (ii) the resolution in question varies the rights attached to the NCCPS; or (iii) the resolution in question is for the winding up of the Company.

Except as provided above, holders of NCCPS shall not be entitled to attend or vote at general meetings of the Company.

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HL Global Enterprises Limited

Company Registration No. 196100131N
(Incorporated in the Republic of Singapore)

Proxy Form for 55th Annual General Meeting

IMPORTANT:

1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend, speak and vote at the AGM.
2. This Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF/SRS investors who hold ordinary shares through their CPF/SRS funds. CPF/SRS investors should contact their respective Agent Banks/SRS operators if they have any queries regarding their appointment as proxies.
3. 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 AGM dated 2 April 2018.

*I/We, (name) ______________________ with NRIC/Passport No. ______________

of (address) ____

being *a member/members of HL GLOBAL ENTERPRISES LIMITED (the "Company"), hereby appoint

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Ordinary Shares	**%**
Address			

*and/or

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Ordinary Shares	**%**
Address			

as *my/our *proxy/proxies to attend, speak and vote on *my/our behalf at the 55th Annual General Meeting of the Company (the "AGM") to be held at M Hotel Singapore, Anson II, Level 2, 81 Anson Road, Singapore 079908 on Thursday, 26 April 2018 at 12.00 p.m. and at any adjournment thereof in the following manner as specified below. *My/our *proxy/proxies may vote or abstain from voting at *his/their discretion on any of the resolutions where *I/we have not specified any voting instruction, and on any other matter arising at the AGM.

NOTE: Voting on all resolutions will be conducted by poll. If you wish to exercise 100% of your votes **For** or **Against** a resolution, please tick with "✓" in the corresponding box against that resolution. If you wish to split your votes, please indicate the number of votes **For** and/or **Against** that resolution.

No.	**Resolutions**		**For**	**Against**
A.	**ORDINARY BUSINESS:**			
1.	Adoption of the Directors' Statement and Audited Financial Statements together with the Auditor's Report thereon			
2.	Declaration of First and Final Ordinary Dividend			
3.	Approval of:	(a) Directors' Fees		
		(b) Ex-gratia payment to Directors		
4.	Election/re-election of Directors:	(a) Mr Andrew Goh Kia Teck		
		(b) Mr Goh Kian Chee		
5.	Re-appointment of Ernst & Young LLP as Auditor			
B.	**SPECIAL BUSINESS:**			
6.	Authority for Directors to issue shares and/or make or grant offers, agreements or options pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and the Listing Manual of Singapore Exchange Securities Trading Limited			
7.	Authority for Directors to offer and grant options and to issue shares in accordance with the provisions of the HL Global Enterprises Share Option Scheme 2006			

Dated this __________ day of ________________ 2018

Total No. of Ordinary Shares Held

____
Signature(s) of Member(s)/Common Seal

* Delete accordingly

NOTES: SEE OVERLEAF

NOTES:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

2. A proxy need not be a member of the Company.

3. Please insert the total number of ordinary shares held by you. If you have ordinary shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of ordinary shares. If you have ordinary shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of ordinary shares. If you have ordinary shares entered against your name in the Depository Register and ordinary shares registered in your name in the Register of Members, you should insert the aggregate number of ordinary shares. If no number is inserted, this form of proxy will be deemed to relate to all the ordinary shares held by you.

4. This form of proxy must be signed by the appointor or his attorney duly authorised in writing. Where the form of proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where a form of proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the form of proxy, failing which, the form of proxy may be treated as invalid.

5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM in accordance with its constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

6. Completion and return of this form of 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 this form of proxy to the AGM.

7. This form of proxy must be deposited at the office of the Company's Registrars, KCK CorpServe Pte. Ltd. at 333 North Bridge Road, #08-00 KH KEA Building, Singapore 188721, not less than 48 hours before the time appointed for holding the AGM.

8. The Company shall be entitled to reject the form of proxy 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 form of proxy (including any related attachment). In addition, in the case of ordinary shares entered in the Depository Register, the Company may reject any form of proxy lodged if the member, being the appointor, is not shown to have ordinary shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

Fold Here

PROXY FORM

Affix
Postage
Stamp
Here

HL GLOBAL ENTERPRISES LIMITED
c/o KCK CorpServe Pte. Ltd.
333 North Bridge Road
#08-00 KH KEA Building
Singapore 188721

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HL Global Enterprises Limited
Company Registration No. 196100131N

156 Cecil Street
#09-01 Far Eastern Bank Building
Singapore 069544